
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year ended December 31, 2009

Commission File Number: 000-22563

CDSI HOLDINGS INC.

(Name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

100 S.E. Second Street, 32nd Floor, Miami, Florida
(Address of principal executive offices)

33131
(Zip Code)

305-579-8000
(Issuer's telephone number)

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, par value \$.01 per share

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statement incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company
(Do not check if a smaller reporting company)

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

The aggregate market value of the common stock held by non-affiliates of CDSI Holdings Inc. as of June 30, 2009 was approximately \$97,800.

As of March 29, 2010, the issuer had a total of 3,120,000 shares of Common Stock outstanding.



CDSI HOLDINGS INC.
FORM 10-K

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PART I

ITEM 1. BUSINESS

FORWARD-LOOKING STATEMENTS

Certain statements made in this Annual Report on Form 10-K are “forward-looking statements” (within the meaning of the Private Securities Litigation Reform Act of 1995) regarding the plans and objectives of management for future operations. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of ours to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties. 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 us. Although we believe that our 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. Factors that could cause actual results to differ materially from those express or implied by such forward-looking statements include, but are not limited to, the factors set forth in this report under the headings “The Company”, “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. We do not undertake to update any forward-looking statement that may be made from time to time on our behalf.

THE COMPANY

Overview

CDSI Holdings Inc. is a shell company as defined in Rule 12b-2 of the Securities Exchange Act of 1934 and holds limited amounts of cash.

We intend to seek 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.

Company History

We were incorporated in Delaware in December 1993 under the name PC411, Inc. In January 1999, we changed our name to CDSI Holdings Inc. to reflect a change in our principal business at that time.

We were originally formed to develop an on-line service that transmitted name, address, telephone number and other related information digitally to users of personal computers. In November 1998, we transferred substantially all of the non-cash assets and certain liabilities used in our on-line data distribution business to ThinkDirectMarketing Inc. (“TDMI”) in exchange for an initial 42.5% interest in that company.

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The other investors of TDMI included Acxiom Corporation, Cater Barnard plc and TDMI's management and employees. In January 2002, Dialog Group Inc. ("Dialog") acquired all the stock of TDMI that it did not already own. In April 2007, we sold our remaining 2,800 shares of Dialog Common Stock for \$204.

In May 1998 we acquired Controlled Distribution Systems, Inc. ("CDS"), which was primarily engaged in marketing and leasing a prepaid, wireless, remote-operated retail inventory control and dispensing system for tobacco products called the Coinexx Star 10. In December 1998, CDS acquired substantially all of the assets of TD Rowe Corporation's New York cigarette vending route. In February 2000, we terminated all operations relating to marketing and leasing the Coinexx Star 10 system. In October 2000, CDS sold the assets of its cigarette vending route, including vending machines and a van.

In November 2003, we and our wholly-owned subsidiary CDS merged with CDSI Holdings Inc. as the surviving corporation.

Employees

As of December 31, 2009, we had two employees, our President and Chief Executive Officer and our Vice President and Chief Financial Officer, both of whom are also employees of Vector Group Ltd. ("Vector"), our largest stockholder. We believe that we have good relations with our employees.

ITEM 1A. RISK FACTORS

Accumulated Deficit; History of Losses. At December 31, 2009, we had an accumulated deficit of approximately \$8.3 million. We have reported an operating loss in each of our fiscal quarters since inception and expect to continue to incur operating losses in the immediate future. We have reduced operating expenses and are seeking acquisition and investment opportunities. There is a risk that we will continue to incur operating losses.

Limited Resources and No Source of Operating Revenues. At December 31, 2009, we had cash and cash equivalents of \$9,004 and negative working capital of \$2,216. Since the sale of CDS's vending route in October 2000, we have had no source of operating revenue. We will not achieve any significant revenues until the consummation of an acquisition or investment, if ever. Moreover, there can be no assurance that any acquisition or investment, if achieved, will result in material revenues from our operations or that we will operate on a profitable basis.

Additional Financing Requirements. Our ability to complete any acquisition or investment opportunities we may identify will depend upon the availability of, and our ability to secure, new equity or debt financing. Further, there can be no assurance that we will be able to generate levels of revenues and cash flows sufficient from any acquisition or investment to fund operations or that we will be able to obtain financing on satisfactory terms, if at all, to achieve profitable operations.

"Blind Pool"; Broad Discretion of Management. Prospective investors who invest in us will do so without an opportunity to evaluate the specific merits or risks of any proposed transactions. As a result, investors will be entirely dependent on the broad discretion and judgment of management in connection with the application of our working capital and the selection of an acquisition or investment target. There can be no assurance that determinations ultimately made by us will permit us to achieve profitable operations.

