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CDSI HOLDINGS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

<TABLE>
<CAPTION>

	March 31, 2002	December 31, 2001
ASSETS:		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 256,294	\$ 265,685
Total current assets	256,294	265,685
Other assets	18,505	18,505
Total assets	<u>\$ 274,799</u>	<u>\$ 284,190</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 32,831	\$ 33,831
Total current liabilities	32,831	33,831
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	(7,999,176)	(7,990,784)

Total stockholders' equity	241,968	250,360
	-----	-----
Total liabilities and stockholders' equity	\$ 274,799	\$ 284,190
	=====	=====

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements

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CDSI HOLDINGS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>
<CAPTION>

	----- Three Months Ended March 31, -----	
	2002	2001
	-----	-----
<S>	<C>	<C>
Revenues	\$ --	\$ --
Expenses:		
General and administrative	8,920	19,403
	-----	-----
	8,920	19,403
	-----	-----
Operating loss	(8,920)	(19,403)
	-----	-----
Interest income	528	3,075
	-----	-----
Net loss	\$ (8,392)	\$ (16,328)
	=====	=====
Net loss per share (basic and diluted)	\$ (0.00)	\$ (0.01)
	=====	=====
Shares used in computing net loss per share	3,120,000	3,120,000
	=====	=====

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements

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CDSI HOLDINGS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	2002	2001
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss	\$ (8,392)	\$ (16,328)
Decrease in accounts payable and accrued expenses ...	(999)	(26,226)
	-----	-----
Net cash used in operating activities	(9,391)	(42,554)
	-----	-----
Net cash from investing activities	--	--
	-----	-----
Net cash from financing activities	--	--
	-----	-----
Net decrease in cash and cash equivalents	(9,391)	(42,554)
Cash and cash equivalents at beginning of period	265,685	253,187
	-----	-----
Cash and cash equivalents at end of period	\$ 256,294	\$ 210,633
	=====	=====

</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.

At March 31, 2002, the Company had an accumulated deficit of approximately \$8.0 million. The Company has reported an operating loss

in each of its fiscal quarters since inception and it expects to continue to incur operating losses in the immediate future. The Company has reduced operating expenses and is seeking acquisition and investment opportunities. No assurance can be given that the Company will not continue to incur operating losses.

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 March 31, 2002 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 March 31, 2002 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, 2001 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.

CDSI HOLDINGS INC. AND SUBSIDIARIES

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

(3) THINKDIRECTMARKETING TRANSACTION

On November 5, 1998, the Company contributed the non-cash assets and certain liabilities of the PC411 Service to ThinkDirectMarketing, Inc. ("TDMI") (formerly known as Digital Asset Management, Inc.). TDMI 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 TDMI in exchange for the contribution of the PC411 Service's net assets. Acxiom Corporation ("Acxiom") purchased preferred stock representing a 42.5% interest in TDMI for \$1,250,000 and initially designated a majority of the Board of Directors of TDMI. TDMI's management, including Messrs. Eaker and Fleiss, held an initial 15% interest in TDMI 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 TDMI totaled \$73,438. The Company recorded \$462,360 as a capital contribution in connection with the transaction, which represented the Company's 42.5% interest in the capital raised by TDMI in excess of the carrying value of the Company's

net assets contributed to TDMI. The Company agreed, under certain conditions, to fund up to \$200,000 of an \$800,000 working capital line 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. In July 1999, the Company agreed to extend the maturity of its working capital line and was released from any further obligation to fund additional amounts under the working capital line.

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

On January 31, 2002, IMXI acquired all the shares of TDMI it did not already own by exercising the option previously granted to Cater Barnard. CDSI received 8,250 shares of IMXI Class B Convertible Preferred Stock in exchange for its interest in TDMI. Each share of IMXI Class B Preferred Stock is entitled to receive an annual dividend of \$4.00 on December 31 of each year. The dividend may be paid at the option of IMXI in shares of its Common Stock, which trades on the NASD OTC Electronic Bulletin Board under the symbol "IMXI". The shares of IMXI Class B Preferred Stock to be received by the Company are convertible into 165,000 shares of IMXI Common Stock and may be converted on the earlier of (i) October 1, 2002 or (ii) the effective date of a registration statement under the Securities Act of 1933 for the Common Stock into which the Class B Preferred Stock may be converted. Under an Investors' Rights Agreement dated January 31, 2002 between IMXI and the former TDMI stockholders, if IMXI receives after

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CDSI HOLDINGS INC. AND SUBSIDIARIES

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

July 31, 2002 a written request from at least 50% of the former TDMI stockholders to register the IMXI Common Stock issuable on conversion of the IMXI Class B Preferred Stock, it must use its best efforts to file, within 90 days of the receipt of such request, a registration statement covering the registration of such securities under the Securities Act of 1933. Management estimates that CDSI's interest in IMXI is approximately 1% on a fully-diluted basis.

