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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 SEPTEMBER 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 NOVEMBER 13, 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 SEPTEMBER 30, 2000

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CDSI HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

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<S>	September 30, 2000 <C>	December 31, 1999 <C>
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 234,838	$ 346,107
Accounts receivable	--	9,507
Inventory	34,140	34,727
Prepaid expenses and other current assets	--	32,092
Total current assets	268,978	422,433
Property and equipment, net	14,283	52,013
Other assets	18,505	18,505
Intangible assets, net	--	45,491
Total assets	$ 301,766	$ 538,442
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of note payable	$ 2,855	$ 2,496
Accounts payable and accrued expenses	76,217	128,791
Total current liabilities	79,072	131,287
Note payable	7,364	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	(8,025,814)	(7,843,744)
Total stockholders' equity	215,330	397,400
Total liabilities and stockholders' equity	$ 301,766	$ 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		Nine Months Ended	
	September 30, 2000	September 30, 1999	September 30, 2000	September 30, 1999
<S>	<C>	<C>	<C>	<C>
Revenues	$ 78,919	$ 127,207	$ 255,949	$ 332,583
Cost and expenses:				
Cost of revenues	69,331	98,636	219,814	270,826
Research and development	--	35,550	12,616	104,003
Sales and marketing	--	141,592	22,580	384,402
Amortization of intangible assets	--	1,081	45,491	398,060
General and administrative	22,238	74,977	144,083	877,229
	91,569	351,836	444,584	2,034,520
Operating loss	(12,650)	(224,629)	(188,635)	(1,701,937)
Other income (expense):				
Interest and other income	1,818	6,965	7,010	40,515
Interest expense	(150)	--	(445)	--
Equity in loss of ThinkDirectMarketing.com	--	--	--	(501,924)
	1,668	6,965	6,565	(461,409)
Net loss	$ (10,982)	$ (217,664)	$ (182,070)	$(2,163,346)
Net loss per share (basic and diluted)	$ (0.00)	$ (0.07)	$ (0.06)	$ (0.69)
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>

<S>	Nine Months Ended September 30, 2000 <C>	Nine Months Ended September 30, 1999 <C>
Cash flows used in operating activities:		
Net loss	$(182,070)	$(2,163,346)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	3,771	27,421
Amortization of intangible assets	45,491	398,060
Equity in loss of ThinkDirectMarketing.com	--	501,924
Provision for obsolescence of equipment	20,000	--
Gain on sale of assets	(2,141)	--
Changes in assets and liabilities:		
Accounts receivable	9,507	(13,743)
Purchase of machines held for lease	--	(11,193)
Inventory	587	2,788
Prepaid expenses and other current assets	32,092	51,166
Accounts payable and accrued expenses	(52,574)	8,108
Net cash used in operating activities	(125,337)	(1,198,815)
Cash flows provided from (used in) investing activities:		
Decrease in restricted assets	--	30,000
Issuance of loan to ThinkDirectMarketing.com	--	(100,000)
Acquisition of business	--	(39,378)
Sale of property and equipment	17,000	--
Acquisition of property and equipment	(900)	(47,761)
Net cash flows provided from (used in) investing activities	16,100	(157,139)
Cash flows used in financing activities:		
Payments on note payable	(2,032)	--
Net cash flows used in financing activities	(2,032)	--
Net decrease in cash	(111,269)	(1,355,954)
Cash and cash equivalents at beginning of period	346,107	1,888,813
Cash and cash equivalents at end of period	$ 234,838	$ 532,859

</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. In October 2000, CDS sold the assets of its cigarette vending route, the only current source of revenue for the Company.

The Company intends to seek new Internet-related or 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.

(2) PRINCIPLES OF REPORTING

The financial statements of the Company as of September 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 September 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 would 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 did not 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.

On October 5, 2000, CDS completed the sale to Gutlove and Shirvint Inc. ("Gutlove") of the assets of its cigarette vending route, including vending machines and a van. The purchase price for the vending route, which is primarily located in New York state, was $34,140 in cash and the assumption of a $10,219 note secured by the van. The cash portion of the purchase price was based on the cigarette and coin inventory of the vending route at the open of business on October 2, 2000, and was paid $29,140 on October 5, 2000 with the remaining $5,000 to be paid by December 1, 2000.

(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.

From July 1999 to September 2000, ThinkDirectMarketing.com issued approximately $4,000,000 of convertible notes and warrants to purchase ThinkDirectMarketing.com preferred stock. In connection with such issuances, Mr. Eaker and Acxiom have agreed to extend the maturity of their working capital lines from June 30, 1999 to December 31, 2001 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.

In October 2000, ThinkDirectMarketing.com and VoyagerIT.com PLC ("VoyagerIT.com") entered into an agreement where VoyagerIT.com purchased shares of convertible preferred stock for $1,000,000 and agreed to purchase $4,000,000 of convertible notes the "Notes") on various dates between November 10, 2000 and June 8, 2001. ThinkDirectMarketing.com's management has informed the Company that VoyagerIT.com completed its first scheduled purchase of $360,000 of the Notes on November 10, 2000. ThinkDirectMarketing.com granted VoyagerIT.com an option to acquire the remaining shares of ThinkDirectMarketing.com's stock for $20 million, subject to downward adjustment if certain targets related to revenue, subscriptions, number of clients, expenses and net income are not met on or before October 31, 2001 (which may be extended under certain circumstances to March 31, 2002).