Acquisition and Investment Risks. As part of our business strategy, we may evaluate new acquisition and investment opportunities. Acquisitions involve numerous risks, including difficulties in the assimilation of the operations and products or services of the acquired companies, the expenses incurred in connection with the acquisition and subsequent assimilation of operations and products or services and the potential loss of key employees of the acquired company. There can be no assurance that we will successfully identify, complete or integrate any future acquisitions or investments or that

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completed acquisitions or investments will contribute favorably to our operations and future financial condition.

Dependence Upon Executive Officers and Board of Directors. The ability of us to successfully effect a transaction will be largely dependent upon the efforts of our management and the Board of Directors. We only have two employees, none of whom work full-time for us. No assurance can be given that the Board of Directors and management will be successful in consummating a transaction and achieving profitability.

Limited Trading Market. Since 1999, our common stock has been traded on the OTC Bulletin Board of the National Association of Security Dealers, Inc. There is a limited trading market in our shares and a stockholder could likely find it difficult to sell or to obtain quotations as to prices of our shares. During 2009, the average daily trading volume of our Common Stock was approximately 1,655 shares, with 202 days of 252 trading days having no trading activity. No assurances can be given that our Common Stock will continue to trade on the OTC Bulletin Board or that an orderly trading market will be maintained for our Common Stock.

Absence of Full-Time Management Personnel. Our current President and Chief Executive Officer and our Vice President and Chief Financial Officer are executive officers of Vector. Neither of these individuals devotes his full time and attention to our affairs.

Concentration of Stock Ownership. Vector beneficially owns approximately 47.8% of our outstanding Common Stock. As a result, Vector effectively controls all matters requiring stockholder approval, including the election of directors, the amendment of our Certificate of Incorporation, the appointment of officers and approval of significant corporate transactions including a merger, an acquisition or a sale of all or substantially all of our assets. Such concentration of ownership may also have the effect of delaying or preventing a change in control. In addition, we are subject to a State of Delaware statute regulating business combinations, which may also hinder or delay a change of control.

Absence of Dividends. We have never paid nor do we expect in the foreseeable future to pay any dividends.

Limitation on Director Liability. To the extent permitted under the Delaware General Corporation Law, our Restated Certificate of Incorporation limits the liability of directors for monetary damages for breaches of a director's fiduciary duty, including breaches that constitute gross negligence. As a result, under certain circumstances, neither us nor our stockholders may be able to recover damages from directors.

Dilution. Our Board of Directors, without any action by the stockholders, is authorized to designate and issue additional classes or series of capital stock (including classes or series of preferred stock) as it deems appropriate and to establish the rights, preferences and privileges of such classes or series. The issuance of any new class or series of capital stock would not only dilute the ownership interest of our current stockholders but may also adversely affect the voting power and other rights of holders of Common Stock. The rights of holders of preferred stock and other classes of common stock that may be issued may be superior to the rights of the holders of the existing class of Common Stock in terms of the payment of ordinary and liquidating dividends and voting rights.

Forward-looking Statements. This report contains forward-looking statements that involve risks and uncertainties. Words such as "anticipate," "believes," "expects," "future" and "intends" and similar expressions are used to identify forward-looking statements. You should not unduly rely on these forward-looking statements, which apply only as of the date of this report. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including the risks described above and elsewhere in this report.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Our corporate offices are located in the executive offices of Vector. We believe that our current facilities are adequate for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

We are not a party to any legal proceedings.

ITEM 4. RESERVED

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASE OF EQUITY SECURITIES

Our Common Stock is currently traded on the OTC Bulletin Board under the symbol "CDSI". The following table sets forth for the periods indicated, the reported high and low closing bid quotations per share for our Common Stock. The sale prices set forth below reflect inter-dealer quotations, do not include retail mark-ups, markdowns or commissions and do not necessarily represent actual transactions.

	<u>High</u>	<u>Low</u>
2009		
Fourth Quarter	\$ 0.12	\$ 0.07
Third Quarter	0.10	0.06
Second Quarter	0.13	0.05
First Quarter	0.13	0.10
2008		
Fourth Quarter	\$ 0.20	\$ 0.07
Third Quarter	0.26	0.20
Second Quarter	0.45	0.14
First Quarter	0.39	0.16

As of March 14, 2010, there were 32 holders of record of our Common Stock.

Dividend Policy

We have never declared or paid dividends on our Common Stock and do not expect to pay any dividends in the foreseeable future.

Recent Sales of Unregistered Securities

No securities were issued by us in 2009.

Issuer Purchases of Equity Securities

No securities of ours were repurchased by us during the fourth quarter of 2009.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We intend to seek 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

For the years ended December 31, 2009 and 2008, we did not generate revenues from operations.

