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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 JUNE 30, 2000

COMMISSION FILE NUMBER 0001-22563

CDSI HOLDINGS INC.
(EXACT NAME OF SMALL BUSINESS ISSUER AS SPECIFIED IN ITS CHARTER)

DELAWARE	95-4463937
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

100 S.E. SECOND STREET, 32ND FLOOR
MIAMI, FL 33131
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

(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 [ ]

AS OF AUGUST 11, 2000, THERE WERE OUTSTANDING 3,120,000 SHARES OF THE ISSUER'S COMMON STOCK, $.01 PAR VALUE.

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CDSI HOLDINGS INC.
QUARTERLY REPORT ON FORM 10-QSB
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2000

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CDSI HOLDINGS INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

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<S>	June 30, 2000 <C>	December 31, 1999 <C>
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 210,680	$ 346,107
Accounts receivable	889	9,507
Inventory	39,829	34,727
Prepaid expenses and other current assets	41,598	32,092
Total current assets	292,996	422,433
Property and equipment, net	30,213	52,013
Other assets	18,505	18,505
Intangible assets, net	--	45,491
Total assets	$ 341,714	$ 538,442
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of note payable	$ 3,039	$ 2,496
Accounts payable and accrued expenses	104,269	128,791
Total current liabilities	107,308	131,287
Note payable	8,094	9,755
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	(8,014,832)	(7,843,744)
Total stockholders' equity	226,312	397,440
Total liabilities and stockholders' equity	$ 341,714	$ 538,442

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements

CDSI HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>
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	Three Months Ended		Six Months Ended	
	June 30, 2000	June 30, 1999	June 30, 2000	June 30, 1999
<S>	<C>	<C>	<C>	<C>
Revenues	$ 105,047	$ 94,288	$ 177,030	$ 205,376
Cost and expenses:				
Cost of revenues	94,573	88,867	150,483	172,190
Research and development	--	30,010	12,616	68,453
Sales and marketing	6,458	141,462	22,580	242,810
Amortization of intangible assets	42,528	373,617	45,491	396,979
General and administrative	34,060	220,643	121,845	802,252
	177,619	854,599	353,015	1,682,684
Operating loss	(72,572)	(760,311)	(175,985)	(1,477,308)
Other income (expense):				
Interest and other income	2,130	12,682	5,192	33,550
Interest expense	(174)	--	(295)	--
Equity in loss of ThinkDirectMarketing.com .	--	(275,478)	--	(501,924)
	1,956	(262,796)	4,897	(468,374)
Net loss	$ (70,616)	$(1,023,107)	$ (171,088)	$(1,945,682)
Net loss per share (basic and diluted)	$ (0.02)	$ (0.33)	$ (0.05)	$ (0.62)
Shares used in computing net loss per share	3,120,000	3,120,000	3,120,000	3,120,000

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements

CDSI HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

	Six Months Ended	
	June 30, 2000	June 30, 1999
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss	$ (171,088)	$(1,945,682)

Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	2,700	17,043
Amortization of intangible assets	45,491	396,979
Equity loss in ThinkDirectMarketing.com	--	501,924
Provision for obsolescence of equipment	20,000	--
Changes in assets and liabilities:		
Accounts receivable	8,618	1,263
Purchase of machines held for sale or lease	--	(8,216)
Inventory	(5,102)	10,664
Prepaid expenses and other current assets .	(9,506)	21,502
Accounts payable and accrued expenses	(24,522)	77,980
Net cash used in operating activities	(133,409)	(926,543)
Cash flows used in investing activities:		
Issuance of loan to ThinkDirectMarketing.com ...	--	(100,000)
Acquisition of business	--	(39,313)
Acquisition of property and equipment	(900)	(45,469)
Net cash flows used in investing activities	(900)	(184,782)
Cash flows used in financing activities:		
Payments on note payable	(1,118)	--
Net cash flows used in financing activities	(1,118)	--
Net decrease in cash	(135,427)	(1,111,325)
Cash and cash equivalents at beginning of period ..	346,107	1,888,813
Cash and cash equivalents at end of period	$ 210,680	$ 777,488

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements

CDSI HOLDINGS INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED 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", formerly known as Coinexx Corporation), a company engaged in the marketing and leasing of an inventory control system (the "Coinexx Star 10") for tobacco products. In February 2000, CDSI announced CDS will no longer actively engage in the business of marketing and leasing an inventory control system for tobacco products.

CDSI intends to explore investments in other Internet-related businesses as well as 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.

