Data Storage Corp
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DATA STORAGE CORPORATION

Prospectus

1,763,317 Shares of common stock, par value $0.001

This prospectus relates to the resale from time to time of up to 1,763,317 shares (the "Put Shares") of the common stock of Data Storage Corporation, a Nevada corporation ("we", "our", "us", or the "Company"), by Southridge Partners II, LP, a Delaware limited partnership ("Southridge"), which Put Shares we will put to Southridge pursuant to an equity purchase agreement, dated as of November 29, 2011 (the "Effective Date"), by and between the Company and Southridge (the "Equity Purchase Agreement" or the "Equity Line of Credit").

The Equity Purchase Agreement permits us to "put" up to $20,000,000 of shares of our common stock to Southridge over a two year period commencing on the Effective Date. We may draw on the facility from time to time, as and when we determine appropriate in accordance with the terms and conditions of the Equity Purchase Agreement. We have no obligation to utilize the full amount available to us under the Equity Purchase agreement and therefore the actual proceeds that we draw down could be substantially less than the full amount.

The 1,763,317 Put Shares included in this prospectus represent a portion of the shares issuable to Southridge under the Equity Purchase Agreement. This portion was calculated as approximately 30% of the Company's public float as of February 3, 2012. The offered shares represented 6.1% of the currently outstanding shares of our common stock on April 12, 2012 and 5.8% of the outstanding shares of our common stock on April 12, 2012, including the offered shares. Our common stock is quoted on the OTC Bulletin Board under the symbol "DTST.OB". On May 4, 2012, the closing price of our common stock was $0.50 per share. Notwithstanding the foregoing, under the Equity Purchase Agreement, at no point may the number of Put Shares purchased by Southridge exceed the number of such shares that, when aggregated with all other shares of common stock then owned or deemed owned by Southridge beneficially, result in Southridge owning more than 9.99% of all of our outstanding common stock.

Southridge is an "underwriter" within the meaning of the Securities Act of 1933, as amended (the "Securities Act") in connection with the resale of the Put Shares purchased under the Equity Purchase Agreement. No other underwriter or person has been engaged to facilitate the sale of shares of our common stock in this offering. Southridge's obligation to purchase the Put Shares will terminate when the Company delivers a written notice to Southridge terminating the Equity Purchase Agreement, or on the earlier of (i) the date on which Southridge shall have purchased Put Shares pursuant to the Equity Purchase Agreement for an aggregate purchase price of the maximum commitment amount of $20,000,000, or (ii) the date occurring twenty-four (24) months from the Effective Date. For each share of our common stock purchased under the Equity Purchase Agreement, Southridge will pay us ninety two percent (92%) of the average of the lowest closing prices (the "Closing Prices") of our common stock reported by Bloomberg Finance L.P. during the five (5) trading day period (the "Valuation Period") commencing on the date a put notice (the "Put Notice") is delivered to Southridge (the "Put Date") in the manner prescribed in the Equity Purchase Agreement.

In the event that during a Valuation Period for any Put Notice, the Closing Price on any trading day falls more than twenty five percent (25%) below the Closing Price on the trading day immediately prior to the Put Date (the "Floor

Price"), then for each such trading day we shall be under no obligation to sell and Southridge's obligation to fund one-fifth (1/5th) of the put amount for each such trading day shall terminate and the put amount shall be adjusted accordingly. In the event that during a Valuation Period the Closing Price falls below the Floor Price for any two (2) trading days, not necessarily consecutive, then the balance of each party's right and obligation to purchase and sell the investment amount under such Put Notice shall terminate on such second trading day (the "Termination Day") and the investment amount shall be adjusted to include only one-fifth (1/5th) of the initial investment amount for each trading day during the Valuation Period prior to the Termination Day that the Closing Price equals or exceeds the Floor Price.

As a condition for the execution of the Equity Purchase Agreement by Southridge, we issued to Southridge a total of 50,000 shares of our common stock ("Restricted Stock") upon the execution of the Equity Purchase Agreement and we will issue an additional 50,000 shares of Restricted Stock to Southridge at the time of the first draw down notice and initial financing of $50,000 by Southridge pursuant to the terms of the Equity Purchase Agreement. The Restricted Stock are restricted securities as defined in Rule 144 under the Securities Act.

We will not receive any proceeds from the sale of these shares of common stock offered by Southridge. However, we will receive proceeds from the sale of the Put Shares under the Equity Purchase Agreement. The proceeds will be used for working capital and general corporate purposes, including acquisitions and/or capital expenditures. We will bear all costs associated with this registration.

Investing in our common stock involves risks. Before making any investment in our securities, you should read and carefully consider the risks described in the "Risk Factors" section beginning on page 7 of this prospectus.

You should rely only on the information contained in this prospectus or any prospectus supplement or amendment thereto. We have not authorized anyone to provide you with different information. This prospectus may only be used where it is legal to sell these securities. The information in this prospectus is only accurate on the date of this prospectus, regardless of the time of any sale of securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is May 7, 2012

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

Matters discussed in this prospectus and in our public disclosures, whether written or oral, relating to future events or our future performance, including any discussion, express or implied, of our annual growth, operating results, future earnings, plans and objectives, contain forward-looking statements. In some cases, you can identify such forward-looking statements by words such as “estimate,” “project,” “intend,” “forecast,” “future,” “anticipate,” “plan,” “ant “target,” “planning,” “positioned,” “continue,” “expect,” “believe,” “will,” “will likely,” “should,” “could,” “would,” “may” such terms and other comparable terminology that are not statements of historical fact. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Our actual results and timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under “Risk Factors” beginning on page 7 and elsewhere in this prospectus and in our other public filings with the Securities and Exchange Commission (the “SEC”). It is routine for internal projections and expectations to change as the year or each quarter of the year progresses, and therefore it should be clearly understood that all forward-looking statements and the internal projections and beliefs upon which we base our expectations included in this prospectus or other periodic reports are made only as of the date made and may change. We do not undertake any obligation to update or publicly release the result of any revision to these forward-looking statements to reflect events or circumstances occurring after the date they are made or to reflect the occurrence of unanticipated events.

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PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should read the entire prospectus carefully, especially the “Risk Factors” section beginning on page 7 and our financial statements and the related notes appearing at the end of this prospectus, before deciding to invest in our common stock. References to "Data Storage," “our,” "we," “us,” or the “Company” refer to Data Storage Corporation and its consolidated subsidiaries, unless the context indicates otherwise.

Our Company

The Company, through its units, provides cloud storage and cloud computing solutions to business, government, education, financial services and healthcare industries. We will continue to expand and provide a North American cloud storage and computing solution to organizations. We will continue to grow through acquisition of synergetic companies for product extensions as well as improved cash flow while building organically with our direct sales force and partnerships thereby building value for our clients and shareholders.

The Company is focused on the North American SMBs marketplace. SMBs are organizations that employ between 50 and 1500 persons. The Company’s current units provide data protection and business continuity solutions that assist organizations protect their computer data, minimize downtime, ensure regulatory compliance, insure retention policies and recover and restore data quickly. Through our three data centers in Westbury, New York, Boston, Massachusetts, and Warwick, Rhode Island and by leveraging leading technologies, we deliver and support a broad range of premium solutions for both Windows and IBM environments that assist our clients save time and money, gain more control of and better access to data, and enable the highest level of security for their data. We provide a full range of cloud computing and storage solutions that meet our client’s data protection, disaster recovery, and business continuity requirements. We offer our solutions and services by leveraging leading technologies, such as virtualization, cloud computing and cloud storage. We have SAS 70 Type II data centers in New York and Massachusetts. A major differentiator is that we offer solutions that vary in recovery times from 24 hours to minutes. Our solutions work with the majority of the operating systems in today’s business environment.

We are a Nevada corporation with headquarters in Garden City, New York. We were first incorporated in Delaware in August 2001 as a private company. Data Storage Corporation, the Nevada corporation was incorporated in March 2007. On October 20, 2008 we merged with Euro Trend Inc., a Nevada corporation (“Euro Trend”). Pursuant to a share exchange agreement, we received 13,357,143 shares of Euro Trend’s common stock. This transaction was accounted for as a reverse merger for accounting purposes. Accordingly, the Company as the accounting acquirer was regarded as the predecessor entity. On June 17, 2010, our wholly owned subsidiary Data Storage Corporation, a Delaware corporation (“Data Storage DE”) and SafeData, LLC, a Delaware limited liability company (“SafeData”) entered into an asset purchase agreement under which we acquired all right, title and interest in the end user customer base of SafeData and all related current and fixed assets and contracts including the transfer of all of SafeData’s current liabilities arising out of the business or the assets acquired. Pursuant to the asset purchase agreement with SafeData, we paid an aggregate purchase price equal to $4,300,000. Giving effect to certain holdback and contingency clauses as defined in the agreement, we paid $1,229,952 in cash and $850,000 in shares of our common stock as well as assumption of SafeData accounts payable and receivables.

