==

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, 2001

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 14, 2001, THERE WERE OUTSTANDING 3,120,000 SHARES OF THE ISSUER'S COMMON STOCK, $.01 PAR VALUE.

==

CDSI HOLDINGS INC.
QUARTERLY REPORT ON FORM 10-QSB
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

CDSI HOLDINGS INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

<TABLE>
<CAPTION>

	September 30, 2001	December 31, 2000
<S>	<C>	<C>
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 277,731	$ 253,187
Total current assets	277,731	253,187
Other assets	18,505	18,505
Total assets	$ 296,236	$ 271,692
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable and accrued expenses	$ 37,177	$ 72,632
Total current liabilities	37,177	72,632
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	(7,982,085)	(8,042,084)
Total stockholders' equity	259,059	199,060
Total liabilities and stockholders' equity	$ 296,236	$ 271,692

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements

CDSI HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

<TABLE>
<CAPTION>

	Three Months Ended		Nine Months Ended	
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000
<S>	<C>	<C>	<C>	<C>
Revenues	$ --	$ 78,919	$ --	$ 255,949
Cost and expenses:				
Cost of revenues	--	69,331	--	219,814
Research and development	--	--	--	12,616
Sales and marketing	--	--	--	22,580
Amortization of intangible assets	--	--	--	45,491
General and administrative	11,314	22,238	46,995	144,083
	11,314	91,569	46,995	444,584
Operating loss	(11,314)	(12,650)	(46,995)	(188,635)
Other income (expense):				
Interest and other income	1,986	1,818	6,994	7,010
Interest expense	--	(150)	--	(445)
Payment of note receivable from ThinkDirectMarketing	--	--	100,000	--
	1,986	1,668	106,994	6,565
Net (loss) income	$ (9,328)	$ (10,982)	$ 59,999	$ (182,070)
Net (loss) income per share (basic and diluted)	$ (0.00)	$ (0.00)	$ 0.02	$ (0.06)
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>

	Nine Months Ended	
	September 30, 2001	September 30, 2000
<S>	<C>	<C>
Cash flows used in operating activities:		
Net (loss) income...	$ 59,999	$(182,070)

Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	--	3,771
Amortization of intangible assets	--	45,491
Payment of note receivable from ThinkDirectMarketing	(100,000)	--
Provision for obsolescence of equipment	--	20,000
Gain on sale of assets	--	(2,141)
Changes in assets and liabilities:		
Accounts receivable	--	9,507
Inventory	--	587
Prepaid expenses and other current assets	--	32,092
Accounts payable and accrued expenses	(35,455)	(52,574)
Net cash used in operating activities	(75,456)	(125,337)
Cash flows provided from investing activities:		
Payment of note receivable from ThinkDirectMarketing	100,000	--
Sale of property and equipment	--	17,000
Acquisition of property and equipment	--	(900)
Net cash flows provided from investing activities	100,000	16,100
Cash flows used in financing activities:		
Payments on note payable	--	(2,032)
Net cash flows used in financing activities	--	(2,032)
Net increase (decrease) in cash	24,544	(111,269)
Cash and cash equivalents at beginning of period	253,187	346,107
Cash and cash equivalents at end of period	$ 277,731	$ 234,838

</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 September 30, 2001 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, 2001 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, 2000 included in the Company's Form 10-KSB 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 paid on December 1, 2000.

(4) THINKDIRECTMARKETING TRANSACTION

On November 5, 1998, the Company contributed the non-cash assets and certain liabilities of the PC411 Service to ThinkDirectMarketing Inc. (formerly known as Digital Asset Management, Inc.). ThinkDirectMarketing 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 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 for $1,250,000 and initially designated a majority of the Board of Directors of ThinkDirectMarketing. ThinkDirectMarketing's management, including Messrs. Eaker and Fleiss, held an initial 15% interest in ThinkDirectMarketing 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 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 in excess of the carrying value of the Company's net assets contributed to ThinkDirectMarketing. The Company agreed, under certain conditions, to fund up to $200,000 of an $800,000 working capital line to be provided to ThinkDirectMarketing 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 issued approximately $3,112,000 of convertible notes and warrants to purchase ThinkDirectMarketing 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 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 and Cater Barnard plc ("Cater Barnard", formerly known as VoyagerIT.com) entered into an agreement where Cater Barnard purchased shares of convertible preferred stock for $1,000,000 (the "Cater Barnard Preferred Stock") and agreed to purchase $4,000,000 of convertible notes (the "Notes") on various dates between