(2) PRINCIPLES OF REPORTING

The financial statements of the Company as of June 30, 2000 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 June 30, 2000 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, 1999 included in the Company's Form 10-KSB, as amended, filed with the Securities and Exchange Commission (Commission File No. 0001-22563).

USE OF ESTIMATES

The preparation of the financial statements in conformity with 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) CDS ACQUISITION

On May 8, 1998, the Company acquired CDS, a company engaged in the marketing and leasing of an inventory control system for tobacco products. Under the terms of the acquisition, the CDS stockholders received 147,500 shares of the Company's Common Stock at closing. In addition, the Company agreed to issue an additional 147,500 shares to CDS stockholders on each of the second, third and fourth anniversaries of the closing provided that, on each such delivery date, CDS was actively engaged in the business it is now engaged. As the Company is no longer engaged in the marketing and leasing of the Coinexx Star 10, the contingent shares will not be issued.

CDS did not have any significant tangible assets at the time of acquisition. The fair value of the shares issued and issuable to the CDS stockholders as consideration for the acquisition of $339,250 and the legal and other costs incurred in the acquisition of $104,250 have been capitalized and were being amortized over an estimated useful life of five years. In the second quarter of 1999, based on the results of such business since the acquisition and future projections, the Company expensed the remaining unamortized acquisition costs of $340,017.

In February 2000, CDSI announced CDS will no longer actively engage in the business of marketing and leasing an inventory control system for tobacco products. CDSI determined that CDS could not generate sufficient revenues from the sale and leasing of the Coinexx Star 10 to justify continuation of the business. The Company does not anticipate it will receive any material proceeds from the disposition of the assets of the business.

In 1998, CDS acquired substantially all of the assets of TD Rowe Corporation's New York state cigarette vending route, including vending machines, for $59,250. CDS paid $20,000 in 1998 and the remaining $39,250 in the first quarter of 1999. CDS amortized the costs of the vending route over an estimated useful life of five years. In the second quarter of 2000, based on the results of the vending route and future projections of its fair market value, the Company expensed the remaining unamortized acquisition costs of $40,488.

(4) THINKDIRECTMARKETING.COM TRANSACTION

On November 5, 1998, the Company contributed the non-cash assets and certain liabilities of the PC411 Service to ThinkDirectMarketing.com (formerly known as Digital Asset Management, Inc.). ThinkDirectMarketing.com was organized by Dean Eaker, the former President, Chief Executive Officer and director of the Company, and Edward Fleiss, the former Vice President and Chief Technology Officer of the Company, to continue to operate and develop the PC411 Service. The Company received 1,250 shares of preferred stock representing an initial 42.5% interest in ThinkDirectMarketing.com in exchange for the contribution of the PC411 Service's net assets. Acxiom Corporation ("Acxiom") purchased preferred stock representing a 42.5% interest in ThinkDirectMarketing.com for $1,250,000 and initially designated a majority of the Board of Directors of ThinkDirectMarketing.com. ThinkDirectMarketing.com's management, including Messrs. Eaker and Fleiss, held an initial 15% interest in ThinkDirectMarketing.com with options which would have increased their ownership position to 50% upon satisfaction of operational and financial benchmarks over a three-year period. The Company's carrying value in the net assets contributed to ThinkDirectMarketing.com 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 ThinkDirectMarketing.com in excess of the carrying value of the Company's net assets contributed to ThinkDirectMarketing.com. The Company agreed, under certain conditions, to fund up to $200,000 of an $800,000 working capital line to be provided to ThinkDirectMarketing.com by Acxiom, the Company and Dean Eaker. The Company funded $100,000 of the working capital line in the second quarter of 1999.

Since July 1999, ThinkDirectMarketing.com has issued approximately $3,500,000 of convertible notes due June 30, 2000 and warrants to purchase ThinkDirectMarketing.com preferred stock. Mr. Eaker and Acxiom agreed to extend the maturity of their working capital lines from June 30, 1999 to March 31, 2000 (which has been extended to June 30, 2000) and have received warrants to purchase preferred shares. The Eaker and Acxiom working capital lines are also convertible into ThinkDirectMarketing.com preferred stock. The Company agreed in July 1999 to extend the maturity of its working capital line from June 30, 1999 to August 31, 1999 and was released from any further obligation to fund additional amounts under the working capital line. ThinkDirectMarketing.com has not made any payments to the Company on the working capital line. The Company's interest in ThinkDirectMarketing.com would decrease from 42.5%

to approximately 10% assuming the conversion and exercise of all notes and warrants issued in the above transactions.