The Company accounted for its non-controlling interest in TDMI using the equity basis of accounting since November 5, 1998. In the second quarter of 1999, the carrying value of the Company's investment in TDMI, including the \$100,000 note receivable, was reduced to zero as the cumulative equity in TDMI's losses exceeded the Company's investment in TDMI. Since the Company had no intention or commitment to fund future TDMI losses, commencing in the second quarter of 1999, the Company suspended recognizing its share of the additional losses of TDMI. The Company recorded income of \$100,000 in 2001 in connection with the repayment of the \$100,000 note receivable from TDMI.

(4) 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.

(5) NET LOSS PER SHARE

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

Stock options and warrants (both vested and non-vested) totaling 2,979,288 shares at March 31, 2002 and 2001, 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. On May 13, 2002, 2,322,500 of the stock options and warrants expired.

CDSI HOLDINGS INC. AND SUBSIDIARIES

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

OVERVIEW

The Company owns an approximate 1% interest on a fully diluted basis in IMXI. 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.

THINKDIRECTMARKETING, INC.

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

The Company's interest in TDMI was accounted for using the equity method of accounting. Commencing in the second quarter of 1999, the carrying value of the Company's investment in TDMI was reduced to zero, and the Company suspended recognizing its share of the additional losses of TDMI. In the second quarter of 2001, TDMI repaid a \$100,000 note receivable due to the Company. As a result, the Company recorded \$100,000 of income associated with the repayment for the year ended December 31, 2001.

On January 31, 2002, IMXI acquired all the shares of TDMI it did not already own by exercising an option previously granted by the remaining TDMI stockholders. The Company received preferred stock of IMXI in exchange for its interest in TDMI. The preferred stock is convertible into IMXI common stock representing an approximate 1% interest in IMXI on a fully diluted basis.

RESULTS OF OPERATIONS

REVENUES

For the three months ended March 31, 2002 and 2001, the Company did not generate revenues from operations.

EXPENSES

Expenses associated with corporate activities were \$8,920 for the three months ended March 31, 2002, as compared to \$19,403 for the same period in the prior year. The amounts were primarily due to the costs necessary to maintain a public company.

CDSI HOLDINGS INC. AND SUBSIDIARIES

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

OTHER INCOME (EXPENSE)

Interest income was \$528 for the three months ended March 31, 2002, compared to \$3,075 for the three months ended March 31, 2001. The difference was primarily due to lower interest rates in 2002.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2002, the Company had an accumulated deficit of approximately \$8.0 million. The Company has reported an operating loss in each of its fiscal quarters since inception and it expects to continue to incur operating losses in the immediate future. The Company has reduced operating expenses and is seeking acquisition and investment opportunities. No assurance can be given that the Company will not continue to incur operating losses.

The Company has limited available cash, limited cash flow, limited liquid assets and no credit facilities. The Company has not been able to generate sufficient cash from operations and, as a consequence, financing has been required to fund ongoing operations. Since completion of the Company's initial public offering of its common stock (the "IPO") in May 1997, the Company has primarily financed its operations with the net proceeds of the IPO. The funds were used to complete the introduction of the PC411 Service over the Internet, to expand marketing, sales and advertising, to develop or acquire new services or databases, to acquire CDS and for general corporate purposes.

In connection with the IPO, the Company issued 2,322,500 Redeemable Class A Warrants (the "Warrants"), including 1,000,000 of which were held by New Valley. The Warrants, which entitled the holder to purchase one share of Common Stock at an initial exercise price of \$6.10, expired on May 13, 2002.

Cash used for operations for the three months ended March 31, 2002 and 2001 was \$9,391 and \$42,554, respectively. The decrease is primarily due to payments of accounts payable and accrued liabilities for the three months ended March 31, 2001.

The Company does not expect significant capital expenditures during the year ended December 31, 2002.

At March 31, 2002, the Company had cash and cash equivalents of \$256,294. 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 three months ended March 31, 2002 and 2001.

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

CDSI HOLDINGS INC. AND SUBSIDIARIES

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

include seeking additional investors and/or lenders and disposing of the interest in IMXI. 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, 2001 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 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

<TABLE>
<CAPTION>

Date	Items	Financial Statements
----	-----	-----
<S> February 14, 2002	<C> 5	<C> None

</TABLE>

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SIGNATURE

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

CDSI HOLDINGS INC.
(Registrant)

Date: May 14, 2002

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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