

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): OCTOBER 5, 2000

CDSI HOLDINGS INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation)

0001-22563

95-4463937

(Commission File Number)

(I.R.S. Employer Identification No.)

100 S.E. SECOND STREET, MIAMI, FLORIDA

33131

(Address of principal executive offices)

(Zip Code)

(305) 579-8000

(Registrant's telephone number, including area code)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

On October 5, 2000, Controlled Distribution Systems, Inc. ("CDS"), a wholly-owned subsidiary of CDSI Holdings Inc. (the "Company"), 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 \$10,800 note secured by the van. The cash portion of the purchase price was paid \$29,140 on October 5, 2000 with the remaining \$5,000 to be paid by December 1, 2000.

The sale of the vending route was effected pursuant to an Asset Purchase Agreement, dated as of September 18, 2000, between Gutlove and CDS. The sale was negotiated on an arm's length basis between Gutlove and CDS. The amount of the cash consideration was based on the cigarette and coin inventory of the vending route at the open of business on October 2, 2000. The purchaser is not affiliated with the Company or any of its affiliates, or any director or officer of the Company, or any affiliate or associate of any such director or officer.

The vending route constituted the only current source of revenue for the Company. After giving effect to the cash received from Gutlove on October 5, 2000, the Company had cash and cash equivalents of approximately \$250,000. 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.

The foregoing summary of the sale of the vending route is qualified in its entirety by reference to the text of the Asset Purchase Agreement, which is included as an exhibit hereto and is incorporated herein by reference.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(b) Pro Forma Financial Information.

The Unaudited Pro Forma Condensed Consolidated Statements of Operations for the year ended December 31, 1999 and the six months ended June 30, 2000 have been prepared giving effect to the sale of the vending route on October 5, 2000.

The Unaudited Pro Forma Condensed Consolidated Statements of Operations give effect to the sale of the vending route as if it had occurred on January 1, 1999.

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The Unaudited Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2000 has been prepared giving effect to the sale of the vending route as if it had occurred on June 30, 2000.

The unaudited pro forma financial information should be read in conjunction with the Company's historical Consolidated Financial Statements and the related notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and its quarterly reports on Form 10-Q for the quarters ended March 31, 2000 and June 30, 2000.

The unaudited pro forma financial information does not purport to be indicative of what the Company's financial position or results of operations would actually have been had such transactions been completed on the dates indicated or to project the Company's results of operations for any future date.

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CDSI HOLDINGS AND SUBSIDIARIES

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

<TABLE>
<CAPTION>

	FOR THE SIX MONTHS ENDED JUNE 30, 2000			
	PRO FORMA ADJUSTMENTS			
	HISTORICAL	CDS ASSET SALE	PRO FORMA	
<S>	<C>	<C>	<C>	
Revenues	\$ 177,030	\$ (177,030)	\$	--
Cost and expenses:				
Cost of revenues	150,483	(150,483)		--
Research and development	12,616	(12,616)		--
Sales and marketing	22,580	(22,580)		--
Amortization of intangible assets	45,491	(45,491)		--
General and administrative	121,845	(105,749)		16,096
	353,015	(336,919)	(16,096)	
Operating loss	(175,985)	159,889	(16,096)	
Other income (expense):				
Interest income	5,192	--	5,192	
Interest expense	(295)	(295)	--	
Equity in loss of ThinkDirectMarketing.com		--	--	--
	4,897	(295)	5,192	

Net loss	\$ (171,088)	\$ 160,184	\$ (10,904)
Net loss per share (basic and diluted)	\$ (0.05)	\$ 0.05	\$ 0.00
Shares used in computing net loss per share	3,120,000	3,120,000	3,120,000

</TABLE>

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CDSI HOLDINGS AND SUBSIDIARIES

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

<TABLE>
<CAPTION>

FOR THE YEAR ENDED DECEMBER 31, 1999

	PRO FORMA ADJUSTMENTS		
	HISTORICAL	CDS ASSET SALE	PRO FORMA
<S>	<C>	<C>	<C>
Revenues	\$ 431,587	\$ (431,587)	\$ --
Cost and expenses:			
Cost of revenues	593,273	(593,273)	--
Research and development	122,355	(122,355)	--
Amortization of intangible assets	402,503	(402,503)	--
Sales and marketing	451,465	(451,465)	--
General and administrative	1,078,107	(740,340)	337,767
	2,647,703	(2,309,936)	337,767
Operating loss	(2,216,116)	1,878,349	(337,767)
Other income (expense):			
Interest income	45,545	--	45,545
Interest expense	(744)	(744)	--
Equity in loss of ThinkDirectMarketing.com		(501,924)	-- (501,924)
	(457,123)	(744)	(456,379)
Net loss	\$(2,673,239)	\$ 1,879,093	\$ (794,146)
Net loss per share (basic and diluted)	\$ (0.86)	\$ 0.60	\$ (0.26)
Shares used in computing net loss per share	3,120,000	3,120,000	3,120,000

