

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2006

COMMISSION FILE NUMBER 0001-22563

CDSI HOLDINGS INC.

(Exact name of small business issuer as specified in its charter)

<TABLE>

<S>	<C>
DELAWARE	95-4463937
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

</TABLE>

<TABLE>

<S>	<C>
100 S.E. SECOND STREET, 32ND FLOOR	
MIAMI, FL	33131
(Address of principal executive offices)	(Zip Code)

</TABLE>

(305) 579-8000

(Issuer's telephone number, including area code)

CHECK WHETHER THE ISSUER (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(d) OF 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 X NO  
--- ---

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS A SHELL COMPANY (AS DEFINED IN RULE 12b-2 OF THE EXCHANGE ACT).

YES X NO  
--- ---

AS OF NOVEMBER 14, 2006, THERE WERE OUTSTANDING 3,120,000 SHARES OF THE ISSUER'S COMMON STOCK, \$.01 PAR VALUE.

CDSI HOLDINGS INC.  
QUARTERLY REPORT ON FORM 10-QSB  
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2006

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CDSI HOLDINGS INC.

CONDENSED BALANCE SHEETS  
(UNAUDITED)

<TABLE>  
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	September 30, 2006	December 31, 2005
	----- <C>	----- <C>
<S>		
ASSETS:		
Current assets:		
Cash and cash equivalents .....	\$ 67,409	\$ 91,660
Investment securities available for sale .....	196	1,820
	-----	-----
Total assets .....	\$ 67,605	\$ 93,480
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable and accrued expenses .....	\$ 6,350	\$ 7,000
	-----	-----
Total current liabilities .....	6,350	7,000
	-----	-----
Commitments and contingencies .....	--	--
Stockholders' 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 .....	(8,180,085)	(8,156,484)
Accumulated other comprehensive income .....	196	1,820
	-----	-----
Total stockholders' equity .....	61,255	86,480
	-----	-----
Total liabilities and stockholders' equity .....	\$ 67,605	\$ 93,480
	=====	=====

</TABLE>

See accompanying Notes to Condensed Financial Statements

## CDSI HOLDINGS INC.

CONDENSED STATEMENTS OF OPERATIONS  
(UNAUDITED)<TABLE>  
<CAPTION>

	Three Months Ended		Nine Months Ended	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
	<C>	<C>	<C>	<C>
Revenues .....	\$ --	\$ --	\$ --	\$ --
Cost and expenses:				
General and administrative .....	8,349	8,480	26,329	25,986
	8,349	8,480	26,329	25,986
Operating loss .....	(8,349)	(8,480)	(26,329)	(25,986)
Other income:				
Interest income .....	882	809	2,728	2,245
Net loss .....	\$ (7,467)	\$ (7,671)	\$ (23,601)	\$ (23,741)
Net loss per share (basic and diluted) ...	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Shares used in computing net loss per share .....	3,120,000	3,120,000	3,120,000	3,120,000

&lt;/TABLE&gt;

See accompanying Notes to Condensed Financial Statements

## CDSI HOLDINGS INC.

CONDENSED STATEMENTS OF CASH FLOWS  
(UNAUDITED)<TABLE>  
<CAPTION>

	Nine Months Ended	
	September 30, 2006	September 30, 2005
	<C>	<C>
Cash flows used in operating activities:		
Net loss .....	\$(23,601)	\$(23,741)
Decrease in accounts payable and accrued expenses ...	(650)	(1,325)
Net cash used in operating activities .....	(24,251)	(25,066)
Net cash flows from investing activities .....	--	--

Net cash flows from financing activities .....	--	--
	-----	-----
Net decrease in cash .....	(24,251)	(25,066)
Cash and cash equivalents at beginning of period .....	91,660	122,946
	-----	-----
Cash and cash equivalents at end of period .....	\$ 67,409	\$ 97,880
	=====	=====

</TABLE>

See accompanying Notes to Condensed Financial Statements

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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. 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 8, 1998, the Company's principal business was an on-line electronic delivery information service that transmits name, address, telephone number and other related information digitally to users of personal computers (the "PC411 Service"). On May 8, 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. Effective November 12, 2003, the Company and its wholly-owned subsidiary CDS merged with the Company as the surviving corporation.