Expenses

Expenses associated with corporate activities were \$31,343 and \$36,029 for the years ended December 31, 2009 and 2008, respectively. The expenses in both years were primarily associated with costs necessary to maintain a public company, which consist primarily of directors' fees, auditing fees and stock transfer fees.

Other Income

Interest income was \$1 and \$439 for the years ended December 31, 2009 and 2008, respectively. The decrease is due primarily to lower cash balances and lower interest rates in 2009 versus 2008. Interest expense was \$1,422 for the year ended December 31, 2009 related to a \$50,000 Revolving Credit Promissory Note (the "Revolver") entered into on March 26, 2009.

Liquidity and Capital Resources

At December 31, 2009, we had an accumulated deficit of \$8,265,860. 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, limited liquid assets and no credit facilities. 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 CDS and for general corporate purposes.

Cash used for operations for the years ended December 31, 2009 and 2008 was \$33,194 and \$30,590, respectively. The increase is associated primarily with the timing of payments of accounts payable and accrued liabilities. We evaluate our accruals on a quarterly basis and make adjustments when appropriate.

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Cash from financing activities for the years ended December 31, 2009 and 2008 was \$22,500 and \$0, respectively. The increase is due to borrowings under the Revolver in 2009.

We do not expect significant capital expenditures during the year ended December 31, 2010.

At December 31, 2009, we had cash and cash equivalents of \$9,004.

Inflation and changing prices had no material impact on revenues or the results of operations for the years ended December 31, 2009 and 2008.

In March 2009, we entered into the Revolver, a revolving credit promissory note where our principal stockholder, Vector, has 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. There was a balance \$22,500 outstanding under the Revolver at December 31, 2009. In addition, we have recorded accrued interest expense of \$1,422 to Vector in "Accounts payable and other accrued expenses" in our Balance Sheet at December 31, 2009.

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.

ITEM 8. FINANCIAL STATEMENTS

Our financial statements and the notes thereto, together with the report thereon of Becher Della Torre Gitto & Company PC dated March 29, 2010, appear beginning on page F-1 of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A (T). CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of December 31, 2009. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2009, such disclosure controls and procedures were effective in ensuring information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934,

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as amended. Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our internal control over financial reporting as of December 31, 2009 based on the framework contained in the report titled “*Internal Control — Integrated Framework*” issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on that evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2009.

This annual report does not include an attestation report of Becher Della Torre Gitto & Company PC, our independent registered public accounting firm, regarding internal control over financial reporting. Our report was not subject to attestation by our independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management’s report in this annual report.

(c) Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to errors or fraud may occur and not be detected. Our disclosure controls and procedures are designed to provide a reasonable level of assurance that their objectives are achieved.

(d) Changes in Internal Control Over Financial Reporting

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

ITEM 9B. OTHER INFORMATION

None.

**PART III
MANAGEMENT**

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Set forth below are the names, ages and positions of our directors and executive officers as of March 29, 2010.

Name	Age	Position
Richard J. Lampen	56	President, Chief Executive Officer and Director
J. Bryant Kirkland III	44	Vice President, Chief Financial Officer, Secretary, Treasurer and Director
Robert M. Lundgren	51	Director

Richard J. Lampen, age 56, has served as President and Chief Executive Officer of ours since November 1998 and as our director since January 1997. Mr. Lampen has also served as Executive Vice President of Vector since July 1996 and as President and Chief Executive Officer of Ladenburg Thalmann Financial Services Inc. since September 2006. Since October 2008, Mr. Lampen has served as interim President and Chief Executive Officer of Castle Brands Inc., a publicly traded developer and importer of premium branded spirits in which Vector held an approximate 11% equity interest at December 31, 2008. From October 1995 to December 2005, Mr. Lampen served as the Executive Vice President and General Counsel of New Valley Corporation, where he also served as a director. From May 1992 to September 1995, Mr. Lampen was a partner at Steel Hector & Davis, a law firm located in Miami, Florida. From January 1991 to April 1992, Mr. Lampen was a Managing Director at Salomon Brothers Inc, an investment bank, and was an employee at Salomon Brothers Inc from 1986 to April 1992. Mr. Lampen is also a director of Ladenburg Thalmann Financial Services and Castle Brands Inc. Mr. Lampen received a Bachelor of Arts degree from The Johns Hopkins University in 1975 and received a Juris Doctorate degree in 1978 from Columbia Law School.