We derive our revenues from the sale of subscription solutions on long term agreements with our clients that provide businesses protection of critical electronic data. In 2011, revenues consisted primarily of cloud computing, cloud storage and infrastructure-as-a-service offerings which include data vaulting, disaster recovery of data with standby computing environments for our clients and high availability (data replication) solutions. We deliver our services over highly reliable, redundant and secure fiber optic networks with separate and diverse routes to the Internet. The network and geographical diversity is important to clients seeking storage hosting and disaster recovery solutions, ensuring protection of data and continuity of business in the case of a network interruption.

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Business Strategy

Competitive Advantages

We are one of the few cloud storage and cloud computing providers that offer a range of solutions based on clients' recovery time objectives. We provide value beyond price with our 24/7/365 support teams. Our investment in a SAS 70 data centers, state of the art storage equipment from Hitachi and IBM; and, our partnership with NetApp and other leading providers of technology, sets us apart from the few competitors that provide our level of solutions and support. Our organizational acquisition strategy brings value to our client base by providing superior solutions of disaster recovery and business continuity. A clear example was the acquisition of SafeData in June 2010.

Products & Services:

We insure that a client can recover from a computer virus, a crashed computer server, a stolen or broken laptop or a natural disaster that destroyed a business' data center. We provide solutions based on the client's recovery time objective and their budget: high availability, providing an up time in less than thirty minutes; standby equipment for an eight hour recovery time; data vaulting with a timeframe that can range from minutes to twenty-four hours; and for clients looking to better manage the growing data from emails and files we offer lifecycle management of their data.

The following are descriptions of our services and solutions offered on a subscription basis:

SafeData High Availability ("SafeData HA")

Our SafeData HA service meets the high availability demands of companies that have recovery time objectives of 30 minutes or less. Combining best-in-class technologies from the industry's leading developers, SafeData HA is the Company's subscription-based high availability offering. For a monthly subscription fee, the Company creates and maintains a mirror of its clients' mission-critical systems and data at a secure off-site data center ensuring their business is "switch ready". During either planned or unplanned downtime, SafeData HA provides a switchable "mirror" of a company's data and applications providing availability in 30 minutes or less.

SafeData HA is available for the IBM System i, UNIX, AIX and Windows operating systems. Products on each platform share the same architecture, but use a different middleware product designed and priced for the platform's specific operating system. SafeData HA provides real-time system replication using standard Internet protocol. It is replicated to a server in our data centers.

In the event of an outage, our system becomes the production system. When the client's production system is again operational, our server updates the client's system with any new data. When downtime is planned, the client can switch to our server and run its production applications. Our carrier class SAS 70 data centers meet regulatory and compliance requirements for businesses in the financial, healthcare, legal, and life-science industries. Our facilities are equipped with redundant power, 24/7 security, data-grade HVAC, fire suppression, an independent water supply and redundant data routes from many metropolitan areas. With our subscription-based high availability offering, we provide small and mid-sized businesses access to cost effective best-in-class replication technologies.

SafeData Disaster Recovery ("SafeData DR")

Some organizations may not require real-time recovery. For those with recovery time objectives of 12 hours or less running in Windows, UNIX, Linux or IBM System i environments, our SafeData DR subscription-based service is a viable option requiring no initial capital expenditure. Leveraging electronic vaulting technology, SafeData DR is a cloud recovery service that gives organizations remote access to mirrored data and a fully functioning recovery system within hours of a disruption. SafeData DR instantly transfers data off-site to one of our secure data centers. All data is encrypted prior to transmission and remains encrypted “in-flight” and “at rest” to ensure protection and to meet today’s compliance standards.Our carrier class SAS 70 data centers meet regulatory and compliance requirements for businesses in the financial, healthcare, legal, and life-science industries. Our facilities are equipped with redundant power, 24/7 security, data-grade HVAC, fire suppression, an independent water supply and redundant data routes from many metropolitan areas. With our subscription-based standby server offering, we provide small and mid-sized businesses access to cost effective best-in-class disaster recovery with no capital expenditure. The SafeData/Disaster Recovery service supports all major network environments including Windows, OS/400 Linux/Unix, Mac OS X, AIX, Netware and VMware.

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SafeData Vault for Cloud Recovery & Archiving

We offer a fully automated service designed to reduce the overall costs associated with backup and recovery of application and file servers that enables organizations to centralize and streamline their data protection process. Business-critical data can be backed up any time, while servers are up and running. The essence of data backup is simply the scheduled movement of “point-in-time” snapshots of data across a network to a remote location. Our disk-to-disk backup and recovery solution is reliable and easy-to-use. As part of this service, we offer Continuous Data Protection (CDP), delta block processing, data de-duplication and large volume protection. The backup and recovery solution supports all major network environments.

SafeData Vault has significant advantages over traditional backup software. They include: immediate off-site backup, reduced backup windows, elimination of tape management issues, minimized costs associated with distributed backups, elimination of human intervention, encryption of all backed up data, and optimized bandwidth.

Agentless Architecture

Our cloud backup and Disaster Recovery solutions are comprised of an agentless architecture. This agentless solution requires our client software to be installed on only one system at a customer location. The client then manages all of the systems that are backed-up for storage and/or Disaster Recovery. The client provides a single windowpane solution for managing the entire back-up solution. The client allows the customer to set different back-up sets and retention policies for different systems from annual to daily, including an option for continuous data protection. For example, if the customer has a daily back-up with 30 (thirty) day retention, the customer has access to 30 (thirty) versions of the file as it existed on the day it was backed-up. The client software is configured with automatic upgrades to limit customer time for management. The client software is highly secure encrypting all data at the customer premises and the data remains encrypted during transport and while at rest at our data center. Our solution is FIPS 140-2 certified and utilizes AES 256 bit encryption.

Data Archiving – Lifecycle Management

There are multiple tiers of backup for active data. Operationally critical data requires more frequent backups on higher performance devices. By managing data throughout its life cycle, we can provide the best data protection, meet compliance regulations and improve recovery time objectives (“RTO”). Lifecycle Management offers policy-based long-term file archiving and automated searching/restoration of data from backup sessions reducing the cost of inactive files on-line and thus aligning the value of the information with the cost of protecting it. With Lifecycle Management, we can create restorable point-in-time copies of backup sets for historical reference to meet compliance objectives and create Certificates of Destruction. All of an enterprise’s data can be placed into one of two categories: (i) critical information which is needed for day-to-day operations and information that resides in the system’s primary storage for fast access, and (ii) important information, which is the historical, legal and regulatory information that can safely be archived to secondary storage, lower cost disk or tapes stored offsite.

Continuous Data Protection (“CDP”)

What if a database is corrupted in the middle of the workday? As data continually mounts in today’s fast paced business environment, organizations need to protect their systems on an ongoing basis, or risk losing mission-critical data, information, and transactions, as well as associated business revenue. CDP refers to data automatically protected whenever a change is made to that data (an asynchronous backup). Therefore, CDP enables data copies in real-time, capturing every version of the data whenever the customer saves it. It allows the data to be restored to any point in time. CDP solutions employ sophisticated input-output (“I/O”), CPU, and network throttling to achieve efficiency and reliability. Moreover, to protect against connectivity failures and interruptions, CDP features an auto resume mechanism that sustains replication and adapts according to the environment to achieve optimal and predictable performance.

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Our technology will identify and propagate only that sector of data to the disaster recovery (“DR”) site, effectively reducing bandwidth and storage consumption. CDP also employs data compression and encryption to maximize network bandwidth utilization and ensure end-to-end security between the primary and DR site.

A CDP solution allows unlimited granularity since data can be recovered from an infinite number of recovery point objectives (“RPO”). CDP protected files are protected whenever they are saved to disk in their source computers. CDP also continuously monitors the changes on the specified target files and backs up the changes as soon as they are detected. Our CDP is implemented as a no-cost backup option and can be applied to file systems and email backup sets to improve recovery of critical data.

Immediate Protection of Critical Data

Once protected data is saved to disk, it is backed up locally (if local storage is available) and simultaneously is sent encrypted to be stored offsite to our storage repository. Backup window and RTOs are reduced to zero.

Microsoft Exchange

Ensure business-critical e-mail data is protected against application or hardware-based corruption or loss, user error, or a natural disaster with our solution. Designed with ease of use in mind, our solution provides Exchange Server 2000/2003/2007 complete protection down to the individual mailbox or even an individual mail message.