In connection with such agreements, the Company agreed to extend the maturity of its working capital line from August 31, 1999 until the earlier of June 8, 2001 or the date on which VoyagerIT.com does not close on any of its scheduled purchases of the Notes. The Company's interest in ThinkDirectMarketing.com would decrease to approximately 5.9% 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. No assurance can be given that VoyagerIT.com will complete the

purchase of the Notes or exercise its option to acquire ThinkDirectmarketing.com or that ThinkDirectMarketing.com will achieve the targets stated in the option agreement. As a result, 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 nine months ended September 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 nine month periods ended September 30, 1999 for ThinkDirectMarketing.com follows:

<TABLE>
<CAPTION>

<S>	THREE MONTHS ENDED SEPTEMBER 30, 1999 <C>	NINE MONTHS ENDED SEPTEMBER 30, 1999 <C>
Revenues.......................................	$ 13,093	$ 38,745
Costs and expenses.............................	863,332	2,301,995
Interest income................................	2	2,798
Net loss.......................................	(850,237)	(2,260,452)

</TABLE>

(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 September 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 5.9% 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. In October 2000, CDS sold the assets of its cigarette vending route, the only current source of revenue for CDS and the Company.

The Company intends to seek new Internet-related businesses or 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.

On October 5, 2000, CDS completed the sale to Gutlove of the assets of its cigarette vending route, including vending machines and a van. The purchase price for the vending route, which is primarily located in New York state, was $34,140 in cash and the assumption of a $10,219 note secured by the van. The cash portion of the purchase price was based on the cigarette and coin inventory of the vending route at the open of business on October 2, 2000, and was paid $29,140 on October 5, 2000 with the remaining $5,000 to be paid by December 1, 2000.

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. See Note 4 to the financial statements for additional information concerning the Company's investment in ThinkDirectMarketing.com.

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 nine months ended September 30, 2000 and 1999, the results of operations of CDS, the Company's primary operating unit, were as follows:

<TABLE>
<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
CDS				
Revenues	$ 78,919	$ 127,207	$ 255,949	$ 332,583
Cost of sales	69,331	98,636	219,814	270,826
Research and development ..	--	35,550	12,616	104,003
Sales and marketing	--	141,592	22,580	384,402
Amortization of intangibles	--	1,081	45,491	398,060
General and administrative	6,619	55,746	112,368	566,180
Total expenses	75,950	332,605	412,869	1,723,471
Operating income (loss) ...	$ 2,969	$(205,398)	$(156,920)	$(1,390,888)
CORPORATE AND OTHER				
Revenues	$ --	$ --	$ --	$ --
General and administrative	15,619	19,231	31,715	311,049
Total expenses	15,619	19,231	31,715	311,049
Operating loss	$(15,619)	$ (19,231)	$ (31,715)	$ (311,049)

</TABLE>

CDS

REVENUES. CDS had revenues of $78,919 and $255,949 for the three and nine months ended September 30, 2000. The revenues for the three-month period resulted from sales of cigarettes. The revenues for the nine-month period resulted from the following: $1,102 from machine leases, $8,162 from machine

sales and $246,685 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. On October 5, 2000, CDS completed the sale to Gutlove of the assets of the cigarette vending route, including vending machines and a van.

CDS had revenues of $127,207 and $332,583 for the three and nine months ended September 30, 1999. The revenues for the three-month period resulted from the following: $12,681 from machine leases, $10,923 from machine sales and $103,603 from the sales of cigarettes. The revenues for the nine-month period resulted from the following: $28,195 from machine leases, $25,689 from machine sales and $278,699 from the sales of cigarettes.

COST OF REVENUES. Cost of revenues of $69,331 and $219,814 for CDS for the three and nine months ended September 30, 2000, respectively, consisted primarily of costs of cigarettes of $69,331 and $209,729. Cost of revenues of $98,636 and $270,826 for CDS for the three and nine months ended September 30, 1999, respectively, consisted primarily of costs of cigarettes of $73,211 and $210,318. 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 $0 and $22,580 for the three and nine months ended September 30, 2000, respectively, as compared to $141,592 and $384,402 for the three and nine months ended September 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 $6,619 and $112,368 for the three and nine months ended September 30, 2000, respectively, as compared to $55,746 and $566,180 for the three and nine months ended September 30, 1999, respectively. The expenses for the three and nine months ended September 30, 2000 consisted primarily of payroll, consulting and office expenses.

The expenses for the nine-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 $15,619 and $31,715 for the three and nine months ended September 30, 2000, respectively, as compared to $19,231 and $311,049 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 $1,818 and $7,010 for the three and nine months ended September 30, 2000, compared to $6,965 and $40,515 for the three and nine months ended September 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 $501,924 for the nine months ended September 30, 1999. 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 nine months ended September 30, 2000 and 1999 was $125,337 and $1,198,815, respectively. The decrease is primarily due to a decreased net loss of $1,981,276 offset by decreased non-cash charges in 1999 related primarily to equity loss in ThinkDirectMarketing.com of $501,924 and lower amortization of intangible assets of $352,569.

Cash provided from investing activities was $16,100 for the nine months ended September 30, 2000 versus cash used in investing activities of $157,139 for the nine months ended September 30, 1999, respectively. Cash provided from investing activities for the 2000 period resulted primarily from the sale of equipment at CDS' headquarters of $17,000. 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. On October 5, 2000, CDS completed the sale to Gutlove of the assets of its cigarette vending route, including vending machines and a van.

Capital expenditures of $47,761 for the nine months ended September 30, 1999 consisted primarily of the purchase of a booth for trade shows and a vehicle. Capital expenditures of $900 for the nine months ended September 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 September 30, 2000, the Company had cash and cash equivalents of $234,838 (approximately $250,000 at November 10, 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 nine months ended September 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 its interest in ThinkDirectMarketing.com. 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 nine months ended September 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: November 13, 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)

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