November 10, 2000 and June 8, 2001. ThinkDirectMarketing's management has informed the Company that Cater Barnard completed its scheduled purchases of $4,000,000 of the Notes. In connection with the completion of Cater Barnard`s scheduled purchase of the Notes in February 2001, ThinkDirectMarketing converted $3,312,000 of its notes into various classes of preferred stock ranking pari passu with CDSI's preferred stock. At September 30, 2001, the aggregate stated liquidation preference of ThinkDirectMarketing's preferred stock was $6,852,000, of which $1,250,000 was owned by CDSI. Also, at September 30, 2001, ThinkDirectMarketing had notes payable due to Acxiom and Cater Barnard of $400,000 and $4,000,000 ("the Bridge Notes"), respectively.

On October 16, 2001, Cater Barnard agreed to use its best efforts to fund an additional $1,250,000 to ThinkDirectMarketing by January 31, 2002 and on the same date, the ThinkDirectMarketing stockholders granted Cater Barnard an option to purchase by January 31, 2002 all of ThinkDirectMarketing's common stock not held by Cater Barnard for an aggregate purchase price of 78,750 shares of Convertible Preferred Stock of IMX Pharmaceuticals, Inc. ("IMX," OTC Bulletin Board: IMXN), a majority-owned subsidiary of Cater Barnard. The preferred stock is convertible into 1,575,000 shares of IMX common stock. However, if IMX issues common stock after October 16, 2001 at an issue price lower than $4.00 per share, then

the number of shares of IMX Common Stock issuable upon conversion of the preferred stock will represent an aggregate of approximately 16.7% of the issued and outstanding capital stock of IMX on a fully-diluted basis at the time of exercise.

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 Cater Barnard does not close on any of its scheduled purchases of the Notes. In June 2001, Cater Barnard completed its scheduled purchases and the Company's note receivable was repaid. The Company's interest in ThinkDirectMarketing would decrease to approximately 6% assuming the conversion and exercise of all notes and warrants issued in the above transactions. Assuming Cater Barnard exercises its option to merge ThinkDirectMarketing into IMX, management estimates that the Company's interest in IMX would be approximately 1% on a fully-diluted basis.

ThinkDirectMarketing has incurred significant losses and negative cash flow since its inception and currently has only limited cash resources. ThinkDirectMarketing requires a significant amount of additional capital to continue its operations and to develop its business. No assurance can be given that Cater Barnard will exercise its option to acquire ThinkDirectMarketing or fund future operations. As a result, there is a substantial risk that ThinkDirectMarketing will not be able to raise sufficient additional capital to continue its operations or, if ThinkDirectMarketing is able to raise additional capital that the Company's ownership percentage will be further diluted.

The Company has accounted for its non-controlling interest in ThinkDirectMarketing using the equity basis of accounting since November 5, 1998. The Company's equity in ThinkDirectMarketing's losses for the year ended December 31, 1999 was adjusted to reflect the difference in the Company's contribution of its net assets to ThinkDirectMarketing and the fair value of those assets recorded by ThinkDirectMarketing. In the second quarter of 1999, the carrying value of the Company's investment in ThinkDirectMarketing, including the $100,000 note receivable, was reduced to zero as the cumulative equity in ThinkDirectMarketing's losses exceeded the Company's investment in ThinkDirectMarketing of $635,798, which consisted of the initial carrying value of $535,798 and the

$100,000 working capital loan to ThinkDirectMarketing. Since the Company has no intention or commitment to fund future ThinkDirectMarketing losses, commencing in the second quarter of 1999, the Company suspended recognizing its share of the additional losses of ThinkDirectMarketing. The Company recorded income of $100,000 in the second quarter of 2001 in connection with the repayment of the $100,000 note receivable from ThinkDirectMarketing.

(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) INCOME PER SHARE

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

Stock options and warrants (both vested and non-vested) totaling 2,979,288 shares at September 30, 2001 and 2000, respectively, were excluded from the calculation of diluted per share results presented because their effect was anti-dilutive. Accordingly, diluted net income (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 6% interest on a fully diluted basis in ThinkDirectMarketing. 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 paid on December 1, 2000.

THINKDIRECTMARKETING

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

The Company's interest in ThinkDirectMarketing 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 was reduced to zero, and the Company suspended recognizing its share of the additional losses of ThinkDirectMarketing. In the second quarter of 2001, ThinkDirectMarketing repaid a $100,000 note receivable due to the Company. As a result, CDS recorded $100,000 of income associated with the repayment for the nine months ended September 30, 2001.