At September 30, 2006, the Company had an accumulated deficit of \$8,180,085. 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 explore investments in other 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 financial statements of the Company as of September 30, 2006 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 September 30, 2006 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 financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2005 included in the Company's Form 10-KSB filed with the Securities and Exchange Commission (Commission File No. 0001-22563).

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CDSI HOLDINGS INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS - (CONTINUED)  
(UNAUDITED)

USE OF ESTIMATES

The preparation of the 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.

(3) THINKDIRECTMARKETING TRANSACTION

On November 5, 1998, the Company contributed the non-cash assets and certain liabilities of the PC411 Service to ThinkDirectMarketing, Inc. ("TDMI") (formerly known as Digital Asset Management, Inc.). The Company received preferred stock representing an initial 42.5% interest in TDMI in exchange for the contribution of the PC411 Service's net assets. The Company's carrying value in the net assets contributed to TDMI totaled \$73,438. The Company recorded \$462,360 as a capital contribution in connection with the transaction, which represented the Company's 42.5% interest in the capital raised by TDMI in excess of the carrying value of the Company's net assets contributed to TDMI. The Company agreed, under certain conditions, to fund up to \$200,000 of an \$800,000 working capital line. The Company funded \$100,000 of the working capital line in the second quarter of 1999. In July 1999, the Company agreed to extend the maturity of its working capital line and was released from any further obligation to fund additional amounts under the working capital line.

In October 2000, TDMI and Cater Barnard plc (formerly known as VoyagerIT.com) entered into an agreement whereby Cater Barnard purchased for \$5,000,000 shares of TDMI's convertible preferred stock and convertible notes on various dates between November 10, 2000 and June 8, 2001. On October 16, 2001, Cater Barnard agreed to use its best efforts to fund an additional \$1,250,000 to TDMI by January 31, 2002 and on the same date, the TDMI stockholders granted Cater Barnard an option to purchase by January 31, 2002 all of TDMI's common stock not held by Cater Barnard for an aggregate purchase price of 78,750 shares of Convertible Preferred Stock of Dialog Group Inc. ("Dialog", formerly known as IMX Pharmaceuticals, Inc.). Dialog was then a majority-owned subsidiary of Cater Barnard to which Cater Barnard had transferred its interest in TDMI. The preferred stock was initially convertible into 1,575,000 shares of Dialog Common Stock.

On January 31, 2002, Dialog acquired all the shares of TDMI it did not already own by exercising the option previously granted to Cater Barnard. CDSI received 8,250 shares of Dialog Class B Convertible Preferred Stock in exchange for its interest in TDMI. Each share of Dialog Class B Preferred Stock was entitled to receive an annual dividend of \$4.00 on December 31 of each year. The dividend was payable at the option of Dialog in shares of its Common Stock. The shares of Dialog Class B Preferred Stock to be received by the Company were initially convertible into 165,000 shares of Dialog Common Stock.

On November 4, 2002, the holders of Dialog Class B Preferred Stock and Dialog agreed to (i) increase the number of common shares into which the Dialog Class B Preferred Stock is convertible from 1,575,000 to 3,150,000 and (ii) eliminate the annual dividend on the Class B Preferred Stock. As a result, the Class B Preferred Stock held by CDSI became convertible into 330,000 shares of Dialog Common Stock and, on February 7, 2003, CDSI converted its preferred shares into 330,000

shares of Dialog Common Stock. The Company sold 50,000 shares of Dialog stock for \$4,888 in the third quarter of 2004. See Note 4. On September 18, 2006, Dialog effected a 1-for-100 reverse stock split. Based on public filings by Dialog, management currently estimates that CDSI's interest in Dialog (currently 2,800 shares) is less than a 0.1% on a fully-diluted basis.

(4) INVESTMENT SECURITIES AVAILABLE FOR SALE

The Company's 2,800 shares of Dialog Common Stock may be sold by the Company pursuant to Rule 144(k) of the Securities Act of 1933. See Note 3. In accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities", the Company has classified these shares as "Investment Securities Available for Sale" as of September 30, 2006. The Dialog Common Stock is carried at fair value, and net unrealized gains are included as a component of stockholders' equity. However, no assurance can be given that the Company will ultimately realize fair value for its Dialog shares as there is only a limited trading market for the shares and the Company may not be able to sell any material portion of its shares at prevailing market prices.