J. Bryant Kirkland III, age 44, has served as our Vice President, Chief Financial Officer, Secretary and Treasurer since January 1998 and as our director since November 1998. Mr. Kirkland has served as a Vice President of Vector since 2001 and became Vice President, Treasurer and Chief Financial Officer of Vector on April 1, 2006. From November 1994 to December 2005, Mr. Kirkland served in various financial capacities with New Valley Corporation, the predecessor to New Valley LLC, since November 1994 and from January 1998 to December 2005 as the Vice President, Treasurer and Chief Financial Officer of New Valley Corporation. Mr. Kirkland also served as Chief Financial Officer of Ladenburg Thalmann Financial Services Inc. from June 2001 to October 2002. Mr. Kirkland received a Bachelor of Science in Business Administration from the University of North Carolina in 1987 and a Masters of Business Administration from Barry University in December 2006.

Robert M. Lundgren, age 51, has served as our director since January 1997. He also served as our Vice President, Chief Financial Officer, Secretary and Treasurer from January 1997 through January 14, 1998. Mr. Lundgren has served as Chief Financial Officer of Westminster Christian School in Palmetto Bay, Florida since January 2010. He previously served as Director of Finance and Operations of Palmer Trinity School in Miami, Florida from July 2002 to December 2009. Mr. Lundgren was an independent consultant from October 2001 until July 2002. From January 14, 1998 to October 2001, Mr. Lundgren was employed by Solar Cosmetic Labs, Inc. as Chief Financial Officer. From November 1994 through January 14, 1998, Mr. Lundgren was employed by New Valley Corporation where he served as Vice President and

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Chief Financial Officer from May 1996 to January 14, 1998. From November 1992 through November 1994, Mr. Lundgren worked for Deloitte & Touche as a Senior Manager in the audit practice. Mr. Lundgren has been a certified public accountant since 1981 and holds a Bachelor of Science in Accounting from Wake Forest University.

Each director of ours holds office until the next annual meeting of stockholders or until his successor is elected and qualified. At present, our By-laws provide for not less than two directors or more than nine directors. Currently, there are three directors. The By-laws permit the Board of Directors to fill any vacancy and such director may serve until the next annual meeting of stockholders or until his successor is elected and qualified. Officers serve at the discretion of the Board of Directors.

Audit Committee

The Audit Committee of our Board of Directors consists of Mr. Lundgren. Our Board of Directors has determined that Mr. Lundgren is an “audit committee financial expert” and “independent” as those terms are defined under the applicable Securities and Exchange Commission rules. In determining that Mr. Lundgren was “independent”, the Board used the definition of independence in Rule 4200(a) (15) of the NASD’s listing standards.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission (the “SEC”). Officers, directors and greater than ten percent shareholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms which they file. Based solely on review of the copies of such forms furnished to us, or written representations that no Forms 5 were required, we believe that, during and with respect to the fiscal year ended December 31, 2009, all officers and directors complied with applicable Section 16(a) filing requirements.

Code of Ethics

We have adopted a Code of Ethics that applies to our two employees, our President and Chief Executive Officer and our Vice President and Chief Financial Officer. We will provide, without charge, a copy of the Code of Ethics on the written request of any person addressed to our Chief Financial Officer at CDSI Holdings Inc., 100 S.E. Second Street, 32nd Floor, Miami, Florida 33131.

ITEM 11. EXECUTIVE COMPENSATION**Executive Compensation**

The following table sets forth the combined remuneration paid or accrued by us during our last two fiscal years to those persons who were, at December 31, 2009, our Principal Executive Officer or who were executive officers whose cash compensation exceeded \$100,000 (the “named executive officers”).

Summary Compensation Table

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary (\$)</u>	<u>Bonus (\$)</u>	<u>Stock Awards (\$)</u>	<u>Option Awards (\$)</u>	<u>Non-Equity Incentive Plan Compensation (\$)</u>	<u>Nonqualified Deferred Compensation Earnings (\$)</u>	<u>All Other Compensation (\$)</u>	<u>Total Compensation (\$)</u>
Richard J. Lampen President and Chief Executive Officer ⁽¹⁾	2009	—	—	—	—	—	—	—	None
	2008	—	—	—	—	—	—	—	None

(1) Richard J. Lampen, who has served as our President and Chief Executive Officer since November 5, 1998, did not receive any salary or other compensation from us in 2009 or 2008, other than the normal compensation paid to directors of ours. See “Compensation of Directors.”

Stock Options

In order to attract and retain persons necessary for our business, we adopted the 1997 Stock Option Plan (the “Option Plan”) covering up to 750,000 shares, pursuant to which officers, directors and key employees of ours and our consultants are eligible to receive incentive and/or non-incentive stock options. The Option Plan, which expired on January 29, 2007, was administered by the Board of Directors or the Compensation Committee. All options outstanding expired on January 12, 2009.

There were no exercises or grants of options during 2009.

Employment Agreements and Other Compensation Plans

We are not party to any employment agreements or other compensation plans except for the Option Plan.