RESULTS OF OPERATIONS

For the three and nine months ended September 30, 2001 and 2000, 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,	
	2001	2000	2001	2000

<S>	<C>	<C>	<C>	<C>
CDS				
Revenues	$ --	$ 78,919	$ --	$ 255,949
Cost of sales	--	69,331	--	219,814
Research and development ..	--	--	--	12,616
Sales and marketing	--	--	--	22,580
Amortization of intangibles	--	--	--	45,491
General and administrative	--	6,619	--	112,368
Total expenses	--	75,950	--	412,869
Operating income (loss) ...	$ --	$ 2,969	$ --	$(156,920)
CORPORATE AND OTHER				
Revenues	$ --	$ --	$ --	$ --
General and administrative	11,314	15,619	46,995	31,715
Total expenses	11,314	15,619	46,995	31,715
Operating loss	$ (11,314)	$ (15,619)	$ (46,995)	$ (31,715)

</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.

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 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. The expenses consisted primarily of personnel costs.

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. The expenses consisted primarily of payroll, consulting and office expenses.

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.

CORPORATE AND OTHER

Expenses associated with corporate activities were $11,314 and $46,995 for the three and nine months ended September 30, 2001, respectively, as compared to $15,619 and $31,715 for the same periods in the prior year. The expenses were primarily associated with costs necessary to maintain a public company.

OTHER INCOME (EXPENSE)

Interest and other income was $1,986 and $6,994 for the three and nine months ended September 30, 2001, compared to $1,818 and $7,010 for the three and nine months ended September 30, 2000. The change is principally related to higher balances of cash and cash equivalents in 2001 offset by lower interest rates in 2001. CDS recorded $100,000 in income in the second quarter of 2001 relating to the repayment of a loan receivable from ThinkDirectMarking. The carrying value of the loan had been reduced to zero in the second quarter of 1999 when CDS suspended recognizing its share of the additional losses of ThinkDirectMarketing.

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, to acquire CDS and for general corporate purposes.

Cash used for operations for the nine months ended September 30, 2001 and 2000 was $75,456 and $125,337, respectively. The decrease is primarily due to a decreased operating loss of $242,069 offset by the Company's receipt of $100,000 note receivable from ThinkDirectMarketing and lower amortization expense of $45,491.

Cash provided from investing activities for the nine months ended September 30, 2001 and 2000 was $100,000 and $16,100, respectively. The change primarily relates to the Company's receipt of $100,000 from the note receivable from ThinkDirectMarketing in 2001 offset by $17,000 received from the sale of property and equipment in 2000.

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, 2001.

At September 30, 2001, the Company had cash and cash equivalents of $277,731. 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, 2001 and 2000.

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. 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.

ThinkDirectMarketing has incurred significant losses and negative cash flow since its inception and currently has only limited cash resources. ThinkDirectMarketing requires a significant amount of additional capital to continue its operations and to develop its business. As a result, there is a substantial risk that ThinkDirectMarketing will not be able to raise sufficient additional capital to continue its operations or, if ThinkDirectMarketing is able to raise additional capital that the Company's ownership percentage will be further diluted.

On October 16, 2001, Cater Barnard plc, an investor in ThinkDirectMarketing, agreed to use its best efforts to fund an additional $1,250,000 to ThinkDirectMarketing by January 31, 2002 and on the same date, the ThinkDirectMarketing stockholders granted Cater Barnard an option to purchase by January 31, 2002 all of ThinkDirectMarketing's common stock not held by Cater Barnard for an aggregate purchase price of 78,750 shares of Convertible Preferred Stock of IMX Pharmaceuticals, Inc. ("IMX," OTC Bulletin Board: IMXN), a majority-owned subsidiary of Cater Barnard. The preferred stock is convertible into 1,575,000 shares of IMX common stock. However, if IMX issues common stock after October 16, 2001 at an issue price lower than $4.00 per share, then the number of shares of IMX Common Stock issuable upon conversion of the preferred stock will represent an aggregate of approximately 16.7% of the issued and outstanding capital stock of IMX on a fully-diluted basis at the time of exercise. Assuming Cater Barnard exercises its option to merge ThinkDirectMarketing into IMX, management estimates that the Company's interest in IMX would be approximately 1% on a fully-diluted basis. No assurance can be given that Cater Barnard will exercise its option to acquire ThinkDirectMarketing or fund future operations.

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, 2000 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.

PART II. OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

None

(b) REPORTS ON FORM 8-K

None.

SIGNATURE

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

CDSI HOLDINGS INC.
(Registrant)

Date: November 14, 2001 By: /s/ J. Bryant Kirkland III

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