ThinkDirectMarketing.com has incurred significant losses and negative cash flow since its inception and currently has only limited cash resources. ThinkDirectMarketing.com requires a significant amount of additional capital to continue its operations and to develop its business. Although management of ThinkDirectMarketing.com is exploring possible sources of additional financing and potential sales of assets, there is a substantial risk that ThinkDirectMarketing.com will not be able to raise sufficient additional capital to continue its operations.

The Company has accounted for its non-controlling interest in ThinkDirectMarketing.com using the equity basis of accounting since November 5, 1998. The Company's equity in ThinkDirectMarketing.com's losses for the three and six months ended June 30, 1999 was adjusted to reflect the difference in the Company's contribution of its net assets to ThinkDirectMarketing.com and the fair value of those assets recorded by ThinkDirectMarketing.com. In the second quarter of 1999, the carrying value of the Company's investment in ThinkDirectMarketing.com was reduced to zero as the cumulative equity in ThinkDirectMarketing.com's losses exceeded the Company's investment in ThinkDirectMarketing.com of $635,798, which consisted of the initial carrying value of $535,798 and the $100,000 working capital loan to ThinkDirectMarketing.com. Since the Company has no intention or commitment to fund future ThinkDirectMarketing.com losses, commencing in the second quarter of 1999, the Company suspended recognizing its share of the additional losses of ThinkDirectMarketing.com.

Summarized financial information for the three and six month periods ended June 30, 1999 for DAMI follows:

	THREE MONTHS ENDED JUNE 30, 1999	SIX MONTHS ENDED JUNE 30, 1999
Revenues.................	$ 11,085	$ 25,652
Costs and expenses........	777,047	1,438,663
Interest income...........	2	2,796
Net loss.................	(765,960)	(1,410,215)

(5) RELATED PARTY TRANSACTIONS

Certain accounting and related finance functions are performed on behalf of the Company by employees of New Valley Corporation, the principal stockholder of the Company. Expenses incurred relating to these functions are allocated to the Company and paid as incurred to New Valley 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, warrants and contingent shares (both vested and non-vested) totaling 2,979,288 and 3,421,788 shares at June 30, 2000 and 1999, 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.

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

OVERVIEW

The Company owns 100% of the issued and outstanding shares of common stock of CDS and an approximate 10% interest on a fully diluted basis in ThinkDirectMarketing.com. In February 2000, the Company terminated all operations relating to marketing and leasing the Coinexx Star 10 inventory control system, leaving the cigarette vending route as the only current source of revenue for CDS and the Company.

The Company has limited revenues and working capital and no available lines of credit to meet its short and long-term working capital requirements. The Company intends to seek other Internet-related businesses as well as other 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. As of the date of this report, the Company has not identified any potential acquisition or investment. 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.

CDS

CDS was acquired in May 1998. Under the terms of the acquisition, the former stockholders of CDS received an aggregate of 147,500 shares of Common Stock at closing. In addition, the former stockholders were to receive an additional 147,500 shares of Common Stock on each of May 8, 2000, 2001 and 2002 so long as CDS was actively engaged in the business of marketing and leasing the Coinexx Star 10 inventory control system. As CDS is no longer actively engaged in that business, the contingent shares of Common Stock will not be issued to the former stockholders of CDS.

CDS did not have any significant tangible assets at the time of acquisition. The fair value of the Common Stock issued and issuable to the CDS stockholders as consideration for the acquisition of $339,250 and the legal and other costs incurred in connection with the acquisition of $104,250 have been capitalized and were being amortized over a five-year period. In the second quarter of 1999, based on the results of the business since the acquisition and future projections, the Company expensed the remaining unamortized acquisition costs of $340,017.

In 1998, CDS acquired substantially all of the assets of TD Rowe Corporation's New York state cigarette vending route, including vending machines, for $59,250. CDS paid $20,000 in 1998 and the remaining $39,250 in the first quarter of 1999. CDS amortized the costs of the vending route over an estimated useful life of five years. In the second quarter of 2000, based on the results of the vending route and future projections of its fair market value, the Company expensed the remaining unamortized acquisition costs of $40,488.

THINKDIRECTMARKETING.COM

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 ThinkDirectMarketing.com. In exchange, the Company received preferred stock of ThinkDirectMarketing.com representing an initial 42.5% interest in ThinkDirectMarketing.com. The assets contributed include the rights to the name "PC411" and "PC411 for Windows 3.0", distribution agreements with equipment manufacturers, subscriber contracts for the service, an internet site and domain name, all property, plant and equipment, including hardware and software, relating to the service and all accounts receivable, inventories and prepaid expenses relating to the service. The contributed assets did not include the Company's cash and marketable securities and other financial investments. The liabilities assumed by ThinkDirectMarketing.com included the Company's obligations to Acxiom Corporation pursuant to a data licensing agreement, up to $10,000 of liabilities under OEM distribution agreements, obligations to provide the service to subscribers and up to $10,000 of other pre-closing liabilities.

