
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For The Quarterly Period Ended September 30, 2010

CDSI HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation
incorporation or organization)

000-22563
Commission File Number

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

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

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer
 Non-accelerated filer

Accelerated filer
 Smaller reporting company

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

At November 15, 2010, CDSI Holdings Inc. had 3,270,000 shares of common stock outstanding.

CDSI HOLDINGS INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2010

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CDSI HOLDINGS INC.
CONDENSED BALANCE SHEETS
(Unaudited)

September 30, December 31,
2010 2009

Assets:

Current assets:		
Cash and cash equivalents	\$ 13,133	\$ 9,004
Total assets	\$ 13,133	\$ 9,004
Liabilities and Stockholders' Deficiency:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 7,963	\$ 9,800
Accrued interest on revolving credit promissory note	3,298	1,420
Total current liabilities	11,261	11,220
Revolving credit promissory note from related party	37,500	22,500
Commitments and contingencies	-	-
Stockholders' deficiency:		
Preferred stock, \$.01 par value. Authorized 5,000,000 shares; no shares issued and outstanding	-	-
Common stock, \$.01 par value. Authorized 25,000,000 shares; 3,270,000 and 3,120,000 shares issued and outstanding	32,700	31,200
Additional paid-in capital	8,223,444	8,209,944
Accumulated deficit	(8,291,772)	(8,265,860)
Accumulated other comprehensive income	-	-
Total stockholders' deficiency	(35,628)	(24,716)
Total liabilities and stockholders' deficiency	\$ 13,133	\$ 9,004

See accompanying Notes to Condensed Financial Statements

CDSI HOLDINGS INC.

CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Revenues	\$ --	\$ --	\$ --	\$ --
Cost and expenses:				
General and administrative	9,590	8,088	26,860	23,468
	<u>9,590</u>	<u>8,088</u>	<u>26,860</u>	<u>23,468</u>
Operating loss	<u>(9,590)</u>	<u>(8,088)</u>	<u>(26,860)</u>	<u>(23,468)</u>
Other income (expense):				
Interest income	--	--	-	1
Interest expense	(632)	(566)	(1,877)	(843)
Recovery of unclaimed property	-	--	2,825	--
Total other income (expense)	<u>(632)</u>	<u>(566)</u>	<u>948</u>	<u>(842)</u>
Net loss	<u>\$ (10,222)</u>	<u>\$ (8,654)</u>	<u>\$ (25,912)</u>	<u>\$ (24,310)</u>
Net loss per share (basic and diluted)	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average shares used in computing net loss per share (basic and diluted)	<u>3,270,000</u>	<u>3,120,000</u>	<u>3,207,913</u>	<u>3,120,000</u>

See accompanying Notes to Condensed Financial Statements

CDSI HOLDINGS INC.

**CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)**

	Nine Months Ended	
	September 30, 2010	September 30, 2009
Cash flows from operating activities:		
Net loss	\$ (25,912)	\$ (24,310)
Changes in assets and liabilities:		
Decrease in accounts payable and accrued expenses	(1,837)	(3,820)
Increase in accrued interest on revolving credit promissory note	1,878	-
Net cash used in operating activities	(25,871)	(28,130)
Net cash from investing activities	-	-
Net cash from financing activities		
Borrowings under revolving credit promissory note	15,000	20,000
Proceeds from issuance of common stock	15,000	-
Net cash provided by financing activities	30,000	20,000
Net increase (decrease) in cash and cash equivalents	4,129	(8,130)
Cash and cash equivalents at beginning of period	9,004	19,698
Cash and cash equivalents at end of period	\$ 13,133	\$ 11,568

See accompanying Notes to Condensed Financial Statements

CDSI HOLDINGS INC.

**NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)**

(1) Business and Organization

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

At September 30, 2010, the Company had an accumulated deficit of \$8,291,772. 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) Principles of Reporting

The condensed financial statements of the Company as of September 30, 2010 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, 2010 and the results of operations and cash flows for all periods presented have been made. Results for the interim periods are not necessarily indicative of the results for the entire year.

These unaudited condensed financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2009 included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (Commission File No. 0001-22563).

CDSI HOLDINGS INC.

**NOTES TO CONDENSED FINANCIAL STATEMENTS – (Continued)
(Unaudited)**

Use of Estimates

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

Basis of Presentation

Certain reclassifications have been made to the 2009 financial information to conform to the 2010 presentation.

(2) Other Income

The Company recorded other income of \$2,825 for the nine months ended September 30, 2010 due to the recovery of unclaimed property.

(3) Related Party Transactions

There was a balance of \$37,500 and \$22,500 outstanding under the 11% Revolving Credit Promissory Note due 2012 (the “Revolver”) at September 30, 2010 and December 31, 2009, respectively. Interest expense on the Revolver was \$632 and \$1,877 for the three and nine months ended September 30, 2010. Interest expense on the Revolver was \$566 and \$843 for the three and nine months ended September 30, 2009.

(4) Investments and Fair Value Measurements

The Company’s population of recurring financial assets and liabilities subject to fair value measurements and the necessary disclosures consists of approximately \$7,096 of cash investments in a money market fund as of September 30, 2010 and December 31, 2009, respectively. The fair value determination of the money market fund is a Level 1 asset under the fair value authoritative guidance. The money market fund is invested in Treasury Funds with quoted prices in active markets.

