

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

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For The Quarterly Period Ended March 31, 2011**

CDSI HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

000-22563
Commission File Number

95-4463937
(I.R.S. Employer Identification No.)

100 S.E. Second Street
Miami, Florida 33131
305/579-8000

(Address, including zip code and telephone number, including area code,
of the principal executive offices)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer
 Non-accelerated filer

Accelerated filer
 Smaller reporting company

Indicate by check mark whether the Registrant is a shell company as defined in Rule 12b-2 of the Exchange Act. Yes No

At May 16, 2011, CDSI Holdings Inc. had 3,270,000 shares of common stock outstanding.

CDSI HOLDINGS INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2011

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CDSI HOLDINGS INC.
CONDENSED BALANCE SHEETS
(Unaudited)

	<u>March 31,</u> 2011	<u>December 31,</u> 2010
Assets:		
Current assets:		
Cash and cash equivalents	\$ 6,092	\$ 5,586
Total assets	<u>\$ 6,092</u>	<u>\$ 5,586</u>
Liabilities and Stockholders' Deficiency:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 4,414	\$ 9,076
Accrued interest on revolving credit promissory note	6,640	3,930
Total current liabilities	<u>11,054</u>	<u>13,006</u>
Revolving credit promissory note from related party	<u>53,500</u>	<u>37,500</u>
Commitments and contingencies	—	—
Stockholders' deficiency:		
Preferred stock, \$.01 par value. Authorized 5,000,000 shares; no shares issued and outstanding	—	—
Common stock, \$.01 par value. Authorized 25,000,000 shares; 3,270,000 shares issued and outstanding	32,700	32,700
Additional paid-in capital	8,223,444	8,223,444
Accumulated deficit	(8,314,606)	(8,301,064)
Accumulated other comprehensive income	—	—
Total stockholders' deficiency	<u>(58,462)</u>	<u>(44,920)</u>
Total liabilities and stockholders' deficiency	<u>\$ 6,092</u>	<u>\$ 5,586</u>

See accompanying Notes to Condensed Financial Statements.

CDSI HOLDINGS INC.

CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended	
	March 31, 2011	March 31, 2010
Revenues	\$ -	\$ -
Cost and expenses:		
General and administrative	10,832	7,920
	10,832	7,920
Operating loss	(10,832)	(7,920)
Other expense:		
Interest expense	(2,710)	(621)
Total other expense	(2,710)	(621)
Net loss	\$ (13,542)	\$ (8,541)
Net loss per share (basic and diluted)	\$ (0.00)	\$ (0.00)
Shares used in computing net loss per share	3,270,000	3,120,000

See accompanying Notes to Condensed Financial Statements.

CDSI HOLDINGS INC.

CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	March 31, 2011	March 31, 2010
Cash flows from operating activities:		
Net loss	\$ (13,542)	\$ (8,541)
Changes in assets and liabilities:		
(Decrease) increase in accounts payable and accrued expenses	(4,662)	1,213
Increase in accrued interest on revolving credit promissory note	2,710	620
Net cash used in operating activities	(15,494)	(6,708)
Net cash from investing activities	-	-
Net cash from financing activities		
Borrowings under revolving credit promissory note	16,000	15,000
Net cash provided by financing activities	16,000	15,000
Net increase in cash and cash equivalents	506	8,292
Cash and cash equivalents at beginning of period	5,586	9,004
Cash and cash equivalents at end of period	\$ 6,092	\$ 17,296

See accompanying Notes to Condensed Financial Statements.

CDSI HOLDINGS INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

(1) Business and Organization

CDSI Holdings Inc. (the “Company” or “CDSI”) was incorporated in Delaware on December 29, 1993 and is a shell company as defined in Rule 12b-2 of the Securities Exchange Act of 1934. On January 12, 1999, the Company’s stockholders voted to change the corporate name of the Company from PC411, Inc. to CDSI Holdings Inc. Prior to May 1998, the Company’s principal business was an on-line electronic delivery information service that transmitted name, address, telephone number and other related information digitally to users of personal computers (the “PC411 Service”). In May 1998, the Company acquired Controlled Distribution Systems, Inc. (“CDS”), a company engaged in the marketing and leasing of an inventory control system for tobacco products. In February 2000, CDSI announced CDS will no longer actively engage in the business of marketing and leasing the inventory control system. In November 2003, the Company and its wholly-owned subsidiary CDS merged with the Company as the surviving corporation.