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

The Company's interest in ThinkDirectMarketing.com is accounted for using the equity method of accounting. Commencing in the second quarter of 1999, the carrying value of the Company's investment in ThinkDirectMarketing.com was reduced to zero, and the Company suspended recognizing its share of the additional losses of ThinkDirectMarketing.com.

RESULTS OF OPERATIONS

For the three and six months ended June 30, 2000 and 1999, the results of operations of CDS, the Company's primary operating unit, were as follows:

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six months ended June 30,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
CDS				

Revenues	$ 105,047	$ 94,288	$ 177,030	$ 205,376
Cost of revenues	94,573	88,867	150,483	172,190
Research and development	--	30,010	12,616	68,453
Sales and marketing	6,458	141,462	22,580	242,810
Amortization of intangible assets	42,528	373,617	45,491	396,979
General and administrative	31,251	205,386	105,749	510,334
Total expenses	174,810	839,342	336,919	1,390,766
Operating loss	$ (69,763)	$ (745,054)	$ (159,889)	$(1,185,390)

CORPORATE AND OTHER

Revenues	$ --	$ --	$ --	$ --
General and administrative	2,809	15,157	16,096	291,818
Total expenses	2,809	15,157	16,096	291,818
Operating loss	$ (2,809)	$ (15,157)	$ (16,096)	$ (291,818)

</TABLE>

CDS

REVENUES. CDS had revenues of $105,047 and $177,030 for the three and six months ended June 30, 2000. The revenues for the three-month period resulted from sales of cigarettes. The revenues for the six-month period resulted from the following: $1,102 from machine leases, $8,162 from machine sales and $167,766 from the sales of cigarettes. In February 2000, the Company terminated all operations relating to marketing and leasing the Coinexx Star 10 inventory control system, leaving the vending route as the only current revenue for CDS and the Company. CDS acquired substantially all of the assets of TD Rowe Corporation's New York state cigarette vending route in December 1999.

CDS had revenues of $94,288 and $205,376 for the three and six months ended June 30, 1999. The revenues for the three-month period resulted from the following: $9,066 from machine leases, $3,546 from machine sales and $81,676 from the sales of cigarettes. The revenues for the six-month period resulted from the following: $15,514 from machine leases, $14,766 from machine sales and $175,096 from the sales of cigarettes.

COST OF REVENUES. Cost of revenues of $94,573 and $150,483 for CDS for the three and six months ended June 30, 2000, respectively, consisted primarily of costs of cigarettes of $94,573 and $140,398. Cost of revenues of $88,867 and $172,190 for CDS for the three and six months ended June 30, 1999, respectively, consisted primarily of costs of cigarettes of $67,876 and $137,107. Cost of revenues also included warehouse expenses and shipping of machines held for lease. CDS depreciated its machines held for lease over five years once the asset was placed in service.

SALES AND MARKETING EXPENSES. Sales and marketing expenses for CDS were $6,458 and $22,580 for the three and six months ended June 30, 2000, respectively, as compared to $141,462 and $242,810 for the three and six months ended June 30, 1999, respectively. The expenses consisted principally of personnel costs and expenses associated with trade shows in 1999. The expenses decreased significantly in 2000 due to the Company's decision to terminate all operations relating to marketing and leasing the Coinexx Star 10 inventory control system.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses for CDS were $31,251 and $105,749 for the three and six months ended June 30, 2000, respectively, as compared to $205,386 and $510,334 for the three and six months ended June 30, 1999, respectively. The expenses for the three and six months ended June 30, 2000 consisted primarily of payroll, consulting and office expenses.

The expenses for the six-month period in 1999 also included severance charges associated with the termination of an executive of $105,951. The expenses decreased significantly in 2000 due to the Company's decision to terminate all operations relating to marketing and leasing the Coinexx Star 10 inventory control system.

AMORTIZATION OF INTANGIBLE ASSETS. CDS amortized its intangible assets over a 60-month life. In the second quarter of 2000, based on the results of the vending route and future projections of its fair market value, the Company expensed the remaining unamortized acquisition costs of $40,488. In the second quarter of 1999, CDS wrote-off $340,017 of acquisition costs of the CDS business, which was based on the results of such business since the date of acquisition and future projections.