SafeData/Cloud

SafeData/Cloud is a fully managed service, offering “Capacity on Demand” for IBM Power Systems (AS400, IBM i) and Windows based applications. This infrastructure as a service (IaaS) offering is a secure and reliable solution for any enterprise. The SafeData/Cloud allows our customers to customize and deploy a complete cloud infrastructure through a web-based portal built on VMware Cloud Director. Our team of experienced technicians manage and maintain this infrastructure. We also automatically update operating systems with new software releases and corresponding equipment required to support the newest operating systems. The SafeData/Cloud solution allows our customers to choose the processor, memory and storage resources they require. With this fine-tuned selection based solution, our customers only pay for the resources they utilize. Our carrier class SAS 70 data centers meet regulatory and compliance requirements for businesses in the financial, healthcare, legal, and life-science industries. Our facilities are equipped with redundant power, 24/7 security, data-grade HVAC, fire suppression, an independent water supply and redundant data routes from many metropolitan areas.

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The Offering

Common Stock Currently Outstanding	28,912,712(1)
Common Stock Offered by Selling Shareholders	1,763,317 shares of common stock, par value $0.001 issuable to Southridge pursuant to the Equity Purchase Agreement.
Common Stock Offered by the Company	N/A
Common Stock Outstanding After the Offering	30,676,029
Use of Proceeds	We are not selling any shares of common stock in this offering and, as a result, will not receive any proceeds from this offering.
OTC Bulletin Board Symbol	"DTST.OB"
Risk Factors	The shares of common stock offered hereby involves a high degree of risk and should not be purchased by investors who cannot afford the loss of their entire investment. See "Risk Factors" beginning on page 7.

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(1) As of April 12, 2012.

This offering relates to the resale from time to time of up to 1,763,317 shares of our common stock, par value $0.001 per share, by Southridge, which are the Put Shares that we will put to Southridge pursuant to the Equity Purchase Agreement. The 1,763,317 Put Shares included in this prospectus represent a portion of the shares issuable to Southridge under the Equity Purchase Agreement. This portion was calculated as approximately 30% of the Company's public float as of February 3, 2012. The offered shares represented 6.1% of the currently outstanding shares of our common stock on April 12, 2012 and 5.8% of the outstanding shares of our common stock on April 12, 2012, including the offered shares. On May 4, 2012, the closing price of our common stock was $0.50 per share. Notwithstanding the foregoing, under the Equity Purchase Agreement, at no point may the number of Put Shares purchased by Southridge exceed the number of such shares that, when aggregated with all other shares of common stock then owned or deemed owned by Southridge beneficially, result in Southridge owning more than 9.99% of all of our outstanding common stock.

On November 29, 2011, we entered into the Equity Purchase Agreement with Southridge under which Southridge has committed to purchase up to $20,000,000 of shares of our common stock over a two year period commencing on the Effective Date. For each share of our common stock purchased under the Equity Purchase Agreement, Southridge will pay ninety two percent (92%) of the average of the lowest Closing Prices of our common stock reported by Bloomberg Finance L.P. during the Valuation Period commencing on the date a Put Notice is delivered to Southridge in the manner prescribed in the Equity Purchase Agreement. Subject to certain limitations outlined below, we may, at our sole discretion, issue a Put Notice to Southridge, after which Southridge will be irrevocably bound to acquire such shares.

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In the event that during a Valuation Period for any Put Notice, the Closing Price on any trading day falls more than twenty five percent (25%) below the Floor Price, then for each such trading day we shall be under no obligation to sell and Southridge's obligation to fund one-fifth (1/5th) of the put amount for each such trading day shall terminate and the put amount shall be adjusted accordingly. In the event that during a Valuation Period the Closing Price falls below the Floor Price for any two (2) trading days, not necessarily consecutive, then the balance of each party's right and obligation to purchase and sell the investment amount under such Put Notice shall terminate on such second trading day and the investment amount shall be adjusted to include only one-fifth (1/5th) of the initial investment amount for each trading day during the Valuation Period prior to the Termination Day that the Closing Price equals or exceeds the Floor Price. Southridge's obligation to purchase the Put Shares will terminate on the earlier of (i) the date on which Southridge shall have purchased Put Shares pursuant to the Equity Purchase Agreement for an aggregate purchase price of the maximum commitment amount of $20,000,000, or (ii) the date occurring twenty-four (24) months from the Effective Date.

As a condition for the execution of the Equity Purchase Agreement by Southridge, we issued to Southridge a total of 50,000 shares of Restricted Stock upon the execution of the Equity Purchase Agreement and we will issue an additional 50,000 shares of Restricted Stock to Southridge at the time of the first draw down notice and initial financing of $50,000 by Southridge pursuant to the terms of the Equity Purchase Agreement. The Restricted Stock are restricted securities as defined in Rule 144 under the Securities Act. Pursuant to that provision, we could only issue an aggregate of 3,176,868 shares of our common stock to Southridge (based on our current 28,912,712 issued and outstanding shares of common stock as of April 12, 2012), including the 50,000 shares of Restricted Stock which we issued to Southridge upon the execution of the Equity Purchase Agreement. If we were to register all of the 3,176,868 shares of our common stock issuable to Southridge, based upon ninety two percent (92%) of the Closing Prices of our common stock reported by Bloomberg Finance L.P. during the past five (5) trading days, the total proceeds we would receive under the Equity Purchase Agreement is $1,121,920.

We are relying on an exemption from the registration requirements of the Securities Act, and/or Rule 506 of Regulation D promulgated thereunder. The transaction does involve a private offering, Southridge is an "accredited investor" and/or qualified institutional buyer, and Southridge has access to information about the Company and its investment.

There are substantial risks to investors as a result of the issuance of shares of our common stock under the Equity Purchase Agreement. These risks include dilution of shareholders, significant decline in our stock price and our inability to draw sufficient funds when needed.

Southridge will periodically purchase our common stock under the Equity Purchase Agreement and will, in turn, sell such shares to investors in the market at the market price. This may cause our stock price to decline, which will require us to issue increasing numbers of shares of common stock to Southridge to raise the same amount of funds as our stock price declines. The stock price will, however, be subject to the Floor Price provision in the Equity Purchase Agreement.

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RISK FACTORS

You should carefully consider the following risk factors discussed below and the matters addressed under “Cautionary Statements Regarding Forward-Looking Statements” on page v together with all other information presented in this prospectus, including our audited consolidated financial statements and related notes. The risks described below are not the only risks facing us or that may materially adversely affect our business. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business. If any of the following risks develop into actual events, our business, financial condition or results of operations could be materially adversely affected and you may lose all or part of your investment.

Risks Related to this Offering and Ownership of Our Common Stock

Because our common stock is quoted on the OTC Bulletin Board, your ability to sell shares in the secondary trading market may be limited.

The Company’s common stock is currently quoted on the OTC Bulletin Board under the symbol “DTST.OB”. Consequently, the liquidity of our common stock is impaired, not only in the number of shares that are bought and sold, but also through delays in the timing of transactions, and coverage by security analysts and the news media, if any, of the Company. Since we have no control over analysts, there is no guarantee that securities analysts will cover our common stock. If securities analysts do not cover our common stock, the lack of research coverage may adversely affect its market price. As a result, prices for shares of our common stock may be lower than might otherwise prevail if our common stock was quoted and traded on Nasdaq or a national securities exchange.

Because our shares are "penny stocks," you may have difficulty selling them in the secondary trading market.

Federal regulations under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) regulate the trading of so-called “penny stocks,” which are generally defined as any security not listed on a national securities exchange or Nasdaq, priced at less than $5.00 per share and offered by an issuer with limited net tangible assets and revenues. Since our common stock currently is quoted on the OTC Bulletin Board under the symbol “DTST.OB” at less than $5.00 per share, our shares are “penny stocks” and may not be traded unless a disclosure schedule explaining the penny stock market and the risks associated therewith is delivered to a potential purchaser prior to any trade.

In addition, the SEC has adopted a number of rules to regulate “penny stocks”. Such rules include Rules 3a51-1, 15g-1, 15g-2, 15g-3, 15g-4, 15g-5, 15g-6, 15g-7, and 15g-9 under the Exchange Act. These rules impose additional sales practice requirements on broker-dealers that sell to persons other than established customers and “accredited investors.” The term “accredited investor” refers generally to institutions with assets in excess of $5,000,000 or individuals with a net worth in excess of $1,000,000 (excluding the value of the primary residence of such person) or annual income exceeding $200,000 in each of the two most recent years or joint income with a spouse exceeding $300,000 for those years and a reasonable expectation of the same income level in the current year.

The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC, which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer’s account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer’s confirmation. In addition, the penny stock rules require that, prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common stock. The Financial Industry Regulatory Authority ("FINRA") sales practice requirements may also limit a stockbroker's ability to buy or sell our stock.