Compensation of Directors

We pay each director who is not a full-time employee of ours an annual retainer of \$5,000, payable quarterly, and reimburse the directors for reasonable travel expenses incurred in connection with their activities on our behalf.

The table below summarizes the compensation paid by us to non-employee directors for the fiscal year ended December 31, 2009.

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<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Stock Awards (\$)</u>	<u>Option Awards (\$)</u>	<u>Non-Equity Incentive Plan Compensation (\$)</u>	<u>Changes in Pension Value and Nonqualified Deferred Compensation Earnings (\$)</u>	<u>All Other Compensation (\$)</u>	<u>Total (\$)</u>
Richard J. Lampen	\$ 5,000	—	—	—	—	—	\$ 5,000
J. Bryant Kirkland III	\$ 5,000	—	—	—	—	—	\$ 5,000
Robert M. Lundgren	\$ 5,000	—	—	—	—	—	\$ 5,000

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of March 29, 2010, the beneficial ownership of our Common Stock (the only class of voting securities) by (i) each person known to us to own beneficially more than five percent of the Common Stock, (ii) each of our directors, (iii) each of our named executive officers (as such term is defined in the Summary Compensation Table above) and (iv) all directors and executive officers as a group. Unless otherwise indicated, each person possesses sole voting and investment power with respect to the shares indicated as beneficially owned, and the business address of each person is 100 S.E. Second Street, Miami, Florida 33131.

<u>Name and Address⁽¹⁾</u>	<u>Number of Shares of Common Stock</u>	<u>Percentage of Ownership</u>
Vector Group Ltd. ⁽²⁾	1,490,000	47.8%
T. Baulch ⁽³⁾ 5315-B FM 1960 West, #239 Houston, TX 77069	200,583	6.4%
Jay Gottlieb ⁽⁴⁾ 27 Misty Brooke Lane New Fairfield, CT 06812	191,200	6.1%
J. Bryant Kirkland III	—	0.0%
Richard J. Lampen	—	0.0%
Robert Lundgren 14545 SW 79th Court Miami, FL 33158	—	0.0%
All executive officers and directors as a group (3 persons) ⁽⁴⁾	—	0.0%

(1) Unless otherwise indicated, each named person has sole voting and investment power with respect to the shares set forth opposite such named person's name.

(2) Vector has voting and investment power with regard to such shares. Richard J. Lampen, an executive officer and a director of ours, and J. Bryant Kirkland III, an executive officer and a director of ours, serve as Executive Vice President and Vice President, respectively, of Vector. Neither Mr. Kirkland nor Mr. Lampen has investment authority or voting control over our securities owned by Vector. The other executive officers of Vector are Howard M. Lorber, President and Chief Executive Officer and Marc N. Bell, Vice President and General Counsel. The directors of Vector are Mr. Lorber, Bennett S. LeBow, Henry C. Beinstein, Ronald J. Bernstein, Robert J. Eide, Jeffrey S. Podell and Jean E. Sharpe.

(3) Based on Schedule 13G filed on February 16, 2010 by T. Baulch.

(4) Based on Schedule 13G filed on February 11, 2010 by Jay Gottlieb.

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Equity Compensation Plan Information

There were no outstanding options, warrants, rights and other equity compensation under our equity plans as of December 31, 2009.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Certain accounting and related finance functions are performed on behalf of us by employees of our principal stockholder, Vector. Expenses incurred relating to these functions are allocated to us and paid as incurred to Vector based on management's best estimate of the cost involved. The amounts allocated were immaterial for all periods presented herein.

On March 26, 2009, we entered into a \$50,000 Revolving Credit Promissory Note (the "Revolver") with Vector due December 31, 2012. The loan bears interest at 11% per annum and is due on December 31, 2012. There was a balance \$22,500 outstanding under the Revolver at December 31, 2009.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The Audit Committee reviews and approves audit and permissible non-audit services performed by Becher Della Torre Gitto & Company PC, as well as the fees charged for such services. In our review of non-audit service fees and our appointment of Becher Della Torre Gitto & Company PC as our independent accountants, the Audit Committee considered whether the provision of such services is compatible with maintaining Becher Della Torre Gitto & Company PC's independence. All of the services provided and fees charged by Becher Della Torre Gitto & Company PC in 2009 and 2008 were pre-approved by the Audit Committee.

Audit Fees. The aggregate fees billed by Becher Della Torre Gitto & Company PC for professional services for the audit of our annual financial statements for 2008 and the review of the financial statements included in our quarterly reports on Form 10-Q for the quarters ended March 31, 2009, June 30, 2009 and September 30, 2009 was \$11,011. The aggregate fees billed by Becher Della Torre Gitto & Company PC for professional services for the audit of our annual financial statements for 2007 and the review of the financial statements included in our quarterly reports on Form 10-QSB for the quarters ended March 31, 2008, June 30, 2008 and September 30, 2008 was \$10,540.