(5) Issuance of Common Stock

On April 23, 2010, the Company entered into a stock purchase agreement pursuant to which the Company sold 150,000 shares of the Company’s common stock (the “Shares”) for an aggregate purchase price of \$15,000, or \$0.10 per Share. The Shares are restricted securities and no registration rights have been granted. The issuance of the Shares was exempt from the registration requirements under the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof, because the transaction did not involve a public offering.

CDSI HOLDINGS INC.

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

Overview

We are a shell company as defined in Rule 12b-2 of the Securities Exchange Act of 1934 and hold limited amounts of cash. We 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.

Recent Developments

Sale of Equity Shares. On April 23, 2010, we entered into a stock purchase agreement pursuant to which we sold 150,000 shares of our common stock for an aggregate purchase price of \$15,000, or \$0.10 per share. The shares are restricted securities and no registration rights have been granted. The issuance of the shares was exempt from the registration requirements under the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof, because the transaction did not involve a public offering.

Results of Operations

Revenues

We did not generate revenues from operations for the three and nine months ended September 30, 2010 and 2009, respectively.

Expenses

Expenses associated with corporate activities were \$9,590 and \$26,860 for the three and nine months ended September 30, 2010, as compared to \$8,088 and \$23,468 for the same periods in the prior year. The expenses were primarily associated with costs necessary to maintain a public company, which consist primarily of directors' fees, accounting fees, and stock transfer fees.

Other income (expenses)

Interest expense was \$632 and \$1,877 for the three and nine months ended September 30, 2010 compared to interest expense of \$566 and \$843 for the same periods in the prior year. The increase in interest expense is related to the revolving credit promissory note entered into in March 2009.

The recovery of unclaimed property relates to refunds receivable for unclaimed property in a state where we previously conducted business. In December 2009, we filed for refunds of approximately \$2,800 and in July 2010 were notified that the refund claims had been approved for payment.

CDSI HOLDINGS INC.

Liquidity and Capital Resources

At September 30, 2010, we had an accumulated deficit of approximately \$8.29 million. We have reported an operating loss in each of our fiscal quarters since inception and we expect to continue to incur operating losses in the immediate future. We have reduced operating expenses and are seeking acquisition and investment opportunities. No assurance can be given that we will not continue to incur operating losses.

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

Cash used for operations for the nine months ended September 30, 2010 and 2009 was \$25,871 and \$28,130, respectively. The decrease is associated with the timing of payments of accounts payable and accrued liabilities. We evaluate our accruals on a quarterly basis and makes adjustments when appropriate.

Cash provided from financing activities was \$30,000 and \$20,000 for the nine months ended September 30, 2010 and 2009, respectively. In the first nine months of 2010, cash provided from financing activities was from the proceeds from the sale of common stock of \$15,000 and borrowings under the revolving credit agreement of \$15,000. In the first nine months of 2009, cash provided from financing activities was from borrowings under the revolving credit agreement of \$20,000.

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

At September 30, 2010, we had cash and cash equivalents of \$13,133.

Inflation and changing prices had no material impact on revenues or the results of operations for the periods ended September 30, 2010 and 2009.

In March 2009, we entered into a revolving credit promissory note where our principal stockholder, Vector Group Ltd., 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. The facility had a balance of \$37,500 at September 30, 2010. Interest expense on the facility was \$632 and \$1,877 for the three and nine months ended September 30, 2010, respectively. Interest expense on the facility was \$566 and \$843 for the three and nine months ended September 30, 2009, respectively.

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

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

Special Note Regarding Forward-Looking Statements

We and our representatives may from time to time make oral or written “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Reform Act”), including any statements that may be contained in the foregoing “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, in this report and in other filings with the Securities and Exchange Commission and in our reports to stockholders, which represent our expectations or beliefs with respect to future events and financial performance. These forward-looking statements are subject to certain risks and uncertainties and, in connection with the “safe-harbor” provisions of the Reform Act, we have identified under "Risk Factors" in Item 1 of our Form 10-K for the year ended December 31, 2009, filed with the Securities and Exchange Commission and in this section important factors that could cause actual results to differ materially from those contained in any forward-looking statements made by or on behalf of us.

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

Item 3. CONTROLS AND PROCEDURES

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

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

CDSI HOLDINGS INC.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 6. Exhibits

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

SIGNATURE

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

CDSI HOLDINGS INC.
(Registrant)

Date: November 15, 2010

By: /s/J. Bryant Kirkland III

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

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

I, Richard J. Lampen, certify that:

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

Date: November 15, 2010

/s/ Richard J. Lampen

Richard J. Lampen
Chairman and Chief Executive Officer

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

I, J. Bryant Kirkland III, certify that:

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

Date: November 15, 2010

/s/ J. Bryant Kirkland III

J. Bryant Kirkland III
Vice President and Chief Financial Officer

SECTION 1350 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

In connection with the Quarterly Report of CDSI Holdings Inc. (the "Company") on Form 10-Q for the period ended September 30, 2010 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 15, 2010

/s/ Richard J. Lampen

Richard J. Lampen
Chairman and Chief Executive Officer

SECTION 1350 CERTIFICATION OF CHIEF FINANCIAL OFFICER

In connection with the Quarterly Report of CDSI Holdings Inc. (the "Company") on Form 10-Q for the period ended September 30, 2010 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 15, 2010

/s/ J. Bryant Kirkland III

J. Bryant Kirkland III
Vice President and Chief Financial Officer