</TABLE>

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CDSI HOLDINGS AND SUBSIDIARIES

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

<TABLE>
<CAPTION>

JUNE 30, 2000			

PRO FORMA ADJUSTMENTS			
	HISTORICAL	CDS ASSET SALE	PRO FORMA
	-----	-----	-----
<S>	<C>	<C>	<C>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 210,680	\$ 39,829	\$ 250,509
Accounts receivable	889	(889)	--
Inventory	39,829	(39,829)	--
Prepaid expenses and other current assets	41,598	--	41,598
	-----	-----	-----
Total current assets	292,996	(889)	292,107
Property and equipment, net	30,213	(15,355)	14,858
Other assets	18,505	--	18,505
	-----	-----	-----
Total assets	\$ 341,714	\$ (16,244)	\$ 325,470
	=====	=====	=====
 LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current portion of note payable	\$ 3,039	\$ (3,039)	\$ --
Accounts payable and accrued expenses ...	104,269	(29,082)	75,187
	-----	-----	-----
Total current liabilities	107,308	(32,121)	75,187
	-----	-----	-----
Note payable	8,094	(8,094)	--
Commitments and contingencies	--	--	--
Stockholders' equity:			
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)	23,971	(7,990,861)
	-----	-----	-----
Total stockholders' equity	226,312	23,971	250,283
	-----	-----	-----
Total liabilities and stockholders' equity	\$ 341,714	\$ (16,244)	\$ 325,470
	=====	=====	=====

</TABLE>

(c) The following Exhibits are provided in accordance with the provisions of Item 601 of Regulation S-K and are filed herewith unless otherwise noted.

EXHIBIT INDEX

10.1 Asset Purchase Agreement, dated as of September 18, 2000, between

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 hereunto duly authorized.

CDSI HOLDINGS INC.

By: /s/ J. BRYANT KIRKLAND III

J. Bryant Kirkland III
Vice President and Chief Financial Officer

Date: October 19, 2000

EXHIBIT 10.1

ASSET PURCHASE AGREEMENT (this "AGREEMENT") dated as of September 18, 2000 between GUTLOVE AND SHIRVINT, INC., a New York corporation ("PURCHASER"), and CONTROLLED DISTRIBUTION SYSTEMS, INC., a New Jersey corporation ("SELLER").

RECITALS:

WHEREAS, Seller desires to sell and transfer, and Purchaser desires to purchase and acquire, certain assets of Seller, to the extent specified in Section 1.1;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements hereinafter contained, the parties hereto do agree as follows:

ARTICLE I. PURCHASE AND SALE OF ASSETS AND ASSUMPTION OF LIABILITIES.

1.1. PURCHASE OF ASSETS. Upon the terms and subject to the conditions of this Agreement, effective as of the open of business on October 2, 2000 (the "CLOSING DATE"), Seller shall sell and transfer to Purchaser, and Purchaser shall purchase and acquire from Seller all of the assets, rights and properties of whatever nature owned or held by Seller relating to Seller's New York cigarette vending route (the "BUSINESS") including one 1999 Chevrolet Astro (Cargo)Van, serial number 1GCDM19W8XB135230 (the "VEHICLE"), all vending machines, cigarette inventory, cash, equipment and contracts that are used in or related to the Business (the "ASSETS"), free and clear of any lien, encumbrance, claim, security interest or charge of any kind or nature (collectively, "LIENS"), other than Liens relating to the GMAC Loan (as defined below). The Assets shall include any non-remote controlled vending machines and related spare parts held in storage by Seller. The consummation of the Acquisition on the Closing Date is referred to herein as the "CLOSING".

1.2. ASSUMPTION OF LIABILITIES. Purchaser shall not assume any liabilities of Seller or relating to the Assets, except Purchaser shall assume loan number 042-0412-10652 from General Motors Acceptance Corporation to Seller, with a current outstanding balance at August 31, 2000 of approximately \$10,800, secured by the Vehicle (the "GMAC LOAN").

ARTICLE II. PURCHASE PRICE; CLOSING.