Audit-Related Fees. There were no other fees billed by Becher Della Torre Gitto & Company PC during the last two fiscal years for assurance and related services that were reasonably related to the performance of the audit or review of our financial statements and not reported under "Audit Fees" above.

Tax Fees. There were no fees billed by Becher Della Torre Gitto & Company PC during the last two fiscal years for professional services rendered by such firms for tax compliance, tax advice and tax planning.

All Other Fees. There were no other fees billed by Becher Della Torre Gitto & Company PC during the last two fiscal years for products and services provided by such firms.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) INDEX TO 2009 CONSOLIDATED FINANCIAL STATEMENTS:

Our financial statements and the notes thereto, together with the report thereon of Becher Della Torre Gitto & Company PC dated March 29, 2010, appear beginning on page F-1 of this report.

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(a)(3) EXHIBITS

The following is a list of exhibits filed herewith as part of this Annual Report on Form 10-K:

- 3.1 Form of Restated Certificate of Incorporation of the Company (1)
- 3.2 Certificate of Amendment to the Restated Certificate of Incorporation of the Company (2)
- 3.3 Form of By-Laws of the Company (1)
- 4.1 Revolving Credit Promissory Note, dated as of March 26, 2009, by and between Vector Group Ltd., Lender, and CDSI Holdings Inc., as borrower. (3)
- 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.*

* Filed herewith.

- (1) Previously filed as an Exhibit to our Registration Statement on Form S-1 (File No. 333-21545). This Exhibit is incorporated herein by reference.
- (2) Previously filed as an Exhibit to our Form 8-K filed January 14, 1999. This Exhibit is incorporated herein by reference.
- (3) Previously filed as an Exhibit to our Form 10-K for the year ended December 31, 2008. This exhibit is incorporated herein by reference.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on March 29, 2010, on its behalf by the undersigned, thereunto duly authorized.

CDSI Holdings Inc.

By: /s/ J. Bryant Kirkland III

J. Bryant Kirkland III
Vice President, Treasurer and
Chief Financial Officer

POWER OF ATTORNEY

The undersigned directors and officers of CDSI Holdings Inc. hereby constitute and appoint Richard J. Lampen and J. Bryant Kirkland III, and each of them, with full power to act without the other and with full power of substitution and resubstitution, our true and lawful attorneys-in-fact with full power to execute in our name and behalf in the capacities indicated below, this Annual Report on Form 10-K and any and all amendments thereto and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, and hereby ratify and confirm all that such attorneys-in-fact, or any of them, or their substitutes shall lawfully do or cause to be done by virtue hereof.

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities indicated on March 29, 2010.

<u>Signature</u>	<u>Title</u>
<u>/s/ Richard J. Lampen</u> Richard J. Lampen	Director, President and Chief Executive Officer
<u>/s/ J. Bryant Kirkland III</u> J. Bryant Kirkland III	Director, Vice President, Treasurer and Chief Financial Officer (principal accounting and financial officer)
<u>/s/Robert Lundgren</u> Robert Lundgren	Director

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CDSI HOLDINGS INC.

Financial Statements

December 31, 2009 and 2008

(With Report of Independent Registered Public Accounting Firm Thereon)

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CDSI HOLDINGS INC.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of
CDSI Holdings Inc.:

We have audited the accompanying balance sheets of CDSI Holdings Inc. (the "Company") as of December 31, 2009 and 2008, and the related statements of operations, stockholders' (deficiency) equity, and cash flows for each of the years in the two-year period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CDSI Holdings, Inc. as of December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2009 in conformity with accounting principles generally accepted in the United State of America.

/s/ Becher Della Torre Gitto & Company PC

Becher Della Torre Gitto & Company PC
Ridgewood, NJ

March 29, 2010

[Table of Contents](#)**CDSI HOLDINGS INC.**

Balance Sheets

	December 31, 2009	December 31, 2008
Assets:		
Current assets:		
Cash and cash equivalents	\$ 9,004	\$ 19,698
Total assets	<u>\$ 9,004</u>	<u>\$ 19,698</u>
Liabilities and Stockholders' (Deficiency) Equity:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 11,220	\$ 11,650
Total current liabilities	<u>11,220</u>	<u>11,650</u>
Revolving credit promissory note from related party	<u>22,500</u>	<u>—</u>
Commitments and contingencies	—	—
Stockholders' (deficiency) equity:		
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; 3,120,000 shares issued and outstanding	31,200	31,200
Additional paid-in capital	8,209,944	8,209,944
Accumulated deficit	(8,265,860)	(8,233,096)
Accumulated other comprehensive income	<u>—</u>	<u>—</u>
Total stockholders' (deficiency) equity	<u>(24,716)</u>	<u>8,048</u>
Total liabilities and stockholders' (deficiency) equity	<u>\$ 9,004</u>	<u>\$ 19,698</u>

See accompanying notes to financial statements.