(5) RELATED PARTY TRANSACTIONS

Certain accounting and related finance functions are performed on behalf of the Company by employees of the parent 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 based on management's best estimate of the cost involved. The amounts allocated were immaterial for all periods presented herein.

(6) NET LOSS PER SHARE

Basic loss per share of common stock is computed by dividing net loss applicable to common stockholders by the weighted average shares of common stock outstanding during the period (3,120,000 shares). Diluted per share results reflect the potential dilution from the exercise or conversion of securities into common stock.

Stock options and warrants (both vested and non-vested) totaling 653,333 shares at September 30, 2006 and 2005, respectively, 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.

CDSI HOLDINGS INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS - (CONTINUED)  
(UNAUDITED)

(7) COMPREHENSIVE LOSS

Comprehensive loss of the Company includes net loss and changes in the value of investment securities available for sale that have not been included in net income. Comprehensive loss applicable to Common Shares for the three and nine months ended September 30, 2006 and 2005 is as follows:

<TABLE>  
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	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
Net loss .....	\$(7,467)	\$(7,671)	\$(23,601)	\$(23,741)
Net change in unrealized gain on investment securities .....	(644)	(1,120)	(1,624)	(7,980)
Comprehensive loss .....	\$(8,111)	\$(8,791)	\$(25,225)	\$(31,721)

</TABLE>

(8) STOCK OPTIONS

The Company grants equity compensation under its 1997 Stock Option Plan ("the 1997 Plan"), which provides 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 is limited to 10 years. As of September 30, 2006, there were approximately 596,667 shares available for issuance under the 1997 Plan.

Prior to January 1, 2006, the Company accounted for share-based compensation plans in accordance with the provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees," as permitted by SFAS No. 123. The Company elected to use the intrinsic value method of accounting for employee and director share-based compensation expense for its non-compensatory employee and director stock option awards and did not recognize compensation expense for the issuance of options with an exercise price equal to the market price of the underlying common stock on the date of grant.

On January 1, 2006, the Company adopted the provisions of SFAS No. 123(R), which requires the Company to value unvested stock options granted prior to the adoption of SFAS No. 123(R) under the fair value method of accounting and expense this amount in the statement of operations over the stock option's remaining vesting period. The Company adopted this new standard, prospectively, on January 1, 2006. Because all options outstanding were fully vested at January 1, 2006, there was no impact on the Company's financial statements. In addition, because all options were fully vested on January 1, 2005, there would have been no impact of the Company's financial statements for the three and nine months ended September 30, 2005.

As permitted by SFAS No. 123 and SFAS No. 123(R), the fair value of option grants is estimated at the date of grant using the Black-Scholes option pricing model. The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including expected stock price characteristics which are significantly different from those of traded options, and because changes in the subjective input assumptions can

CDSI HOLDINGS INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS - (CONTINUED)  
(UNAUDITED)

materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of stock-based compensation awards.

There were no option grants in the three and nine months ended September 30, 2006 and 2005. If options had been granted, the assumptions used in computing fair value under the Black-Scholes option pricing model would have been based on the expected option life considering both the contractual term of the option and expected employee exercise behavior, the interest rate associated with U.S. Treasury issues with a remaining term equal to the expected option life and the expected volatility of the Company's common stock over the expected term of the option.

A summary of the Company's stock option activity during the three and nine months ended September 30, 2006 follows:

<TABLE>

<CAPTION>

Weighted-  
Average  
Weighted- Remaining

	Average Exercise Shares	Price	Contractual Term (in years)	Aggregate Intrinsic Value(1)	
<S>	<C>	<C>	<C>	<C>	
Outstanding at December 31, 2005 ....	153,333		\$2.03	2.2	\$--
Granted .....	--	--	--	--	
Exercised .....	--	--	--	--	
Forfeited or expired .....	--	--	--	--	
Outstanding at September 30, 2006 ...	153,333		\$2.03	1.4	\$--
Exercisable at September 30, 2006 ...	153,333				\$--
Options vested during period .....	--				\$--

</TABLE>

(1) The aggregate intrinsic value represents the amount by which the fair value of the underlying common stock (\$0.14 at September 30, 2006) exceeds the option exercise price.

In addition to the options issued in connection with the stock option plans, the Company has granted New Valley LLC, a wholly-owned subsidiary of Vector, options to acquire 500,000 shares of Common Stock at \$5.75 per share, which fully vested upon the completion of the Company's initial public offering in May 1997. The options expire in January 2007.