2.1. PURCHASE PRICE. In consideration of the transfer and sale of the Assets by Seller, Purchaser shall pay to Seller in cash an amount equal to the dollar value of the cigarette and coin inventory as documented in APPENDIX A, to be approved and executed by the parties on the Closing Date, and Seller shall assume the GMAC Loan. Purchaser shall pay all of the purchase price to Seller by wire transfer on October 2, 2000, except for \$5,000 of the purchase price which shall be paid by Purchaser to Seller by wire transfer within 60 days thereafter.

2.2. CLOSING. The Closing shall take place effective as of the open of business on October 2, 2000.

ARTICLE III. REPRESENTATIONS AND WARRANTIES OF SELLER.

Seller represents and warrants to Purchaser as follows:

3.1. CORPORATE ORGANIZATION. Seller is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation.

3.2. AUTHORIZATION. Seller has full corporate power and authority to enter into this Agreement and to carry out the transactions contemplated hereby. Seller has taken all necessary action to authorize the execution and delivery of this Agreement and the transactions contemplated hereby, and this Agreement is a legal, valid and binding agreement of Seller enforceable in accordance with its terms.

3.3. TAXES. Seller hereby represents and warrants that Seller has filed

Miami, Florida 33131
Attention: Richard J. Lampen
Telephone: (305) 579-8000
Facsimile: (305) 579-8009

Long Island City, NY 11101
Attention: Joseph Ruda
Telephone: (718) 729-4066
Facsimile: (718) 729-3988

8.2. ENTIRE AGREEMENT; AMENDMENT. This Agreement (including Appendix A and Exhibit A hereto) constitutes the entire agreement and understanding of the parties with respect to the subject matter hereof and supersedes all prior agreements and undertakings, written or oral, of any and every nature with respect thereto. The terms of this Agreement cannot be changed, modified or released orally.

8.3. GOVERNING LAW. This Agreement shall be governed by the internal laws of the state of New Jersey (without regard to principles of conflicts of law).

8.4. BINDING EFFECT; NO ASSIGNMENT; NO THIRD PARTY BENEFICIARY. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. This Agreement is not assignable without the prior written consent of each of the parties hereto. This Agreement does not create any rights, claims or benefits inuring to any person that is not a party hereto or create or establish any third party beneficiary hereto.

8.5. TAXES. Purchaser shall bear and pay all sales, transfer, stamp or other similar taxes imposed in connection with the acquisition. Except as provided in the preceding sentence, Seller will indemnify and hold Purchaser harmless from and against any and all liability for Federal, state, local or foreign taxes (including any interest, penalties or additions to tax that may become payable in respect thereof, after taking into account any tax benefits to Purchaser in respect of the incurrence or payment of any such tax liabilities)

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assessed against or payable by Seller with respect to any period ending on or before the Closing Date or any period ending on or before the last day of Seller's taxable year.

8.6. COUNTERPARTS. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties to this Agreement may execute this Agreement by signing any such counterpart. In addition, this Agreement may be executed by facsimile signatures, which signatures shall be deemed to be originals for purposes hereof.

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IN WITNESS WHEREOF, each of the parties hereto has caused its duly authorized representative to execute this Agreement as of the date first set forth above.

GUTLOVE AND SHIRVINT, INC.

By: /s/ JOSEPH RUDA

NAME: JOSEPH RUDA
TITLE: PRESIDENT AND CHIEF EXECUTIVE OFFICER

CONTROLLED DISTRIBUTION SYSTEMS, INC.

By: /s/ RICHARD J. LAMPEN

NAME: RICHARD J. LAMPEN
TITLE: PRESIDENT

APPENDIX A

CASH AND INVENTORY ANALYSIS

Machines with change inventory:	0.00	
Amount of change inventory:	0.00	

Total change inventory:	0.00	
		=====
Packs in inventory with State license:	1,800.00	
Cost of State licensed cigarettes:	X \$3.626	

Total State licensed inventory:	\$6,526.80	
		=====
Packs in inventory with City license:	7,453.00	
Cost of City licensed cigarettes:	X \$3.705	

Total City licensed inventory:	\$27,613.37	
		=====
TOTALS		
Total change inventory:	0.00	
Total State licensed inventory:	\$6,526.80	
Total City licensed inventory:	27,613.37	

TOTAL CASH AND INVENTORY VALUE:		\$34,140.17
		=====

Accepted and agreed to as of this 2nd day of October, 2000:

Gutlove and Shirvint, Inc.

By: /s/ JOSEPH RUDA

Controlled Distributions Systems, Inc.

By: /s/ J. BRYANT KIRKLAND III