CDSI HOLDINGS INC.

Statements of Operations

	<u>Years Ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
Revenues	\$ —	\$ —
Cost and expenses:		
General and administrative	31,343	36,029
	<u>31,343</u>	<u>36,029</u>
Operating loss	<u>(31,343)</u>	<u>(36,029)</u>
Other income (expense):		
Interest income	1	439
Interest expense	(1,422)	—
	<u>(1,421)</u>	<u>439</u>
Net loss	\$ <u>(32,764)</u>	\$ <u>(35,590)</u>
Net loss per share (basic and diluted)	\$ <u>(0.01)</u>	\$ <u>(0.01)</u>
Shares used in computing net loss per share	<u>3,120,000</u>	<u>3,120,000</u>

See accompanying notes to financial statements.

CDSI HOLDINGS INC.

Statements of Stockholders' (Deficiency) Equity

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total Stockholders' (Deficiency) Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance at January 1, 2008	3,120,000	\$31,200	\$8,209,944	\$(8,197,506)	\$ —	\$ 43,638
Net loss	—	—	—	(35,590)	—	(35,590)
Balance at January 1, 2009	3,120,000	\$31,200	\$8,209,944	\$(8,233,096)	\$ —	\$ 8,048
Net loss	—	—	—	(32,764)	—	(32,764)
Balance at December 31, 2009	<u>3,120,000</u>	<u>\$31,200</u>	<u>\$8,209,944</u>	<u>\$(8,265,860)</u>	<u>\$ —</u>	<u>\$ (24,716)</u>

See accompanying notes to financial statements.

[Table of Contents](#)**CDSI HOLDINGS INC.**

Statements of Cash Flows

	<u>Years Ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Net loss	\$ (32,764)	\$ (35,590)
Adjustments to reconcile net loss to net cash used in operating activities:		
Changes in assets and liabilities:		
(Decrease) increase in accounts payable and accrued expenses	<u>(430)</u>	<u>5,000</u>
Net cash used in operating activities	(33,194)	(30,590)
Net cash from investing activities	<u>—</u>	<u>—</u>
Net cash from financing activities:		
Borrowings under revolving credit promissory note	<u>22,500</u>	<u>—</u>
Net cash flows provided from financing activities	<u>22,500</u>	<u>—</u>
Net decrease in cash	(10,694)	(30,590)
Cash and cash equivalents at beginning of period	<u>19,698</u>	<u>50,288</u>
Cash and cash equivalents at end of period	<u>\$ 9,004</u>	<u>\$ 19,698</u>
Supplemental cash flow information:		
Cash paid during year for:		
Interest	—	—
Income taxes	—	—

See accompanying notes to financial statements.

CDSI HOLDINGS INC.

Notes to Financial Statements

(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 December 31, 2009, the Company had an accumulated deficit of approximately \$8,265,860. 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 intends to seek 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) Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include money market funds with a maturity of three months or less.

Fair Value of Financial Instruments

The fair values of the Company's cash and cash equivalents and accrued expenses approximate their carrying values due to the relatively short maturities of these instruments. The carrying value of the Revolving Credit Promissory Note is estimated to approximate fair value as the stated note approximates its fair value.

CDSI HOLDINGS INC.

Notes to Financial Statements — Continued

Income Taxes

The Company utilizes the liability method of accounting for deferred income taxes. Under the liability method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Computation of Basic and Diluted Net Loss per Share

Basic net loss per share of Common Stock has been computed by dividing the net loss applicable to common shareholders by the weighted average number of shares of common stock outstanding during the year. Diluted loss per share is computed by dividing net loss applicable to common shareholders by the weighted average number of common shares outstanding, increased by the assumed conversion of other potentially dilutive securities during the period. Stock options and warrants totaling 9,000 shares at December 31, 2008, were excluded from the calculation of diluted per share results presented because their effect was anti-dilutive. Accordingly, diluted net loss per common share is the same as basic net loss per common share.

Use of Estimates

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

Concentrations of Risks

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash held in overnight money market accounts. The Company has no formal policy requiring collateral to support the financial instruments subject to credit risk.

Subsequent Events

The Company has evaluated events that occurred subsequent to December 31, 2009, through the financial statement issue date (March 29, 2010), and determined that there were no recordable or reportable subsequent events.

CDSI HOLDINGS INC.