At March 31, 2011, the Company had an accumulated deficit of \$8,314,606. The Company has reported an operating loss in each of its fiscal quarters since inception and it expects to continue to incur operating losses in the immediate future. The Company has reduced operating expenses and is seeking acquisition and investment opportunities. There is a risk the Company will continue to incur operating losses.

CDSI is seeking new business opportunities. As CDSI has only limited cash resources, CDSI’s ability to complete any acquisition or investment opportunities it may identify will depend on its ability to raise additional financing, as to which there can be no assurance. There can be no assurance that the Company will successfully identify, complete or integrate any future acquisition or investment, or that acquisitions or investments, if completed, will contribute favorably to its operations and future financial condition.

(2) Principles of Reporting

The condensed financial statements of the Company as of March 31, 2011 presented herein have been prepared by the Company and are unaudited. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial position as of March 31, 2011 and the results of operations and cash flows for all periods presented, have been made. Results for the interim periods are not necessarily indicative of the results for the entire year.

These unaudited condensed financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2010 included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (Commission File No. 0001-22563).

Use of Estimates

The preparation of the unaudited condensed financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(3) Related Party Transactions

There was a balance of \$53,500 and \$37,500 outstanding under the 11% Revolving Credit Promissory Note (the "Revolver") due 2012 at March 31, 2011 and December 31, 2010, respectively. Accrued interest on the Revolver was \$6,640 as of March 31, 2011. Interest expense was \$2,710 and \$621 for the three months ended March 31, 2011 and 2010, respectively. Included in the increase in interest expense in the 2011 period was the impact of an error identified by the Company, which resulted in an out-of-period adjustment of approximately \$1,390. The error was a mathematical error made in the fourth quarter of 2010. The Company assessed the materiality of this error on the 2010 financial statements in accordance with the SEC's Staff Accounting Bulletin ("SAB") No. 99 and concluded that the error was immaterial to such financial statements. The impact of correcting this error in the current year will not be material to the Company's 2011 financial statements. This adjustment was recognized within interest expense in the condensed statement of operations.

On January 26, 2011, the Company and Vector entered into an amendment to the Revolver increasing the amount that the Company may borrow thereunder from \$50,000 to \$100,000.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a shell company as defined in Rule 12b-2 of the Securities Exchange Act of 1934 and hold limited amounts of cash. We are seeking new business opportunities. As we have only limited cash resources, our ability to complete any acquisition or investment opportunities we may identify will depend on our ability to raise additional financing, as to which there can be no assurance. There can be no assurance that we will successfully identify, complete or integrate any future acquisition or investment, or that acquisitions or investments, if completed, will contribute favorably to our operations and future financial condition.

Results of Operations

Revenues

We did not generate revenues from operations for the three months ended March 31, 2011 and 2010, respectively.

Expenses

Expenses associated with corporate activities were \$10,832 for the three months ended March 31, 2011, as compared to \$7,920 for the same period in the prior year. The expenses were primarily associated with costs necessary to maintain a public company, which consist primarily of directors' fees, accounting fees, and stock transfer fees.

Other expenses

Interest expense was \$2,710 for the three months ended March 31, 2011, as compared to \$621 for the same period in the prior year. Included in the increase in interest expense for the three months ended March 31, 2011 was the impact of an error identified by us, which resulted in an out-of-period adjustment of approximately \$1,390. The error was a mathematical error made in the fourth quarter of 2010. We assessed the materiality of this error on the 2010 financial statements in accordance with the SEC's Staff Accounting Bulletin ("SAB") No. 99 and concluded that the error was immaterial to such financial statements. We do not believe the impact of correcting this error in the current year will be material to our 2011 financial statements. This adjustment was recognized within interest expense in the condensed statement of operations. In addition, interest expense increased due to additional borrowings from the revolving credit promissory note entered into in March 2009.

Liquidity and Capital Resources

At March 31, 2011, we had an accumulated deficit of approximately \$8.31 million. We have reported an operating loss in each of our fiscal quarters since inception and we expect to continue to incur operating losses in the immediate future. We have reduced operating expenses and are seeking acquisition and investment opportunities. No assurance can be given that we will not continue to incur operating losses.