CDSI HOLDINGS INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS - (CONTINUED)  
(UNAUDITED)

(9) CONTINGENCIES

As of September 30, 2006, the Company was not authorized to transact business in any state other than Delaware, which is its state of incorporation. The Company received an inquiry from the Florida Department of State (the "FDS") inquiring whether the Company should have registered with the FDS in previous years, beginning in 1998. The Company has responded to the inquiry and believes its activities in previous years did not meet the requirements for such registration; however, no assurance can be provided that the Company's position will be accepted by the FDS. The Company is unable to quantify the amount of any registration fees and other costs attributable to any failure to register and has not accrued any amounts in its financial statements related to such inquiry.

CDSI HOLDINGS INC.

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

Overview

The Company intends to seek new business opportunities. As the Company has only limited cash resources, the Company'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.



On November 5, 1998, the Company contributed substantially all the non-cash assets and certain liabilities related to its on-line electronic delivery information service to TDMI, and received preferred stock of TDMI. See Note 3 to the unaudited condensed financial statements for additional information concerning the Company's former investment in TDMI.

On January 31, 2002, Dialog acquired all the shares of TDMI it did not already own by exercising an option previously granted by the remaining TDMI stockholders. The Company received preferred stock of Dialog in exchange for its interest in TDMI. The preferred stock was convertible into Dialog common stock and, on February 7, 2003, CDSI converted its Class B Preferred Shares into 330,000 shares of Dialog Common Stock. The Company sold 50,000 shares of Dialog stock for \$4,888 in the third quarter of 2004. On September 18, 2006, Dialog effected a 1-for-100 reverse stock split. The Company's remaining 2,800 Dialog shares may be sold by the Company pursuant to Rule 144(k) of the Securities Act of 1933. See Notes 3 and 4 to the unaudited condensed financial statements.

## Results of Operations

### REVENUES

For the three and nine months ended September 30, 2006 and 2005, the Company did not generate revenues from operations.

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## CDSI HOLDINGS INC.

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

#### EXPENSES

Expenses associated with corporate activities were \$ 8,349 and \$26,329 for the three and nine months ended September 30, 2006, respectively, as compared to \$8,480 and \$25,986 for the same periods in the prior year. The expenses were primarily associated with costs necessary to maintain a public company.

#### INTEREST INCOME

Interest income was \$882 and \$2,728 for the three and nine months ended September 30, 2006, compared to \$809 and \$2,245 for the three and nine months ended September 30, 2005. The increase is due primarily to higher prevailing interest rates offset by lower cash balances in 2006 versus 2005.

#### Liquidity and Capital Resources

At September 30, 2006, the Company had an accumulated deficit of \$8.2 million. 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. No assurance can be given that the Company will not continue to incur operating losses.

The Company has limited available cash, limited cash flow, limited liquid assets and no credit facilities. The Company has not been able to generate sufficient cash from operations and, as a consequence, financing has been required to fund ongoing operations. Since completion of the Company's initial public offering of its common stock (the "IPO") in May 1997, the Company has primarily financed its 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 nine months ended September 30, 2006 and 2005 was \$24, 251 and \$25,066, respectively. The decrease is associated primarily with a lower net loss and the timing of payments of accounts payable and accrued liabilities. The Company evaluates its accruals on a quarterly basis and makes adjustments when appropriate.

The Company does not expect significant capital expenditures during the

year ended December 31, 2006.

At September 30, 2006, the Company had cash and cash equivalents of \$67,409.

Inflation and changing prices had no material impact on revenues or the results of operations for the nine months ended September 30, 2006 and 2005.

The Company's 2,800 shares of Dialog Common Stock may be sold pursuant to Rule 144(k) of the Securities Act of 1933. In accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities", the Company has classified these

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## CDSI HOLDINGS INC.