Notes to Financial Statements — Continued

(3) Investments and Fair Value Measurements

The Company utilizes a three-tier framework for assets and liabilities required to be measured at fair value. In addition, the Company uses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost) to value these assets and liabilities as appropriate. The Company uses an exit price when determining the fair value. The exit price represents amounts that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

The Company utilizes a three-tier fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1	Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices that are observable for the assets or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
Level 3	Unobservable inputs in which there is little market data, which requires the reporting entity to develop their own assumptions

This hierarchy requires the use of observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

The Company's population of recurring financial assets and liabilities subject to fair value measurements and the necessary disclosures consists of approximately \$7,096 and \$19,394 of cash invested in a money market fund as of December 31, 2009 and 2008, respectively. The fair value determination of the money market fund is a Level 1 asset under the fair value hierarchy. The money market fund is invested in Treasury Funds with quoted prices in active markets.

(4) Related Party Transactions

Certain accounting and related finance functions are performed on behalf of the Company by employees of the Company's principal stockholder, Vector Group Ltd. ("Vector"). Expenses incurred relating to these functions are allocated to the Company and paid as incurred to Vector

CDSI HOLDINGS INC.

Notes to Financial Statements — Continued

based on management's best estimate of the cost involved. The amounts allocated were immaterial for all periods presented herein.

On March 26, 2009, the Company and Vector entered into a \$50,000 Revolving Credit Promissory Note (the "Revolver") due December 31, 2012. The loan bears interest at 11% per annum and is due on December 31, 2012. There was a balance \$22,500 outstanding under the Revolver at December 31, 2009. In addition, the Company has recorded accrued interest expense of \$1,422 to Vector in "Accounts payable and other accrued expenses" in its Balance Sheet at December 31, 2009.

(5) Stock Options

The Company granted equity compensation under its 1997 Stock Option Plan (the "1997 Plan"), which expired on January 29, 2007 and provided for the grant of options to purchase the Company's stock to the employees and directors of the Company. The term of the options granted under the 1997 Plan was limited to 10 years from the date of grant.

The Company accounts for stock options by estimating at the date of grant using the Black-Scholes option pricing model. There were no option grants in the years ended December 31, 2009 and 2008.

Approximately 9,000 and 119,000 options to acquire shares of Common Stock expired during 2009 and 2008, respectively.

CDSI HOLDINGS INC.

Notes to Financial Statements — Continued

A summary of the Company's stock option activity is as follows:

	Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2008	128,000	\$ 1.34	.35	\$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited or expired	(119,000)	1.41	—	—
Outstanding at December 31, 2008	9,000	\$ 0.44	0.03	\$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited or expired	(9,000) ⁽¹⁾	0.44	—	—
Outstanding at December 31, 2009	—	\$ —	—	\$ —
Exercisable at December 31, 2009	—	—	—	\$ —
Options vested during period	—	—	—	\$ —

(1) These options expired on January 12, 2009.

(6) Preferred Stock

The Company has the authority to issue 5,000,000 shares of Preferred Stock, which may be issued from time to time in one or more series.

CDSI HOLDINGS INC.

Notes to Financial Statements — Continued

(7) Income Taxes

During the years ended December 31, 2009 and 2008, the Company had no income and therefore made no provision for Federal and state income taxes.

At December 31, 2009 and 2008, the Company had approximately \$7,050,000 and \$7,025,000, respectively, of net operating loss carryforwards for federal and state tax reporting purposes available to offset future taxable income, if any; such carryforwards expire between 2010 and 2029 (federal) and 2010 and 2029 (state). Deferred tax assets and liabilities principally relate to net operating loss carryforwards and aggregate approximately \$2,500,000 before valuation allowance. In assessing the realizability of the net deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. As of December 31, 2009, the Company has provided a full valuation allowance against net deferred tax assets due to the Company's uncertainty of future taxable income against which the deferred tax asset may be utilized. Accordingly, no deferred tax asset has been recorded on the accompanying balance sheet.

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

I, Richard J. Lampen, certify that:

1. I have reviewed this annual report on Form 10-K 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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: March 29, 2010

/s/ Richard J. Lampen
Richard J. Lampen
President 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 annual report on Form 10-K 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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: March 29, 2010

/s/ J. Bryant Kirkland III

J. Bryant Kirkland III
Vice President, Treasurer and Chief Financial
Officer

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

In connection with the Annual Report of CDSI Holdings Inc. (the "Company") on Form 10-K for the period ended December 31, 2009 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.

March 29, 2010

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

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

In connection with the Annual Report of CDSI Holdings Inc. (the "Company") on Form 10-K for the period ended December 31, 2009 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.

March 29, 2010

/s/ J. Bryant Kirkland III

J. Bryant Kirkland III

Vice President and Chief Financial Officer