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In addition to the "penny stock" rules promulgated by the SEC, FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives, and other information. Under interpretation of these rules, the National Association of Securities Dealers ("NASD") believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy or sell our stock and have an adverse effect on the market for our shares.

Shareholders should also be aware that, according to the SEC, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include (i) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (ii) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (iii) "boiler room" practices involving high-pressure sales tactics and unrealistic price projections by inexperienced salespersons; (iv) excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and (v) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, leaving investors with losses. Our management is aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to the Company's securities.

As an issuer of "penny stock," the protection provided by the federal securities laws relating to forward-looking statements does not apply to us.

Although federal securities laws provide a safe harbor for forward-looking statements made by a public company that files reports under the federal securities laws, this safe harbor is not available to issuers of penny stocks. As a result, the Company will not have the benefit of this safe harbor protection in the event of any legal action based upon a claim that the material provided by the Company contained a material misstatement of fact or was misleading in any material respect because of the Company's failure to include any statements necessary to make the statements not misleading. Such an action could have a material adverse effect on our financial condition.

By virtue of being a public company, the Company is subject to certain regulations and expenses.

The Company is publicly-traded and, accordingly, subject to the information and reporting requirements of the U.S. securities laws. The U.S. securities laws require, among other things, review, audit, and public reporting of the Company's financial results, business activities, and other matters. Recent SEC regulation, including regulation enacted as a result of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), has also substantially increased the accounting, legal, and other costs related to becoming and remaining an SEC reporting company. The public company costs of preparing and filing annual and quarterly reports, and other information with the SEC, and furnishing audited reports to shareholders will cause the Company's expenses to be higher than if privately-held. In addition, the Company will incur substantial expenses in connection with the preparation of the registration statement and related documents with respect to the registration of the shares issued in this offering. Failure by the Company to comply with the federal securities laws could result in private or governmental legal action against the Company and/or our officers and directors, which could have a detrimental effect on the Company's business and finances, the value of the Company's stock, and the ability of shareholders to resell their stock.

Our stock price may be volatile and your investment in our common stock could suffer a decline in value.

Trading activities in the Company's common stock has been limited and prices volatile. There can be no assurance that a stable market will ever develop in the Company's common stock in the future. If a stable market does not develop, investors could be unable to sell their shares of the Company's common stock, possibly resulting in a complete loss of any funds invested. Should a stable market develop, the price may fluctuate significantly in response to a number of factors, many of which are beyond our control. These factors include:

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· acceptance of our products in the industry;

· announcements of technological innovations or new products by us or our competitors;

· government regulatory action affecting our products or our competitors' products;

· developments or disputes concerning patent or proprietary rights;

· economic conditions in the United States or abroad;

· actual or anticipated fluctuations in our operating results;

· broad market fluctuations; and

· changes in financial estimates by securities analysts.

We do not intend to pay any cash dividends to common shareholders in the foreseeable future and, therefore, any return on your investment in our capital stock must come from increases in the fair market value and trading price of the capital stock.

We have not paid any cash dividends on our common stock and do not intend to pay cash dividends on our common stock in the foreseeable future. We intend to retain future earnings, if any, for reinvestment in the development and expansion of our business. Any credit agreements, which we may enter into with institutional lenders, may restrict our ability to pay dividends. Whether we pay cash dividends in the future will be at the discretion of our board of directors (the “Board”) and will be dependent upon our financial condition, results of operations, capital requirements and any other factors that the Board decides is relevant. Therefore, any return on your investment in our capital stock must come from increases in the fair market value and trading price of the capital stock.

We may issue additional equity securities to fund the Company's operational requirements which would dilute your share ownership.

The Company’s continued viability may depend on its ability to raise capital. Changes in economic, regulatory or competitive conditions may lead to cost increases. Management may also determine that it is in the best interest of the Company to develop new services or products. In any such case, additional financing will likely be required for the Company to meet its operational requirements. There can be no assurances that the Company will be able to obtain such financing on terms acceptable to the Company and at times required by the Company, if at all. In such event, the Company may be required to materially alter its business plan or curtail all or a part of its operational plans as detailed further in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” beginning on page 26. While the Company currently has no offers to sell its securities to obtain financing, sale or the proposed sale of substantial amounts of our common stock in the public markets may adversely affect the market price of our common stock and our stock price may decline substantially. Also, any new securities issued may have greater rights, preferences or privileges than our existing common stock which may adversely affect the market price of our common stock and our stock price may decline substantially. The Company’s Amended Articles of Incorporation authorize the issuance of up to 250,000,000 total shares of common stock without additional approval by shareholders. As of April 12, 2012, we had 28,912,712 shares of common stock issued and outstanding.

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Rule 144 sales in the future may have a depressive effect on the Company's stock price.

All of the issued and outstanding shares of common stock held by the present officers, directors, and affiliate shareholders are "restricted securities" within the meaning of Rule 144 under the Securities Act. As restricted shares, these shares may be resold only pursuant to an effective registration statement or under the requirements of Rule 144 or other applicable exemptions from registration under the Securities Act and as required under applicable state securities laws. Rule 144 provides in essence that a person who is an affiliate or officer or director who has held restricted securities for at least one year may, under certain conditions, sell every three months, in brokerage transactions, a number of shares that does not exceed 1.0% of a company's outstanding common stock. There is no limit on the amount of restricted securities that may be sold by a non-affiliate after the owner has held the restricted securities for a period of six months if the company is a current, reporting company under the Exchange Act. A sale under Rule 144 or under any other exemption from the Securities Act, if available, or pursuant to a subsequent registration of shares of common stock of present shareholders, may have a depressive effect upon the price of the common stock in any market that may develop. In addition, if we are deemed a shell company pursuant to Section 12(b)-2 of the Securities Act, our "restricted securities", whether held by affiliates or non-affiliates, may not be re-sold for a period of twelve (12) months following the filing of a Form 10 level disclosure or registration pursuant to the Securities Act.

Our shareholders may suffer future dilution due to issuances of shares for various considerations in the future.

There may be substantial dilution to our shareholders purchasing in future offerings as a result of future decisions of the Board to issue shares without shareholder approval for cash, services, or acquisitions.

Our stock will in all likelihood be thinly traded and, as a result, investors may be unable to sell at or near ask prices or at all if they need to liquidate shares.

Our shares of common stock may be thinly-traded on the OTC Bulletin Board, meaning that the number of persons interested in purchasing shares of our common stock at or near ask prices at any given time may be relatively small or non-existent. This situation is attributable to a number of factors, including the fact that we are a small company which is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if the Company came to the attention of such persons, they tend to be risk-averse and would be reluctant to follow an unproven, early stage company such as ours or purchase or recommend the purchase of any of our securities until such time as it became more seasoned and viable. As a consequence, there may be periods of several days or more when trading activity in the our securities is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on the securities price. We cannot give investors any assurance that a broader or more active public trading market for shares of the Company's common stock will develop or be sustained, or that any trading levels will be sustained. Due to these conditions, we can give investors no assurance that they will be able to sell their shares at or near ask prices or at all if they need money or otherwise desire to liquidate their securities of the Company.

Certain Nevada Corporation Law provisions could prevent a potential takeover, which could adversely affect the market price of our stock.

We are incorporated in the State of Nevada. Certain provisions of Nevada corporation law could adversely affect the market price of our common stock. Because Nevada corporation law requires board approval of a transaction involving a change in our control, it would be more difficult for someone to acquire control of us. Nevada corporate law also discourages proxy contests making it more difficult for you and other shareholders to elect directors other than the candidate or candidates nominated by our Board.

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Risks Related to this Offering

We are registering an aggregate of 1,763,317 shares of common stock to be issued under the Equity Line of Credit; the sale of such shares could depress the market price of our common stock.

We are registering an aggregate of 1,763,317 shares of common stock under this registration statement for issuance pursuant to the Equity Line of Credit. These shares may be sold into the public market by Southridge. As of April 12, 2012 there were 28,912,712 shares of our common stock issued and outstanding, an additional 173,427 shares of our common stock issuable upon the exercise of outstanding warrants, and 2,474,142 shares of our common stock issuable upon the exercise of outstanding options.

Assuming the Company utilizes the maximum amount available under the Equity Line of Credit, existing shareholders could experience substantial dilution upon the issuance of common stock.

The Equity Line of Credit with Southridge contemplates the potential future issuance and sale of up to $20,000,000 of the Company's common stock to Southridge, subject to certain restrictions and obligations. We are limiting this registration statement to 1,763,317 shares of common stock with respect to the Equity Line of Credit. The following table is an example of the number of shares that could be issued at various prices assuming we utilize the maximum amount remaining available under the Equity Line of Credit:

Price Per Share	No of Shares Issuable (1)	Shares Outstanding After Issuance (2)	Percent of Shares Outstanding (3)
$0.75	26,666,667	55,579,379	48.0%
$0.50	40,000,000	68,912,712	58.0%
$0.25	80,000,000	108,912,712	73.5%

(1) Represents the number of shares of common stock issuable if the entire commitment of $20,000,000 under the Equity Line of Credit were drawn down at the indicated purchase prices.