CORPORATE AND OTHER

Expenses associated with corporate activities were $2,809 and $16,096 for the three and six months ended June 30, 2000, respectively, as compared to $15,157 and $291,818 for the same periods in the prior year. The decrease in 2000 was primarily due to amounts accrued for the settlement of a lawsuit and associated legal fees and expenses in 1999. The balance of the expenses were primarily associated with costs necessary to maintain a public company.

OTHER INCOME (EXPENSE)

Interest and other income was $2,130 and $5,192 for the three and six months ended June 30, 2000, compared to $12,682 and $33,550 for the three and six months ended June 30, 1999. The decrease is principally related to lower balances of cash and cash equivalents in 2000. The Company recorded an equity loss in ThinkDirectMarketing.com of $275,478 and $501,924 for the three and six months ended June 30, 1999, respectively. Commencing in the second quarter of 1999, the carrying value of the Company's investment in ThinkDirectMarketing was reduced to zero, and the Company suspended recognizing its share of the additional losses of ThinkDirectMarketing.com.

LIQUIDITY AND CAPITAL RESOURCES

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, and for general corporate purposes.

Cash used for operations for the six months ended June 30, 2000 and 1999 was $133,409 and $926,543, respectively. The decrease is primarily due to a decreased net loss of $1,774,594 offset by decreased non-cash charges in 1999 related primarily to equity loss in ThinkDirectMarketing.com of $501,924, lower amortization of intangible assets of $351,488 and higher accrued expenses of $102,502 recorded in 1999.

Cash used in investing activities was $900 and $184,782 for the six months ended June 30, 2000 and 1999, respectively. Cash used in investing activities for the 1999 period resulted primarily from issuance of a loan to ThinkDirectMarkeing.com and the acquisition of substantially all of the assets of TD Rowe Corporation's New York state cigarette vending route, including vending machines, for $59,250. CDS paid $39,250 of the purchase price in the first quarter of 1999. CDS amortized the costs of the vending route over an estimated useful life of five years.

Capital expenditures of $45,469 for the six months ended June 30, 1999 consisted primarily of the purchase of a booth for trade shows and a vehicle. Capital expenditures of $900 for the six months ended June 30, 2000 consisted primarily of the purchase of office equipment. The Company does not expect significant capital expenditures during the year ended December 31, 2000.

At June 30, 2000, the Company had cash and cash equivalents of $210,680 (approximately $180,000 at August 11, 2000). The Company does not currently have any commitments for any additional financing, and there can be no assurance that any such commitments can be obtained. Any additional equity financing may be dilutive to its existing stockholders, and debt financing, if available, may involve pledging some or all of its assets and may contain restrictive covenants with respect to raising future capital and other financial and operational matters.

Inflation and changing prices had no material impact on revenues or the results of operations for the six months ended June 30, 2000 and 1999.

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 interest in ThinkDirectMarketing.com or CDS' cigarette vending route. 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 New Valley, 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 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, 1999 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 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.

CDSI HOLDINGS INC. AND SUBSIDIARIES

PART II. OTHER INFORMATION

Item 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

No securities of the Company which were not registered under the Securities Act of 1933, as amended, have been issued or sold by the Company during the six months ended June 30, 2000.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

27 Financial Data Schedule (for SEC use only).

(b) REPORTS ON FORM 8-K

None.

CDSI HOLDINGS INC.

(A DEVELOPMENT STAGE COMPANY)

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: August 14, 2000 By: /s/ J. BRYANT KIRKLAND III

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

<TABLE> <S> <C>

<ARTICLE> 5
<MULTIPLIER> 1
<CURRENCY> DOLLAR

<S>	<C>	<C>
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<FISCAL-YEAR-END>	DEC-31-2000	
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<EXCHANGE-RATE>	1	
<CASH>	210,680	
<SECURITIES>	0	
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<INVENTORY>	0	
<CURRENT-ASSETS>	292,996	
<PP&E>	183,128	
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<TOTAL-ASSETS>	341,714	
<CURRENT-LIABILITIES>	107,308	
<BONDS>	0	
<PREFERRED-MANDATORY>	0	
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<COMMON>	31,200	
<OTHER-SE>	195,112	
<TOTAL-LIABILITY-AND-EQUITY>	341,714	
<SALES>	177,030	
<TOTAL-REVENUES>	0	
<CGS>	150,483	
<TOTAL-COSTS>	0	
<OTHER-EXPENSES>	202,532	
<LOSS-PROVISION>	0	
<INTEREST-EXPENSE>	295	
<INCOME-PRETAX>	(171,088)	
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<DISCONTINUED>	0	
<EXTRAORDINARY>	0	
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<EPS-DILUTED>	(0.05)	

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