We have limited available cash, limited cash flow, and limited liquid assets. We have not been able to generate sufficient cash from operations and, as a consequence, financing has been required to fund ongoing operations. Since completion of our initial public offering of our common stock (the "IPO") in May 1997, we have primarily financed our operations with the net proceeds of the IPO. The funds were used to complete the introduction of the PC411 Service over the Internet, to expand marketing, sales and advertising, to develop or acquire new services or databases, to acquire Controlled Distribution Systems, Inc. and for general corporate purposes.

Cash used for operations for the three months ended March 31, 2011 and 2010 was \$15,494 and \$6,708, respectively. The increase is associated with the increased loss for the period and the timing of payments of accounts payable and accrued liabilities. We evaluate our accruals on a quarterly basis and make adjustments when appropriate.

Cash provided from financing activities of \$16,000 and \$15,000 for the three months ended March 31, 2011 and 2010, respectively, consisted of borrowings under the revolving credit agreement.

We do not expect significant capital expenditures during the year ended December 31, 2011.

At March 31, 2011, we had cash and cash equivalents of \$6,092.

Inflation and changing prices had no material impact on revenues or the results of operations for the periods ended March 31, 2011 and 2010.

In March 2009, we entered into a revolving credit promissory note where our principal stockholder, Vector, agreed to lend us \$50,000 to meet our liquidity requirements over the next twelve months. The facility bears interest at 11% per annum and is due on December 31, 2012. On January 26, 2011, we and Vector entered into an amendment to the Revolver increasing the amount that we may borrow thereunder from \$50,000 to \$100,000. The facility had a balance of \$53,500 at March 31, 2011. Accrued interest on the Revolver was \$6,640 as of March 31, 2011. Interest expense on the facility was \$2,710 and \$621 for the three months ended March 31, 2011 and 2010, respectively.

Although there can be no assurance, we believe that we will be able to continue as a going concern for the next twelve months.

We or our affiliates, including Vector, may, from time to time, based upon present market conditions, purchase shares of the Common Stock in the open market or in privately negotiated transactions.

Special Note Regarding Forward-Looking Statements

We and our representatives may from time to time make oral or written “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Reform Act”), including any statements that may be contained in the foregoing “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, in this report and in other filings with the Securities and Exchange Commission and in our reports to stockholders, which represent our expectations or beliefs with respect to future events and financial performance. These forward-looking statements are subject to certain risks and uncertainties and, in connection with the “safe-harbor” provisions of the Reform Act, we have identified under "Risk Factors" in Item 1 of our Form 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission and in this section important factors that could cause actual results to differ materially from those contained in any forward-looking statements made by or on behalf of us.

Our plans and objectives are based, in part, on assumptions involving judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of ours. Although we believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, particularly in view of our limited operations, the inclusion of such information should not be regarded as a representation by us or any other person that the objectives and plans of ours will be achieved. Readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date on which such statements are made. We do not undertake to update any forward-looking statement that may be made from time to time on our behalf.

Item 3. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report, and, based on their evaluation, our principal executive officer and principal financial officer have concluded that these controls and procedures are effective.

There were no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

CDSI HOLDINGS INC.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 6. Exhibits

- 31.1 Certification of Chief Executive Officer, Pursuant to Exchange Act Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer, Pursuant to Exchange Act Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURE

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

CDSI HOLDINGS INC.
(Registrant)

Date: May 16, 2011

By: /s/J. Bryant Kirkland III

J. Bryant Kirkland III
Vice President, Treasurer
and Chief Financial Officer
(Duly Authorized Officer and
Chief Accounting Officer)

RULE 13a-14(a) CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Richard J. Lampen, certify that:

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

Date: May 16, 2011

/s/ Richard J. Lampen

Richard J. Lampen
Chairman and Chief Executive Officer

RULE 13a-14(a) CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, J. Bryant Kirkland III, certify that:

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

Date: May 16, 2011

/s/ J. Bryant Kirkland III

J. Bryant Kirkland III

Vice President and Chief Financial Officer

SECTION 1350 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

In connection with the Quarterly Report of CDSI Holdings Inc. (the "Company") on Form 10-Q for the period ended March 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard J. Lampen, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 16, 2011

/s/ Richard J. Lampen
Richard J. Lampen
Chairman and Chief Executive Officer

SECTION 1350 CERTIFICATION OF CHIEF FINANCIAL OFFICER

In connection with the Quarterly Report of CDSI Holdings Inc. (the "Company") on Form 10-Q for the period ended March 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Bryant Kirkland III, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 16, 2011

/s/ J. Bryant Kirkland III

J. Bryant Kirkland III

Vice President and Chief Financial Officer