(2) Based on 28,912,712 shares of common stock outstanding as of April 12, 2012.

(3) Percentage of total shares of common stock outstanding represented by shares issued under the Equity Line of Credit, after the issuance of the shares indicated.

We may not have access to the full amount available under the Equity Purchase Agreement.

We have not drawn down funds and have not issued shares of our common stock under the Equity Purchase Agreement with Southridge. Our ability to draw down funds and put shares to Southridge under the Equity Purchase Agreement requires that the registration statement, of which this prospectus is a part, be declared effective by the SEC, and that this registration statement continue to be effective. In addition, the registration statement of which this prospectus is a part registers 1,763,317 total shares of our common stock issuable under the Equity Purchase Agreement, and our ability to access the Equity Purchase Agreement to sell any remaining shares issuable under the Equity Purchase Agreement is subject to our ability to prepare and file one or more additional registration statements registering the resale of these shares, which we may not file until the later of 60 days after Southridge and its affiliates have resold substantially all of the common stock registered for resale under the registration statement of which this prospectus is a part, or six months after the effective date of the registration statement of which this prospectus is a part. These subsequent registration statements may be subject to review and comment by the Staff of the SEC, and will require the consent of our independent registered public accounting firm. Therefore, the timing of effectiveness of these subsequent registration statements cannot be assured. The effectiveness of these subsequent registration statements is a condition precedent to our ability to sell the shares of common stock subject to these subsequent registration statements to Southridge under the Equity Purchase Agreement. Even if we are successful in causing one or more registration statements registering the resale of some or all of the shares issuable under the Equity Purchase Agreement to be declared effective by the SEC in a timely manner, we will not be able to sell shares under the Equity Purchase Agreement unless certain other conditions are met. Accordingly, because our ability to draw down amounts under the Equity Purchase Agreement is subject to a number of conditions, there is no guarantee that we will be able to draw down any portion or all of the $20,000,000 available to us under the Equity Purchase Agreement. Pursuant to that provision, we could only issue an aggregate of 3,176,868 shares of our common stock to Southridge (based on our current 28,912,712 issued and outstanding shares of common stock as of April 12, 2012), including the 50,000 shares of Restricted Stock which we issued to Southridge upon the execution of the Equity Purchase Agreement. If we were to register all of the 3,176,868 shares of our common stock issuable to Southridge, based upon ninety two percent (92%) of the Closing Prices of our common stock reported by Bloomberg Finance L.P. during the past five (5) trading days, the total proceeds we would receive under the Equity Purchase Agreement is $1,121,920.

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Southridge will pay less than the then-prevailing market price for our common stock.

The common stock to be issued to Southridge pursuant to the Equity Purchase Agreement will be purchased at ninety two percent (92%) of the average of the lowest Closing Prices of our common stock reported by Bloomberg Finance L.P. during the Valuation Period commencing on the Put Date in the manner prescribed in the Equity Purchase Agreement. In the event that during a Valuation Period for any Put Notice, the Closing Price on any trading day falls more than twenty five percent (25%) below the Floor Price, then for each such trading day we shall be under no obligation to sell and Southridge's obligation to fund one-fifth (1/5th) of the put amount for each such trading day shall terminate and the put amount shall be adjusted accordingly. Southridge has a financial incentive to sell our common stock immediately upon receiving the shares to realize the profit equal to the difference between the discounted price and the market price. If Southridge sells the shares, the price of our common stock could decrease. If our stock price decreases, Southridge may have a further incentive to sell the shares of our common stock that it holds. These sales may have a further impact on our stock price.

The size of the put we are able to exercise may not permit us to generate adequate funds.

The Equity Purchase Agreement provides that the dollar value that we will be permitted to put to Southridge in any one transaction will be $250,000. Given our current rate of expenditure, it is possible that these puts may not provide adequate funding for our planned operations.

Risks Related to Our Business

Our business depends largely on the economy and financial markets, and a slowdown or downturn in the economy or financial markets could adversely affect our business and results of operations.

When there is a slowdown or downturn in the economy, a drop in stock market levels or trading volumes, or an event that disrupts the financial markets, our business and financial results may suffer for a number of reasons. Customers may react to worsening conditions by reducing their capital expenditures in general or by specifically reducing their information technology ("IT") spending. In addition, customers may curtail or discontinue trading operations, delay or cancel IT projects, or seek to lower their costs by renegotiating vendor contracts. Also, customers with excess IT resources may choose to take their information availability solutions in-house rather than obtain those solutions from us. Moreover, competitors may respond to market conditions by lowering prices and attempting to lure away our customers to lower cost solutions. If any of these circumstances remain in effect for an extended period of time, there could be a material adverse effect on our financial results. Because our financial performance tends to lag behind fluctuations in the economy, our recovery from any particular downturn in the economy may not occur until after economic conditions have generally improved.

Our acquisition program is an important element of our strategy but, because of the uncertainties involved, this program may not be successful and we may not be able to successfully integrate and manage acquired businesses.

Part of our growth strategy is to pursue additional acquisitions in the future. There can be no assurance that our acquisition program will continue to be successful. In addition, we may finance any future acquisition with debt, which would increase our overall levels of indebtedness and related interest costs. If we are unable to successfully integrate and manage acquired businesses, then our business and financial results may suffer. It is possible that the businesses we have acquired and businesses that we acquire in the future may perform worse than expected, be subject to an adverse litigation outcome or prove to be more difficult to integrate and manage than expected. If that happens, there may be a material adverse effect on our business and financial results for a number of reasons, including:

- we may have to devote unanticipated financial and management resources to acquired businesses;

- we may not be able to realize expected operating efficiencies or product integration benefits from our acquisitions;

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- we may have to write off goodwill or other intangible assets; and
- we may incur unforeseen obligations or liabilities (including assumed liabilities not fully indemnified by the seller) in connection with acquisitions.

If we are unable to identify suitable acquisition candidates and successfully complete acquisitions, our growth may be adversely affected.

Our growth has depended in part on our ability to acquire similar or complementary businesses on favorable terms. This growth strategy is subject to a number of risks that could adversely affect our business and financial results, including:

- we may not be able to find suitable businesses to acquire at affordable valuations or on other acceptable terms;
- we may face competition for acquisitions from other potential acquirers, some of whom may have greater resources than us or may be less highly leveraged, or from the possibility of an acquisition target pursuing an initial public offering of its stock;
- may have to incur additional debt to finance future acquisitions as we have done in the past and no assurance can be given as to whether, and on what terms, such additional debt will be available; and
- we may find it more difficult or costly to complete acquisitions due to changes in accounting, tax, securities or other regulations.

Catastrophic events may disrupt or otherwise adversely affect the markets in which we operate, our business and our profitability.

Our business may be adversely affected by a war, terrorist attack, natural disaster or other catastrophe. A catastrophic event could have a direct negative impact on us or an indirect impact on us by, for example, affecting our customers, the financial markets or the overall economy. The potential for a direct impact is due primarily to our significant investment in our infrastructure. Although we maintain redundant facilities and have contingency plans in place to protect against both man-made and natural threats, it is impossible to fully anticipate and protect against all potential catastrophes. Despite our preparations, a security breach, criminal act, military action, power or communication failure, flood, severe storm or the like could lead to service interruptions and data losses for customers, disruptions to our operations, or damage to our important facilities. The same disasters or circumstances that may lead to our customers requiring access to our availability services may negatively impact our own ability to provide such services. Our three largest data centers are particularly important, and a major disruption at one or more of those facilities could disrupt or otherwise impair our ability to provide services to our availability services customers. If any of these events happen, we may be exposed to unexpected liability, our customers may leave, our reputation may be tarnished, and there could be a material adverse effect on our business and financial results.

Because the sales cycle for our Hybrid Cloud computing and storage solutions is typically lengthy and unpredictable, our results may fluctuate from period to period.

Our operating results may fluctuate from period to period and be difficult to predict in a particular period due to the timing and magnitude of solution sales. We offer a number of our solutions that are billed on a monthly basis, typically under a thirty-six (36) month contract. Our clients either have no upfront fees or a limited upfront fee since clients pay as they grow. It is difficult to predict when solution sales will occur or how much revenue they will generate.

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Rapid changes in technology and our customers' businesses could adversely affect our business and financial results.