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

shares as "Investment Securities Available for Sale" as of September 30, 2006. The Dialog Common Stock is carried at fair value (\$196), and net unrealized gains are included as a component of stockholders' equity. However, no assurance can be given that the Company will ultimately realize fair value for its Dialog shares as there is only a limited trading market for the shares and the Company may not be able to sell any material portion of its shares at prevailing market prices. No assurances can be given that an orderly trading market will be maintained for Dialog's Common Stock. Dialog was delinquent in filing reports with the Securities and Exchange Commission in 2003 and 2004 and, as a result, its Common Stock was delisted, effective December 31, 2003, from the NASD OTC Bulletin Board. Following the delisting, the Dialog shares traded on the OTC Pink Sheets until the shares resumed trading on the NASD OTC Bulletin Board on February 8, 2005. The Company sold 50,000 shares (500 shares adjusted for reverse stock split) of Dialog stock for \$4,888 in the third quarter of 2004.

We are not authorized to transact business in any state other than Delaware, which is our state of incorporation. We received an inquiry from the Florida Department of State inquiring whether we should have registered with the Florida Department of State in previous years, beginning in 1998. We have responded to the inquiry and believe our activities in prior years did not meet the requirements for such registration; however, no assurance can be provided that our position will be accepted by the Florida Department of State. We are unable to quantify the amount of any registration fees and other costs attributable to any failure to register and have not accrued any amounts in our financial statements related to such inquiry.

Management is currently evaluating alternatives to supplement the Company's present cash and cash equivalents to meet its liquidity requirements over the next twelve months. Such alternatives include seeking additional investors and/or lenders and disposing of the shares of Dialog Common Stock held by the Company. Although there can be no assurance, the Company believes that it will be able to continue as a going concern for the next twelve months.

The Company or its affiliates, including Vector Group Ltd., 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

The Company and its 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 its reports to stockholders, which represent the Company's 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, the Company has identified under "Risk Factors" in Item 1 of the Company's Form 10-KSB for the year ended December 31, 2005 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 the Company.

The Company's 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

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## CDSI HOLDINGS INC.

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Company. Although the Company believes that its 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 the Company's limited operations, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company 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. The Company does not undertake to update any forward-looking statement that may be made from time to time on its behalf.

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### ITEM 3. CONTROLS AND PROCEDURES

Under the supervision and with the participation of the Company's management, including its principal executive officer and principal financial officer, the Company has evaluated the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report, and, based on that evaluation, its principal executive officer and principal financial officer have concluded that these controls and procedures are effective. There were no changes in the Company's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Disclosure controls and procedures are the Company's controls and other procedures that are designed to ensure that information required to be disclosed by it in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by it in the reports that it files or submits under the Exchange Act is accumulated and communicated to its management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding disclosure.

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## CDSI HOLDINGS INC.

### PART II. OTHER INFORMATION

#### Item 1. Legal Proceedings

Reference is made to Note 9 to our unaudited condensed financial statements.

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.

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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: November 14, 2006

By: /s/ J. Bryant Kirkland III

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

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EXHIBIT 31.1

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-QSB 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 small business issuer as of, and for, the periods presented in this report;
4. The small business issuer'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 small business issuer 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 small business issuer is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) [intentionally omitted];
  - (c) evaluated the effectiveness of the small business issuer'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 small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer'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 small business issuer'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 small business issuer's internal control over financial reporting.

Date: November 14, 2006

/s/ Richard J. Lampen

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Richard J. Lampen  
Chairman and Chief Executive Officer

EXHIBIT 31.2

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-QSB 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 small business issuer as of, and for, the periods presented in this report;
4. The small business issuer'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 small business issuer 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 small business issuer is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) [intentionally omitted];
  - (c) evaluated the effectiveness of the small business issuer'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 small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of small business issuer'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 small business issuer'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 small business issuer's internal control over financial reporting.

Date: November 14, 2006

/s/ J. Bryant Kirkland III

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J. Bryant Kirkland III  
Vice President and Chief Financial Officer

EXHIBIT 32.1

SECTION 1350 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

In connection with the Quarterly Report of CDSI Holdings Inc. (the "Company") on Form 10-QSB for the period ended September 30, 2006 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.

November 14, 2006

/s/ Richard J. Lampen

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Richard J. Lampen  
Chairman and Chief Executive Officer

EXHIBIT 32.2

SECTION 1350 CERTIFICATION OF CHIEF FINANCIAL OFFICER

In connection with the Quarterly Report of CDSI Holdings Inc. (the "Company") on Form 10-QSB for the period ended September 30, 2006 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.

November 14, 2006

/s/ J. Bryant Kirkland III

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J. Bryant Kirkland III  
Vice President and Chief Financial  
Officer