Our business may suffer if we do not successfully adapt our products and services to changes in technology and changes in our customers' businesses. These changes can occur rapidly and at unpredictable intervals and we may not be able to respond adequately. If we do not successfully update and integrate our products and services to adapt to these changes, or if we do not successfully develop new products and services needed by our customers to keep pace with these changes, then our business and financial results may suffer. Our ability to keep up with technology and business changes is subject to a number of risks and we may find it difficult or costly to, among other things:

- update our products and services and to develop new products fast enough to meet our customers' needs;
- make some features of our products and services work effectively and securely over the Internet;
- update our products and services to keep pace with business, regulatory and other developments in the financial services industry, where many of our customers operate; and
- update our services to keep pace with advancements in hardware, software and telecommunications technology.

Some technological changes, such as advancements that have facilitated the ability of our customers to develop their own internal solutions, may render some of our products and services less valuable or eventually obsolete.

Customers taking their information availability solutions in-house may continue to create pressure on our organic revenue growth rate.

Our solutions allow customers to leverage our significant infrastructure and take advantage of our experience, technology expertise, resource management capabilities and vendor neutrality. Although the trend in the industry continues to favor placing IT equipment outside the company to reduce costs, technological advances in recent years have significantly reduced the cost and the complexity of developing in-house solutions. Some customers, especially the very largest with significant IT resources, prefer to develop and maintain their own in-house availability solutions, which can result in a loss of revenue from those customers. If this trend continues or worsens, there will be continued pressure on our organic revenue growth rate.

The trend toward information availability solutions utilizing more single customer dedicated resources likely will lower our overall operating margin rate over time.

In the information availability services industry, especially among our more sophisticated customers, there is an increasing preference for solutions that utilize some level of dedicated resources, such as blended advanced recovery services and managed services. The primary reason for this trend is that adding dedicated resources, although more costly, provides greater control, reduces data loss and facilitates quicker responses to business interruptions. Advanced recovery services often result in greater use of dedicated resources with a modest decrease in operating margin rate. Managed services require significant dedicated resources and, therefore, have an appropriately lower operating margin rate.

If we are unable to retain or attract customers, our business and financial results will be adversely affected.

If we are unable to keep existing customers satisfied, sell additional products and services to existing customers or attract new customers, then our business and financial results may suffer. A variety of factors could affect our ability to successfully retain and attract customers, including the level of demand for our products and services, the level of customer spending for IT, the level of competition from customers that develop their own solutions internally and from other vendors, the quality of our customer service, our ability to update our products and develop new products and services needed by customers, and our ability to integrate and manage acquired businesses. Further, the markets in which we operate are highly competitive and we may not be able to compete effectively.

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If we fail to retain key employees, our business may be harmed.

Our success depends on the skill, experience and dedication of our employees. If we are unable to retain and attract sufficiently experienced and capable personnel, especially in product development, sales and management, our business and financial results may suffer. For example, if we are unable to retain and attract a sufficient number of skilled technical personnel, our ability to develop high quality products and provide high quality customer service may be impaired. Experienced and capable personnel in the technology industry remain in high demand, and there is continual competition for their talents. When talented employees leave, we may have difficulty replacing them, and our business may suffer. There can be no assurance that we will be able to successfully retain and attract the personnel that we need.

We are subject to the risks of doing business internationally.

A portion of our revenue is generated outside the United States from customers located in Canada. Because we sell our services outside of the United States, our business is subject to risks associated with doing business internationally. Accordingly, our business and financial results could be adversely affected due to a variety of factors, including:

- changes in Canada's political and cultural climate or economic condition;
- unexpected or unfavorable changes in Canadian laws and regulatory requirements;
- difficulty of effective enforcement of contractual provisions in local jurisdictions;
- inadequate intellectual property protection in Canada;
- trade-protection measures, import or export licensing requirements such as Export Administration Regulations promulgated by the U.S. Department of Commerce and fines, penalties or suspension or revocation of export privileges;
- the effects of applicable Canadian tax law and potentially adverse tax law changes;
- significant adverse changes in the Canadian Dollar exchange rates;
- longer accounts receivable cycles; and
- difficulties associated with repatriating cash in a tax-efficient manner.

In foreign countries, certain business practices may exist that are prohibited by laws and regulations applicable to us, such as the U.S. Foreign Corrupt Practices Act. Although our policies and procedures require compliance with these laws and are designed to facilitate compliance with these laws, our employees, contractors and agents may take actions in violation of applicable laws or our policies. Any such violation, even if prohibited by our policies, could have a material adverse effect on our business and reputation.

If we are unable to protect our proprietary technologies and defend infringement claims, we could lose one of our competitive advantages and our business could be adversely affected.

Our success depends in part on our ability to protect our proprietary products and services and to defend against infringement claims. If we are unable to do so, our business and financial results may suffer. To protect our proprietary technology, we rely upon a combination of copyright, patent, trademark and trade secret law, confidentiality restrictions in contracts with employees, customers and others, software security measures, and registered copyrights and patents. Despite our efforts to protect the proprietary technology, unauthorized persons may be able to copy, reverse engineer or otherwise use some of our technology. It also is possible that others will develop and market similar or better technology to compete with us. Furthermore, existing patent, copyright and trade secret laws may afford only limited protection, and the laws of certain countries do not protect proprietary technology as well as United States law. For these reasons, we may have difficulty protecting our proprietary technology against unauthorized copying or use. If any of these events happens, there could be a material adverse effect on the value of our proprietary technology and on our business and financial results. In addition, litigation may be necessary to protect our proprietary technology. This type of litigation is often costly and time-consuming, with no assurance of success.

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We may be sued for violating the intellectual property rights of others.

The IT industry is characterized by the existence of a large number of trade secrets, copyrights and the rapid issuance of patents, as well as frequent litigation based on allegations of infringement or other violations of intellectual property rights. We license all software that is utilized in our solutions from third parties vendors and we expect our vendors not to infringe on the property rights of others. There is a risk that these licenses we purchase form vendors could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products.

As a result of all of these factors, there can be no assurance that in the future third parties will not assert infringement claims against our vendors which in turn would preclude us from using a technology in our products or require us to enter into royalty and licensing arrangements on terms that are not favorable to us, or force us to engage in costly infringement litigation, which could result in us paying monetary damages or being forced to redesign our products to avoid infringement. Additionally, our licenses and service agreements with our customers generally provide that we will defend and indemnify them for claims against them relating to our alleged infringement of the intellectual property rights of third parties with respect to our products or services. We might have to defend or indemnify our customers to the extent they are subject to these types of claims. Any of these claims may be difficult and costly to defend and may lead to unfavorable judgments or settlements, which could have a material adverse effect on our reputation, business and financial results. For these reasons, we may find it difficult or costly to add or retain important features in our products and services

Defects, design errors or security flaws in our products could harm our reputation and expose us to potential liability.

Most of our solutions are very complex. No matter how careful the design and development, complex solutions often contains errors and defects when first introduced and when major new updates or enhancements are released. If errors or defects are discovered in current or future products, there may be material adverse effects to our results of operations. The parties that develop the solutions we license may make a major design error that makes the product operate incorrectly or less efficiently.

In addition, certain of our products include security features that are intended to protect the privacy and integrity of customer data. Despite these security features, our products and systems, and our customers' systems may be vulnerable to break-ins and similar problems caused by third parties, such as hackers bypassing firewalls and misappropriating confidential information. Such break-ins or other disruptions could jeopardize the security of information stored in and transmitted through our computer systems and those of our customers, subject us to liability and tarnish our reputation. We may need to expend significant capital resources in order to eliminate or work around errors, defects, design errors or security problems. Any one of these problems in our products may result in the loss of or a delay in market acceptance of our products, the diversion of development resources, a lower rate of license renewals or upgrades and damage to our reputation, and in turn may increase service and warranty costs.

A material weakness in our internal controls could have a material adverse affect on us.

Effective internal controls are necessary for us to provide reasonable assurance with respect to our financial reports and to effectively prevent fraud. If we cannot provide reasonable assurance with respect to our financial reports and effectively prevent fraud, our reputation and operating results could be harmed. Pursuant to Sarbanes-Oxley, we are required to furnish a report by management on internal control over financial reporting, including management's assessment of the effectiveness of such control. Internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Further, the complexities of our quarter- and year-end closing processes increase the risk that a weakness in internal controls over financial reporting may go undetected. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. In addition, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that the control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, we could fail to meet our reporting obligations, and there could be a material adverse effect on our business and financial results.

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Unanticipated changes in our tax provision or the adoption of new tax legislation could affect our profitability or cash flow.

We are subject to income taxes in the United States and Canada. Significant judgment is required in determining our worldwide provision for income taxes. We have been subject to audit by tax authorities. Although we believe our tax provision is reasonable, the final determination of our tax liability could be materially different from our historical income tax provisions, which could have a material effect on our financial position, results of operations or cash flows. In addition, tax-law amendments in the U.S. and Canada could significantly impact how U.S. multinational corporations are taxed. Although we cannot predict whether or in what form such legislation will pass, if enacted it could have a material adverse effect on our business and financial results.

If critical components or systems become unavailable , our business will be negatively impacted.

Stability of technology systems supply is crucial to the solutions we offer our customers. As some critical devices and components are supplied by certain third-party manufacturers, we may be unable to acquire necessary amounts of key systems at competitive prices. We have selected these particular manufacturers based on their ability to consistently produce these products according to our requirements in an effort to obtain the best quality product at the most cost effective price. However, the loss of all or one of these suppliers or delays in obtaining shipments could have an adverse effect on our operations until an alternative supplier could be found, if one may be located at all. This may cause us to breach our contracts and lose sales.

Our products could contain defects or they may be installed or operated incorrectly, which could reduce sales of those products or result in claims against us.

Although we have quality assurance practices to ensure good product quality, defects still may be found in the future in our existing or future products. End-users could lose their confidence in our products and the Company when they unexpectedly use defective products or use our products improperly. This could result in loss of revenue, loss of profit margin, or loss of market share. Moreover, because our disaster recovery services are employed in the healthcare industry, if such service is a cause, or perceived to be the cause, of injury or death to a patient, we would likely be subject to a claim. If we were found responsible it could cause us to incur liability which could interrupt or even cause us to terminate some or all of our operations.

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USE OF PROCEEDS

Southridge is selling all of the shares of our common stock covered by this prospectus for its own account. Accordingly, we will not receive any proceeds from the resale of our common stock. However, we will receive proceeds from any sale of the common stock to Southridge under the Equity Purchase Agreement. We would use any proceeds received for working capital and general corporate purposes, including acquisitions and/or capital expenditures.

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EQUITY PURCHASE AGREEMENT

Pursuant to the Equity Purchase Agreement, Southridge has committed to purchase up to $20,000,000 of shares of our common stock over a two year period commencing on the Effective Date. Accordingly, this prospectus relates to the resale from time to time of up to 1,763,317 shares of our common stock by Southridge.

On November 29, 2011, we entered into the Equity Purchase Agreement with Southridge under which Southridge has committed to purchase up to $20,000,000 of shares of our common stock over a two year period commencing on the Effective Date. For each share of our common stock purchased under the Equity Purchase Agreement, Southridge will pay ninety two percent (92%) of the average of the lowest Closing Prices of our common stock reported by Bloomberg Finance L.P. during the Valuation Period commencing on the date a Put Notice is delivered to Southridge in the manner prescribed in the Equity Purchase Agreement. The aggregate dollar value that we will be permitted to put to Southridge will be the lesser of either (i) $250,000 or (ii) 250% of the average daily volume (U.S. market only) of our common stock based on the twenty (20) trading days preceding the Put Date. This prospectus covers, in part, the resale of our stock by Southridge either in the open market or to other investors through negotiated transactions. Southridge's obligations under the Equity Purchase Agreement are not transferable and this registration statement does not cover sales of our common stock by transferees of Southridge. Subject to certain limitations outlined below, we may, at our sole discretion, issue a Put Notice to Southridge, after which Southridge will be irrevocably bound to acquire such shares.

We may draw on the facility from time to time, as and when we determine appropriate in accordance with the terms and conditions of the Equity Purchase Agreement. The 1,763,317 Put Shares included in this prospectus represent a portion of the shares issuable to Southridge under the Equity Purchase Agreement. This portion was calculated as approximately 30% of the Company's public float as of February 3, 2012. The offered shares represented 6.1% of the currently outstanding shares of our common stock on April 12, 2012 and 5.8% of the outstanding shares of our common stock on April 12, 2012, including the offered shares. On May 4, 2012, the closing price of our common stock was $0.50 per share. Notwithstanding the foregoing, under the Equity Purchase Agreement, at no point may the number of Put Shares purchased by Southridge exceed the number of such shares that, when aggregated with all other shares of common stock then owned or deemed owned by Southridge beneficially, result in Southridge owning more than 9.99% of all of our outstanding common stock.

Southridge will only purchase shares when we meet the following conditions:

- a registration statement has been declared effective and remains effective for the resale of the common stock subject to such Put Notice;

- neither the Company nor Southridge shall have received notice that the SEC has issued or intends to issue a stop order with respect to such registration statement or that the SEC otherwise has suspended or withdrawn effectiveness of such registration statement, either temporarily or permanently, or intends or has threatened to do so;

- no other suspension of the use or withdrawal of the effectiveness of such registration statement or related prospectus shall exist;

- the representations and warranties of the Company in the Equity Purchase Agreement shall be true and correct in all material respects as of such date;

- the Company shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required under the Equity Purchase Agreement;

· no statute, rule, regulation, executive order, decree, ruling or injunction has been enacted, entered, promulgated or adopted by any court or governmental authority of competent jurisdiction that prohibits or directly and materially adversely affects any of the transactions contemplated by the Equity Purchase Agreement and no proceeding has been commenced that may have the effect of prohibiting or materially adversely affecting any of the transactions contemplated by the Equity Purchase Agreement;

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- since the date of filing of the Company's most recent filing with the SEC, no event that has or is reasonably likely to have any effect on the business, operations, properties, or financial condition of the Company that is material and adverse to the Company and/or any condition, circumstance, or situation that would prohibit or otherwise materially interfere with the ability of the Company to enter into and perform its obligations under the Equity Purchase Agreement has occurred;

- the trading of the Company's common stock has not been suspended by the SEC, the OTC Bulletin Board or the FINRA and the Company's common stock shall have been approved for listing on the OTC Bulletin Board and shall not delisted from the OTC Bulletin Board;

- the Company has not issued any Put Shares or Restricted Shares such that the issuance of such shares would exceed the aggregate number of shares of common stock which the Company may issue without breaching the Company's obligations under the rules or regulations of the OTC Bulletin Board;

- the Company has no knowledge of any event more likely than not to have the effect of causing this registration statement to be suspended or otherwise ineffective (which event is more likely than not to occur within fifteen (15) trading days following the Trading Day on which such Put Notice is deemed delivered);

- the issuance of common stock to Southridge pursuant to the Equity Purchase Agreement will not violate any shareholder approval requirements of the OTC Bulletin Board; and

- no Valuation Event (as defined in the Equity Purchase Agreement) has occurred.

The Equity Purchase Agreement shall terminate:

- when the Company delivers a written notice to Southridge terminating the Equity Purchase Agreement; or

- on the earlier of (i) the date on which Southridge shall have purchased Put Shares pursuant to the Equity Purchase Agreement for an aggregate purchase price of the maximum commitment amount of $20,000,000, or (ii) the date occurring twenty-four (24) months after the Effective Date.

As we draw down on the Equity Line of Credit, shares of our common stock may be sold into the market by Southridge. The sale of these additional shares could cause our stock price to decline. In turn, if the stock price declines and we issue more puts, more shares will go into the market, which could cause a further drop in the stock price. You should be aware that there is an inverse relationship between the market price of our common stock and the number of shares to be issued pursuant to the Equity Purchase Agreement. If our stock price declines, we will be required to issue a greater number of shares under the Equity Purchase Agreement. We have no obligation to utilize the full amount available under the Equity Purchase Agreement.

However, in the event that during a Valuation Period for any Put Notice, the Closing Price on any trading day falls more than twenty five percent (25%) below the Floor Price, then for each such trading day we shall be under no obligation to sell and Southridge's obligation to fund one-fifth (1/5th) of the put amount for each such trading day shall terminate and the put amount shall be adjusted accordingly. In the event that during a Valuation Period the Closing Price falls below the Floor Price for any two (2) trading days, not necessarily consecutive, then the balance of each party's right and obligation to purchase and sell the investment amount under such Put Notice shall terminate on such second trading day and the investment amount shall be adjusted to include only one-fifth (1/5th) of the initial investment amount for each trading day during the Valuation Period prior to the Termination Day that the Closing Price equals or exceeds the Floor Price. Southridge's obligation to purchase the Put Shares will terminate on the earlier of (i) the date on which Southridge shall have purchased Put Shares pursuant to the Equity Purchase Agreement for an aggregate purchase price of the maximum commitment amount of $20,000,000, or (ii) the date occurring twenty-four (24) months from the Effective Date. Neither the Equity Purchase Agreement nor any rights or obligations of the parties under the Equity Purchase Agreement may be assigned by either party to any other person.

As a condition for the execution of the Equity Purchase Agreement by Southridge, we issued to Southridge a total of 50,000 shares of Restricted Stock upon the execution of the Equity Purchase Agreement and we will issue an additional 50,000 shares of Restricted Stock to Southridge at the time of the first draw down notice and initial financing of $50,000 by Southridge pursuant to the terms of the Equity Purchase Agreement. The Restricted Stock are restricted securities as defined in Rule 144 under the Securities Act.

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SELLING SHAREHOLDERS

We agreed to register for resale 1,763,317 shares of common stock that we will put to Southridge pursuant to the Equity Purchase Agreement. The Equity Purchase Agreement with Southridge provides that Southridge is committed to purchase up to $20,000,000 of our shares of common stock over a two year period commencing on the Effective Date. We may draw on the facility from time to time, as and when we determine appropriate in accordance with the terms and conditions of the Equity Purchase Agreement. We will not receive any proceeds from the sale of the shares of common stock offered by Southridge. However, we will receive proceeds from the sale of our common stock to Southridge under the Equity Purchase Agreement. The proceeds will be used for working capital or general corporate purposes, including acquisitions and/or capital expenditures.

Security Holder Pursuant to the Equity Purchase Agreement

Southridge is the potential purchaser of our common stock under the Equity Purchase Agreement. The 1,763,317 Put Shares offered in this prospectus are based on the Equity Purchase Agreement between Southridge and us and represent a portion of the shares issuable to Southridge under the Equity Purchase Agreement. This portion was calculated as approximately 30% of the Company's public float as of February 3, 2012. Southridge may from time to time offer and sell any or all of the Put Shares that are registered under this prospectus. For each Put Share, Southridge will pay ninety two percent (92%) of the average of the lowest Closing Prices of our common stock reported by Bloomberg Finance L.P. during the Valuation Period commencing on the Put Date in the manner prescribed in the Equity Purchase Agreement.

We are unable to determine the exact number of shares that will actually be sold by Southridge according to this prospectus due to:

- the ability of Southridge to determine when and whether it will sell any of the Put Shares under this prospectus; and
- the uncertainty as to the number of Put Shares that will be issued upon exercise of our put options under the Equity Purchase Agreement.

The following information contains a description of how Southridge acquired (or shall acquire) the shares to be sold in this offering.

Southridge is a limited partnership organized and existing under the laws of the state of Delaware. All investment decisions of, and control of, Southridge is held by its general partner Southridge Advisors, LLC. Stephen M. Hicks is the manager of Southridge Advisors, LLC, and he has voting and investment power over the shares beneficially owned by Southridge. Southridge acquired, or will acquire, all shares being registered in this offering in the financing transactions with us.

Southridge intends to sell up to 1,763,317 shares of our common stock pursuant to the Equity Purchase Agreement under this prospectus. On November 29, 2011, we entered into the Equity Purchase Agreement with Southridge under which Southridge has committed to purchase up to $20,000,000 of shares of our common stock over a two year period commencing on the Effective Date. For each share of our common stock purchased under the Equity Purchase Agreement, Southridge will pay ninety two percent (92%) of the average of the lowest Closing Prices of our common stock during the Valuation Period commencing on the Put Date in the manner prescribed the Equity Purchase Agreement.

In addition, in the event that during a Valuation Period for any Put Notice, the Closing Price on any trading day falls more than twenty five percent (25%) below the Floor Price, then for each such trading day we shall be under no obligation to sell and Southridge's obligation to fund one-fifth (1/5th) of the put amount for each such trading day shall terminate and the put amount shall be adjusted accordingly. In the event that during a Valuation Period the Closing Price falls below the Floor Price for any two (2) trading days, not necessarily consecutive, then the balance of each party's right and obligation to purchase and sell the investment amount under such Put Notice shall terminate on such second trading day and the investment amount shall be adjusted to include only one-fifth (1/5th) of the initial investment amount for each trading day during the Valuation Period prior to the Termination Day that the Closing Price equals or exceeds the Floor Price. Southridge's obligation to purchase the Put Shares will terminate on the earlier of (i) the date on which Southridge shall have purchased Put Shares pursuant to the Equity Purchase Agreement for an aggregate purchase price of the maximum commitment amount of $20,000,000, or (ii) the date occurring twenty-four (24) months from the Effective Date.

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As a condition for the execution of the Equity Purchase Agreement by Southridge, we issued to Southridge a total of 50,000 shares of Restricted Stock upon the execution of the Equity Purchase Agreement and we will issue an additional 50,000 shares of Restricted Stock to Southridge at the time of the first draw down notice and initial financing of $50,000 by Southridge pursuant to the terms of the Equity Purchase Agreement. The Restricted Stock are restricted securities as defined in Rule 144 under the Securities Act.

We are relying on an exemption from the registration requirements of the Securities Act for the private placement of our securities under the Equity Purchase Agreement pursuant to Section 4(2) of the Securities Act and/or Rule 506 of Regulation D promulgated thereunder. The transaction does not involve a public offering, Southridge is an “accredited investor” and/or qualified institutional buyer and Southridge has access to information about us and its investment.

There are substantial risks to investors as a result of the issuance of shares of our common stock under the Equity Purchase Agreement. These risks include dilution of shareholders and significant decline in our stock price.

Southridge will periodically purchase shares of our common stock under the Equity Purchase Agreement and will in turn, sell such shares to investors in the market at the prevailing market price. This may cause our stock price to decline, which will require us to issue increasing numbers of shares to Southridge to raise the same amount of funds, as our stock price declines.

Southridge is an “underwriter” within the meaning of the Securities Act. All expenses incurred with respect to the registration of the common stock will be borne by us, but we will not be obligated to pay any underwriting fees, discounts, commission or other expenses incurred by Selling Security Holder in connection with the sale of such shares.

Except as indicated below, neither Selling Security Holder nor any of its associates or affiliates has held any position, office, or other material relationship with us in the past three years.

The following table sets forth the number of shares of common stock beneficially owned by Southridge as of the date hereof and the number of share of common stock being offered by Southridge. The shares being offered hereby are being registered to permit public secondary trading, and Southridge may offer all or part of the shares for resale from time to time. However, Southridge is under no obligation to sell all or any portion of such shares nor is Southridge obligated to sell any shares immediately upon effectiveness of this prospectus. All information with respect to share ownership has been furnished by Southridge. The column entitled “Number of Shares Beneficially Owned After the Offering” assumes the sale of all shares offered.

Name of Selling Share Holder	Shares Beneficially Owned Prior to Offering	Shares to be Offered	Amount Beneficially Owned After Offering(1)	Percent Beneficially Owned After Offering (2)
Southridge Partners II, LP (3)	50,000	1,763,317	1,813,317	5.91%

(1) The number assumes Southridge sells all of its shares being offered pursuant to this prospectus.

(2) Applicable percentage of ownership is based on 28,912,712 shares of our common stock issued and outstanding as of April 12, 2012, together with securities exercisable or convertible into shares of common stock within 60 days of the date hereof, 2012 for Southridge. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock are deemed to be beneficially owned by the person holding such securities for the purpose of computing the

percentage of ownership of such person, but are not as outstanding for the purpose of computing the percentage ownership of any other person.

(3) Southridge Partners II, LP is a limited partnership organized and exiting under the laws of the state of Delaware. Southridge Advisors, LLC is the general partner of Southridge and has voting and investment power over the shares beneficially owned by Southridge Partners II, LP. Stephen M. Hicks is the manager of Southridge Advisors, LLC, and he has voting and investment power over the shares beneficially owned by Southridge Partners II, LP.

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DETERMINATION OF OFFERING PRICE

For each share of our common stock purchased under the Equity Purchase Agreement, Southridge will pay us ninety two percent (92%) of the average of the lowest Closing Prices of the Company's common stock reported by Bloomberg Finance L.P. during the Valuation Period commencing on the Put Date in the manner prescribed in the Equity Purchase Agreement. There will be no underwriter discounts or commissions.

In the event that during a Valuation Period for any Put Notice, the Closing Price on any trading day falls more than twenty five percent (25%) below the Floor Price, then for each such trading day we shall be under no obligation to sell and Southridge's obligation to fund one-fifth (1/5th) of the put amount for each such trading day shall terminate and the put amount shall be adjusted accordingly. In the event that during a Valuation Period the Closing Price falls below the Floor Price for any two (2) trading days, not necessarily consecutive, then the balance of each party's right and obligation to purchase and sell the investment amount under such Put Notice shall terminate on such second trading day and the investment amount shall be adjusted to include only one-fifth (1/5th) of the initial investment amount for each trading day during the Valuation Period prior to the Termination Day that the Closing Price equals or exceeds the Floor Price.

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PLAN OF DISTRIBUTION

This prospectus relates to the resale of 1,763,317 shares of our common stock, par value $0.001 per share, by Southridge pursuant to the Equity Purchase Agreement.

Southridge may, from time to time, sell any or all of their shares of our common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. Southridge may use any one or more of the following methods when selling shares: