

UNITED STATES
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, 1996

Commission file number: 0-27862

REALITY INTERACTIVE, INC.
(Exact name of registrant as specified in its charter)

MINNESOTA

41-1781991

State or other jurisdiction of
incorporation of organization

I.R.S. Employer Identification No.

SUITE 300
11200 WEST 78TH STREET
EDEN PRAIRIE, MINNESOTA 55344

(612) 996-6777

Address of principal executive offices

Registrant's telephone number

Check whether the registrant (1) filed all reports required to be filed by
Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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.

/X/ Yes / / No

At October 31, 1996, 4,677,407 shares of registrant's \$.01 par value Common
Stock were outstanding.

Transitional Small Business Issuer Format / / Yes /X/ No

FORM 10-QSB INDEX

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements..... 3

Item 2. Management's Discussion and Analysis of Financial Condition and
Results of Operations..... 8

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K..... 10

SIGNATURES..... 11

EXHIBIT INDEX..... 12

SAFE HARBOR STATEMENT UNDER THE
PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Quarterly Report on Form 10-QSB contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve risks and uncertainties that may cause the Company's actual results to differ materially from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, the uncertainty in growth of a development stage company; limited growth of the market for multimedia education and training products; lack of market acceptance of the Company's products; inability of the Company to expand its marketing capability; inability of the Company to diversify its product offerings; failure of the Company to respond to evolving industry standards and technological changes; inability of the Company to meet its future additional capital requirements; inability of the Company to compete in the business education and training industry; loss of key management personnel; inability to retain subject matter experts; failure of the Company to secure adequate protection for the Company's intellectual property rights; and the Company's exposure to product liability claims. The forward-looking statements are qualified in their entirety by the cautions and risk factors set forth in Exhibit 99.1, under the caption "Cautionary Statement," to this Quarterly Report on Form 10-QSB for the quarter ended September 30, 1996.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

REALITY INTERACTIVE, INC.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEET

	September 30, 1996	December 31, 1995
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 271,269	\$ 118,916
Short-term investments.....	6,664,403	0
Accounts receivable.....	108,117	18,237
Interest receivable.....	31,649	0
Inventory.....	89,231	28,359
Prepaid expenses.....	43,386	8,312
	-----	-----
Total current assets.....	7,208,055	173,824
	-----	-----
Fixed assets, net.....	192,960	269,852
Restricted cash.....	119,000	119,000
Other assets.....	29,781	14,116
	-----	-----
Total assets.....	\$ 7,549,796	\$ 576,792
	-----	-----
LIABILITIES, MANDATORILY REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable.....	\$ 136,050	\$ 188,623
Accrued liabilities.....	71,720	90,417
Capitalized lease obligation.....	0	14,127
Notes payable.....	0	201,002
Other current liabilities.....	9,710	0
	-----	-----
Total current liabilities.....	217,480	494,169
Long-term liabilities.....	0	0
	-----	-----
Total liabilities.....	217,480	494,169
	-----	-----
Mandatorily redeemable convertible preferred stock, \$.01 par value, 5,000,000 shares authorized; 0 and 726,900 shares outstanding.....	0	2,125,962
	-----	-----
Stockholders' equity (deficit):		
Common stock, \$.01 par value, 20,000,000 shares authorized; 4,677,407 and 1,643,611 shares outstanding.....	46,774	16,436
Additional paid-in capital.....	15,391,620	1,384,397
Accumulated deficit during the development stage.....	(8,106,078)	(3,444,172)
	-----	-----
Total stockholders' equity (deficit).....	7,332,316	(2,043,339)
	-----	-----
Total liabilities, mandatorily redeemable preferred stock and stockholders' equity (deficit).....	\$ 7,549,796	\$ 576,792
	-----	-----

See accompanying notes to the financial statements.

REALITY INTERACTIVE, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF OPERATIONS
(UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,	
	1996	1995	1996	1995
Revenues.....	\$ 93,677	\$ 10,928	\$ 341,784	\$ 17,441
Cost of revenues.....	18,768	1,206	65,238	2,288
Gross profit.....	74,909	9,722	276,546	15,153
Operating expenses:				
Sales and marketing.....	712,912	238,500	1,859,101	545,113
Research and development.....	678,085	175,502	1,598,251	738,627
General and administrative.....	428,357	259,347	1,087,109	615,684
Total operating expenses.....	1,819,354	673,349	4,544,461	1,899,424
Operating loss.....	(1,744,445)	(663,627)	(4,267,915)	(1,884,271)
Other income (expense):				
Interest income (expense), net.....	104,551	(95,542)	(61,035)	(102,110)
Debt offering costs.....	0	0	(113,486)	0
Total other income (expense).....	104,551	(95,542)	(174,521)	(102,110)
Income before extraordinary loss.....	\$(1,639,894)	\$ (759,169)	\$(4,442,436)	\$(1,986,381)
Extraordinary loss from early retirement of debt.....	0	0	(219,470)	0
Net Loss.....	\$(1,639,894)	\$ (759,169)	\$(4,661,906)	\$(1,986,381)
Net loss per common and common equivalent share.....	\$ (.35)	\$ (.46)	\$ (1.34)	\$ (1.21)
Weighted average common and common equivalent shares.....	4,677,407	1,643,611	3,488,130	1,643,611

See accompanying notes to the financial statements.

REALITY INTERACTIVE, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CASH FLOWS
(UNAUDITED)

	Nine months ended September 30,	
	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss.....	\$ (4,661,906)	\$(1,986,381)
Reconciliation of net loss to net cash used by operating activities:		
Depreciation and amortization.....	90,000	60,525
Noncash interest expense related to warrants.....	193,979	40,211
Extraordinary loss related to early retirement of debt (interest expense related to warrants).....	142,021	0
Changes in assets and liabilities:		
Accounts receivable.....	(89,880)	(6,350)
Interest receivable.....	(31,649)	0
Inventory.....	(60,871)	(55,383)
Prepaid expenses.....	(35,074)	(8,988)
Accounts payable.....	(52,577)	124,858
Accrued liabilities.....	(18,697)	9,077
Other current liabilities.....	11,059	0
Net cash used by operating activities.....	(4,513,595)	(1,822,431)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets, net of retirements.....	(279,266)	(142,175)
Purchase of other assets.....	(15,666)	(8,229)
Purchase of short-term investments.....	(10,164,404)	0
Sale of short-term investments.....	3,500,000	29,836
Cash restricted for operating leases.....	0	(119,000)
Net cash used by investing activities.....	(6,959,336)	(239,568)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of capital lease obligation.....	(15,471)	(14,448)
Proceeds from convertible notes payable.....	2,800,000	951,002
Repayment of convertible notes payable.....	(2,774,997)	0
Repayment of notes payable.....	(201,002)	0
Proceeds from sale leaseback of fixed assets.....	266,157	0
Proceeds from initial public offering, net.....	11,549,607	0
Proceeds from related party financing.....	0	320,000
Proceeds from issuance of preferred stock.....	0	193,228
Proceeds from exercise of stock options.....	990	0
Net cash provided by financing activities.....	11,625,284	1,449,782
Net cash provided (used) during period.....	152,353	(612,217)
CASH AND CASH EQUIVALENTS:		
Beginning of period.....	118,916	527,461
End of period.....	\$ 271,269	\$ (84,756)
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest.....	\$ 88,867	\$ 64,614

See accompanying notes to the financial statements.

REALITY INTERACTIVE, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1996
(UNAUDITED)

NOTE 1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Reality Interactive, Inc. (the "Company") was incorporated on May 24, 1994 to design, develop and market interactive multimedia knowledge solutions primarily for sale to Fortune 2000 companies. The Company's strategy is to identify industry standards and practices that create a need for enterprise-wide education and training. The Company uses digital technology, including animation, video, graphics, audio narration and formatted text, to create its interactive multimedia knowledge solutions.

Basis of Presentation

The accompanying unaudited financial statements of the Company have been prepared in accordance with generally accepted accounting principles for interim financial information. The preparation of financial statements in accordance with generally accepted accounting principles require management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the accompanying interim financial statements, and the reported amounts of revenue and expenses during the reporting period. In the opinion of management, the interim financial statements include adjustments necessary for a fair presentation of the results of operations for the interim periods presented. Operating results for the nine months ended September 30, 1996 are not necessarily indicative of the operating results to be expected for the year ending December 31, 1996.

Certain information and footnote disclosures normally included in financial statements in accordance with generally accepted accounting principles have been omitted. The statements should be read in conjunction with the Company's annual financial statements included in its Registration Statement on Form SB-2.

NOTE 2. INITIAL PUBLIC OFFERING

In April 1996, the Company completed an initial public offering (the "IPO") of 2,200,000 units at a price of \$5.75 per unit. Each unit sold consisted of one share of Common Stock and one Redeemable Common Stock Purchase Warrant to purchase one share of Common Stock. The sale of such units resulted in gross proceeds of \$12,650,000 and net proceeds of \$11,034,982 after payment of the underwriting discount and related expenses. Upon the closing of the offering, all 726,900 outstanding shares of Mandatorily Redeemable Convertible Preferred Stock were converted into 726,900 shares of Common Stock.

In May 1996, the Company issued an additional 100,000 units to its underwriter to cover over-allotments, resulting in gross proceeds of \$575,000 and net proceeds of \$514,625 after payment of the underwriting discount and related expenses.

NOTE 3. CONVERTIBLE NOTES PAYABLE

In January 1996, the Company closed a \$2,800,000 convertible bridge note financing (the "Bridge Notes") in a private placement, resulting in net proceeds to the Company of \$2,626,570 after payment of agent's commissions and related expenses. The Bridge Notes provided for interest at 10% per annum and matured on the earlier of July 31, 1996 or 30 days after the effective date of an IPO. In connection with this financing, the Company issued detachable warrants to purchase a total of 560,000 shares of Common Stock to the purchasers of

the Bridge Notes. The Bridge Notes were convertible into common stock at a price equal to \$3.94, which was 75% of \$5.25 (the per share value assigned to the Common Stock at the time of the IPO).

In May 1996, 30 days after the effective date of the IPO, the Company made payments totaling \$2,861,281 to repay the Bridge Notes, including accrued interest of \$86,285. Approximately \$25,000 of the Bridge Notes were converted to Common Stock at the time of this repayment, resulting in the issuance of 6,346 shares. The Company recognized an extraordinary loss of approximately \$220,000 in its second quarter ended June 30, 1996 as a result of the early repayment of the Bridge Notes.

NOTE 4. STOCK OPTIONS

Under the terms of the Company's 1994 Stock Incentive Plan, 700,000 shares of Common Stock have been reserved for issuance to officers, employees and independent contractors upon the exercise of stock options. The Company has granted a total of 464,850 options to its officers, employees and independent contractors at prices ranging from \$1.80 to \$5.25 per share. During the quarter ended June 30, 1996, an employee exercised an option to purchase 550 shares of Common Stock at an exercise price of \$1.80 per share.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATION

The following presentation of management's discussion and analysis of the Company's financial condition and results of operation should be read in conjunction with the Company's financial statements and notes contained herein.

OVERVIEW

Reality Interactive, Inc. (the "Company") was formed in May 1994 to design, develop and market interactive multimedia knowledge solutions primarily for sale to Fortune 2000 companies. The Company is a development stage company and, as a result, has undergone significant changes since its inception as the focus of the Company's activities has shifted from organization to product design and development to sales and marketing. Accordingly, the Company's revenue and expenses for the periods presented below are not necessarily indicative of future results.

The Company has been unprofitable since its inception and expects to incur operating losses at least through 1997. During the period from May 24, 1994 (inception) through September 30, 1996, the Company incurred cumulative losses of \$8,106,078. The Company expects that its operating expenses will continue to increase as it continues to develop new products and increase its sales and marketing efforts. To become profitable, the Company must significantly increase revenues. Future operating results will depend upon many factors, including the demand for the Company's products, the level of product and price competition, the Company's success in maturing its direct sales force and indirect distribution channels, general economic conditions and the ability of the Company to develop and market new products and to control costs.

RESULTS OF OPERATIONS

REVENUES. Revenues were \$93,677 for the quarter ended September 30, 1996, compared to revenues of \$10,928 for the quarter ended September 30, 1995. For the nine month period ended September 30, 1996, revenues were \$341,784, compared to revenues of \$17,441 for the comparable period of 1995. The revenue increase was due primarily to increasing sales of the Company's initial product, the ISO 9000 REGISTRATION SERIES, which was released as a complete series in August 1995. The Company also generated approximately 47% of its third quarter 1996 revenues from its second product, the QS-9000 COMPLIANCE SERIES, a four title interactive multimedia product that was released in August 1996. The revenue results through September 30, 1996 are less than the Company's original expectations as a result of unexpected challenges associated with developing a direct sales force and longer than expected sales cycles in corporate multi-site enterprises.

COST OF REVENUES. Cost of revenues were \$18,768 for the quarter ended September 30, 1996, compared to \$1,206 for the quarter ended September 30, 1995. For the nine month period ended September 30, 1996, cost of revenues were \$65,238, compared to cost of revenues of \$2,288 for the comparable period of 1995. The increase in cost of revenues was primarily due to royalties paid on an increasing level of sales. Royalties were paid to the American Society for Quality Control ("ASQC"), a sales channel for the Company, and Process Management International, the Company's subject matter expert for its ISO 9000 REGISTRATION SERIES. Cost of revenues also includes the cost of media duplication and packaging materials.

OPERATING EXPENSES. The Company's operating expenses for the quarter ended September 30, 1996 were \$1,819,354, a 170% increase over operating expenses of \$673,349 for the quarter ended September 30, 1995. For the nine months ended September 30, 1996, operating expenses were \$4,544,461, a 139% increase over operating expenses of \$1,899,424 for the same period in 1995. This increase in operating expenses between the periods noted for 1996 and 1995 was due primarily to the following:

- (a) Sales and marketing expenses were \$712,912 for the third quarter of 1996, compared to \$238,500 for the third quarter of 1995, a 199% increase. For the nine months ended September 30, 1996, sales and marketing

expenses were \$1,859,101, compared to \$545,113 for the same period in 1995, a 241% increase. This increase between periods was due primarily to the addition of new direct sales, telesales and marketing positions and the expansion of direct marketing programs. The Company expects its sales and marketing expenses to increase as a result of increasing travel expenditures related to its direct sales force, and initiation of marketing programs for newly released products, as well as products currently being developed.

- (b) Research and development expenses were \$678,085 for the third quarter of 1996, compared to \$175,502 for the third quarter of 1995, an 286% increase. For the nine months ended September 30, 1996, research and development expenses were \$1,598,251, compared to \$738,627 for the same period in 1995, a 116% increase. This increase was attributed to the development of three new products, the QS-9000 COMPLIANCE SERIES, a multi-title product dealing with automotive quality standards, the ISO 14000 EMS CONFORMANCE SERIES, a multi-title product dealing with environmental management standards and POLLUTION PREVENTION, a one-title product dealing with the key concepts of a pollution prevention program. The Company completed development of the QS-9000 COMPLIANCE Series in August 1996. Management believes that the ISO 14000 CONFORMANCE SERIES and POLLUTION PREVENTION products will be released during the fourth quarter of 1996. The Company expects its research and development expenses to remain consistent with current levels, unless additional projects, if any, are identified, which may require an increase in staffing.
- (c) General and administrative expenses were \$428,357 for the third quarter of 1996, compared to \$259,347 for the third quarter of 1995, a 65% increase. For the nine months ended September 30, 1996, general and administrative expenses were \$1,087,109, compared to \$615,684 for the same period in 1995, a 77% increase. This increase was due primarily to increased travel, office rent, depreciation expense, operating leases and professional fees. The Company expects that its general and administrative expenses will increase as it hires additional accounting staff and expands its office space during the fourth quarter of 1996.

OTHER INCOME (EXPENSE). The Company's net other income was \$104,551 for the third quarter of 1996, compared to net other expense of \$95,542 for the third quarter of 1995. For the nine months ended September 30, 1996, net other expense was \$174,521, compared to net other expense of \$102,110 for the same period in 1995. This difference was primarily the result of interest expense associated with the Company's Bridge Notes and amortization of offering costs the Company incurred to obtain the Bridge Notes. The Company also realized interest income of \$104,551 and \$221,811 in the third quarter and first nine months of 1996 from the investment of Bridge Note and IPO proceeds.

NET LOSS. Net loss was \$1,639,894 for the third quarter of 1996, compared to a net loss of \$759,169 for the third quarter of 1995. For the nine months ended September 30, 1996, net loss, after deducting extraordinary losses of \$219,470 from the early retirement of debt, was \$4,661,906, compared to a net loss of \$1,986,381 for the same period in 1995. The Company expects to continue to experience losses at least through 1997 as it continues to incur substantial expenditures to develop its products and to increase its sales.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash, cash equivalents and short-term investments were \$6,935,672 as of September 30, 1996, compared to \$118,916 as of December 31, 1995. The increase in cash, cash equivalents and short-term investments was primarily attributed to the Company's IPO in April 1996. Also contributing to the increase was lease financing of approximately \$266,157 that was obtained in a sale-leaseback of computer equipment in May 1996. The decrease in cash and cash equivalents subsequent to the Company's IPO was due primarily to the net loss from operations and repayment of Bridge Notes. See Note 3 for further information on financing transactions.

Although the Company anticipates that it will experience operating losses and negative cash flow from operations at least through 1997, and the Company currently does not have bank financing available, the Company believes that its current cash balances will be sufficient to meet its working capital and capital

expenditure needs through 1997. Thereafter, the Company may need to raise additional funds to finance its operations. To the extent the Company's revenues do not meet management's expectations, or the Company's growth exceeds management's expectations, the Company may require additional financing prior to the end of 1997. At such time, there can be no assurance that debt or equity financing would be available on favorable terms or at all.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

EXHIBIT NO.	DESCRIPTION
10.1	Copyright License Agreement between Reality Interactive, Inc. and the American National Standards Institute dated August 30, 1996, including Modifying Agreement
+ 10.2	ISO 14000 Marketing and Promotion Agreement between Reality Interactive, Inc. and the American National Standards Institute dated September 20, 1996
+ 10.3	ISO 14000 Marketing and Promotion Agreement between Reality Interactive, Inc. and the Global Environment and Technology Foundation dated September 6, 1996
+ 10.4	Distribution Agreement between Reality Interactive, Inc. and Futuremedia PLC dated July 12, 1996
27.1	Financial Data Schedules
99.1	Cautionary Statement

+ Pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, confidential portions of this Exhibit have been deleted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

(b) REPORTS ON FORM 8-K

No Reports on Form 8-K were filed during the quarter ended September 30, 1996

SIGNATURES

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

REALITY INTERACTIVE, INC.

Dated: November 14, 1996

By /s/ Paul J. Wendorff

Paul J. Wendorff
Its Chief Executive Officer

Dated: November 14, 1996

By /s/ Wesley W. Winnekins

Wesley W. Winnekins
Its Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description	Page No.

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+10.2	ISO 14000 Marketing and Promotion Agreement between Reality Interactive, Inc. and the American National Standards Institute dated September 20, 1996.....	25
+10.3	ISO 14000 Marketing and Promotion Agreement between Reality Interactive, Inc. and the Global Environment and Technology Foundation dated September 6, 1996.....	33
+10.4	Distribution Agreement between Reality Interactive, Inc. and Futuremedia PLC dated July 12, 1996.....	41
27.1	Financial Data Schedules.....	62
99.1	Cautionary Statement.....	63

+ Pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, confidential portions of this Exhibit have been deleted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

COPYRIGHT LICENSE AGREEMENT

This COPYRIGHT LICENSE AGREEMENT (hereinafter referred to as the "Agreement") is made and entered into as of this 30 day of August 1996, by and between the American National Standards Institute Inc., a New York corporation whose address for purposes of this agreement is 11 West 42nd Street, New York, New York 10036 (hereinafter referred to as "Licensor"), and Reality Interactive, Inc., whose address for purposes of this agreement is Suite 300, 11200 West 78th Street, Eden Prairie, Minnesota 55344 (hereinafter referred to as "Licensee").

WITNESSETH

WHEREAS, the International Organization for Standardization ("ISO") is the proprietor of the copyright to certain international standards (the "International Standards"); and

WHEREAS, the Licensor and the International Organization for Standardization ("ISO") have the exclusive rights to reproduce, digitize, package, sell and/or lease the ISO International Standards (hereinafter referred to as the "ISO Standards") in the United States of America; and

WHEREAS, the Licensor, being the ISO member body for the United States of America, is entitled to assign its rights to reproduce, digitize, package, sell and/or lease the ISO Standards in the United States; and

WHEREAS, Licensee wishes to secure the non-exclusive rights to reproduce, duplicate, digitize, package, distribute, sell and/or lease in the United States of America only the Draft (DIS) and Approved ISO 14000 series of Environmental Management Systems Standards identified in Appendix 1 hereto (hereinafter referred to collectively as the "Licensed Standards") in electronic digital format by including the Licensed Standards in Licensee's digital multimedia product known as the ISO 14000 EMS Conformance Series (hereinafter referred to as the "Product"); and

WHEREAS, Licensor is willing to convey such rights to Licensee upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual covenants of the parties contained herein, it is hereby agreed as follows:

1. (a) The term of this Agreement shall initially be for three (3) years commencing on August 30, 1996 and ending on August 29, 1999. Subject to reaching agreement as to the royalty payments to be paid by Licensee to Licensor, this Agreement shall be automatically renewed upon the other terms and conditions set forth herein unless, at least thirty (30) days before the end of the existing term or any renewal term hereof, a party gives the other party written notice of its election to terminate this Agreement at the end of such period.

(b) Except as specified below, upon termination of this Agreement, or any renewal period, Licensee shall immediately cease to reproduce, duplicate, digitize, and package the Licensed Standards, and distribute, sell and/or lease the Product. However, to the extent that, upon receipt of a notice of termination of this Agreement, Licensee has previously entered into subscription agreements that encompass the Product, then Licensee shall be permitted to honor such agreements for a period of no longer than twelve (12) months from the date of termination of this Agreement. During any such period, Licensor shall remain obligated to deliver to Licensee a copy of any revised Licensed Standard, and Licensee shall continue to make royalty payments in accordance with Sections 4 and 5, and the terms of this agreement shall remain in effect for the extended period.

2. (a) Subject to the terms and conditions set forth in this agreement, Licensor hereby grants to Licensee the non-exclusive rights to reproduce, duplicate, digitize, package, distribute, sell and/or lease the licensed Standards in the United States of America only. Licensee shall only exercise these rights by reproducing the Licensed Standards in electronic digital format within the Product in a manner that Licensee, in its discretion, determines to be appropriate.

(b) Subject to the terms and conditions set forth in the Agreement, the Licensor grants to the Licensee only those rights specifically granted pursuant to Paragraph 2(a) hereof. It is expressly understood that all rights in the Licensed Standards not hereby granted to Licensee are reserved to Licensor and ISO, including, but not limited to, all copyrights.

3. Licensor shall deliver to Licensee, free of charge, one (1) paper hard copy of each draft (DIS) Licensed Standard, and one electronic PDF format copy of each Licensed Standard when approved and published

by ISO and any renewal thereof, except that Licensor shall not be required to deliver to Licensee copies of any Licensed Standard prior to the execution of this Agreement. Licensee agrees to replace each draft (DIS) Standard within the Product with the approved Licensed Standard within sixty days of receipt of the each approved Licensed Standard, and shall cease distribution of the copies of the Product which contain the draft (DIS) standard. Licensor shall effect the delivery required hereunder by mailing a copy of each Standard, via first class mail, to Licensee at the following address before or immediately upon the general release of the standard to:

Reality Interactive, Inc.
 Suite 300
 11200 West 78th Street
 Eden Prairie, Minnesota 55344
 Attention: W. Winnekins, CFO

4. (a) In consideration for the rights herein granted, Licensee shall pay to Licensor (in accordance with the payment schedule set forth in Section 5 hereof) an access fee of \$410.00 per year for storing the Licensed Standards in Licensee's electronic file, plus a royalty for each copy of the Product distributed, sold and/or leased based on the following tiers:

Base Royalty: 205.00 per Product
 - - - - -

I: NUMBER OF PRODUCTS DISTRIBUTED	BASE ROYALTY FEE PER UNIT	ROYALTY CALCULATION PER PRODUCT
up to 50	Base royalty fee	\$205.00
51 to 100	Base minus 10%	\$184.50
101 to 200	Base minus 20%	\$164.00
210 to 300	Base minus 25%	\$154.00
301 and over	Base minus 30%	\$143.50

II: Networked User Schedule (based per scale)
 - - - - -

MULTIPLE END USERS/NUMBER OF SIMULTANEOUS USERS	AMOUNT	ROYALTY CALCULATION PER PRODUCT
1	1.75 x base royalty fee	\$359.00
2 to 5	2.50 x base royalty fee	\$512.50
6 to 10	4.50 x base royalty fee	\$922.50
11 to 15	6.00 x base royalty fee	\$1,230.00
16 to 20	7.50 x base royalty fee	\$1,537.50
21 to 35	9.00 x base royalty fee	\$1,845.00
36 to 50	12.50 x base royalty fee	\$2,562.50
51 and over	75% x base royalty fee x number of simultaneous users of networked users	TBD

(b) It is expressly understood and agreed that the price to be charged by Licensee for the Product shall be determined solely by Licensee.

(c) Any hard copies made shall be for the internal use of the Licensee's customers only, and their number shall not exceed the number of networked users as defined in Section 4(a) above. These copies may not be sold, traded or given to third parties. Copies in addition to those allowed may be purchased from the American National Standards Institute (ANSI), 11 West 42nd Street, New York, New York 10036 (telephone 212-642-4900), or be authorized subject to execution of a Restricted Site License Copying Agreement with ANSI. The Licensee shall ensure that this clause is included in its Product along with the copyright citation in Section 10 herein.

(d) Licensee shall provide to Licensor one complete set of the Product at no charge.

5. The initial annual access fees shall be paid by Licensee to Licensor upon execution of this Agreement, prorated from the signing of the Agreement to the end of that calendar year. Each additional annual access fee shall be paid to Licensor on the 15th day of April of each calendar year. Additionally, the royalty payments required to be made by Licensee pursuant to section 4 hereof shall be made quarterly by the 15th day of each April, July, October and January for the preceding calendar quarter in which such royalty accrued. Each payment shall be accompanied by a statement, certified to by an officer of Licensee, setting forth (a) the total royalty payable to Licensor and how it was computed, and (b) the total number of copies of the Product distributed, sold and/or leased by the Licensee during the quarter. Further, Licensee agrees at its expense to its independent public accountants certify (and make any necessary payment adjustments) to the Licensor, every fiscal year-end of the Licensee from the date hereof, the revenues derived by the Licensee from the rights granted hereunder and the accuracy of the payments made to the Licensor by the Licensee. Licensee further certifies it does undergo an annual audit of all Product sales activity by an independent public accountant, and in

the event that the Licensor requires the certification more frequently, upon request by Licensor, and with reasonable notice, the Licensee shall make available to Licensor the books and records of Licensee necessary to verify the data supplied.

6. In reproducing, duplicating, digitizing, packaging, distributing, selling and/or leasing the Licensed Standards within the Product, Licensee shall be an independent contractor and not an agent or partner of Licensor. Licensee warrants that at no time will it hold itself out as an agent or partner of Licensor or otherwise suggest that it is authorized to act on behalf of Licensor.

7. (a) Except as provided in Section 1, this Agreement may be terminated by the parties only as follows:

(i) By written agreement of Licensor and Licensee

(ii) Insolvency of or the petition by or on the behalf of Licensee for bankruptcy or reorganization under bankruptcy laws or any assignment for the benefit of creditors;

(iii) By the Licensor, in the event of a material breach of this Agreement by the Licensee (other than a payment default), if such breach is not cured within ten (10) days after written notice of such breach; and

(iv) By Licensor in the event of a failure of the Licensee to make royalty payments or provide accounting statements in accordance with Sections 4 and 5 and any such failure is not cured within thirty (30) days after written notice thereof.

(b) Section 1 (b) shall survive the termination of this Agreement for the period specified therein

8. Licensee shall indemnify Licensor and ISO, and otherwise hold it harmless against any claim, action or proceeding brought against Licensor and ISO by any person or persons resulting from or due to any action or inaction by Licensee in digitizing the data, and in reproducing, duplicating, packaging, distributing, selling and/or leasing the Licensed Standards within the Product. Licensor shall indemnify Licensee, and otherwise hold it harmless against any claim, action or proceeding brought against Licensee by any person or persons claiming copyright infringement based Licensee's proper use of the Licensed Standards as authorized under this agreement. The foregoing shall not apply with respect to any claim, action or proceeding

arising from a claim of defamation or other such claim, directly relative to the content of the Licensed Standards which has not been altered by Licensee and the parties hereby preserve all rights and remedies that they may have in connection with any such claim, action or proceeding.

These indemnities shall include, but not be limited to, all reasonable attorney's fees, costs and expenses incurred by Licensor or Licensee, as the case may be, in defending any such claim, action or proceeding.

9. The rights granted to Licensee herein shall not be assigned or assignable, in whole or in part, without the prior express written permission of Licensor.

10. Licensee will use its best efforts to assure that recipients of the Licensed Standards do not thereafter engage in the unauthorized duplication, reproduction or copying of the standards. This undertaking will be deemed discharged by Licensee's written communication of the following notice to its purchasers/lessees/subscribers in an conspicuous location within the Product, provided that Licensee will notify Licensor of, and will pursue any suspected or known violations of this section:

For ISO draft (DIS) 14000 standards:
- - - - -

ISO DIS (insert designation)

(insert title)

"THIS DRAFT INTERNATIONAL STANDARD WAS DEVELOPED BY A TECHNICAL COMMITTEE OF THE INTERNATIONAL ORGANIZATION FOR STANDARDIZATION (ISO). THE AMERICAN NATIONAL STANDARDS INSTITUTE (ANSI), THE U.S. MEMBER OF ISO, PARTICIPATES IN ISO'S TECHNICAL PROGRAM AND ADMINISTERS SECRETARIATS OF VARIOUS TECHNICAL COMMITTEES AND SUBGROUPS. ANSI IS ALSO ISO'S EXCLUSIVE SALES AGENT IN THE UNITED STATES FOR ALL ISO STANDARDS, DRAFT INTERNATIONAL STANDARDS, AND COMMITTEE DRAFTS. THIS DRAFT INTERNATIONAL STANDARD IS BEING DISTRIBUTED BY REALITY INTERACTIVE, INC. THROUGH AN ARRANGEMENT WITH ANSI.

"THIS MATERIAL IS REPRINTED FROM ISO DIS (INSERT DESIGNATION) WITH PERMISSION OF THE AMERICAN NATIONAL STANDARDS INSTITUTE (ANSI) UNDER ANSI'S EXCLUSIVE LICENSING AGREEMENT WITH THE INTERNATIONAL ORGANIZATION FOR STANDARDIZATION. THIS DOCUMENT IS NOT AN APPROVED ISO INTERNATIONAL STANDARD. IT IS DISTRIBUTED FOR REVIEW AND COMMENT AND MAY BE MODIFIED DURING THIS PROCESS. IT IS SUBJECT TO CHANGE WITHOUT NOTICE AND MAY NOT BE REFERRED TO AS AN INTERNATIONAL OR ISO STANDARD UNLESS AND UNTIL PUBLISHED AS SUCH.

COPYRIGHT BY THE INTERNATIONAL ORGANIZATION FOR STANDARDIZATION. NOT FOR RESALE. NO PART OF THIS PUBLICATION MAY BE COPIED OR REPRODUCED IN ANY FORM, ELECTRONIC RETRIEVAL SYSTEM OR OTHERWISE, OR BE MADE AVAILABLE ON THE INTERNET, A PUBLIC NETWORK, BY SATELLITE OR OTHERWISE WITHOUT THE PRIOR WRITTEN PERMISSION OF THE AMERICAN NATIONAL STANDARDS INSTITUTE, 11 WEST 42ND STREET, NEW YORK, NY 10036, WHICH HOLDS REPRODUCTION RIGHTS IN THE UNITED STATES.

For Approved ISO 14000 Standards:

"THIS MATERIAL IS REPRINTED FROM ISO (INSERT DESIGNATION) WITH PERMISSION OF THE AMERICAN NATIONAL STANDARDS INSTITUTE (ANSI) UNDER AN EXCLUSIVE LICENSING AGREEMENT WITH THE INTERNATIONAL ORGANIZATION FOR STANDARDIZATION. NOT FOR RESALE. NO PART OF ISO (INSERT DESIGNATION) MAY BE COPIED OR REPRODUCED IN ANY FORM, ELECTRONIC REVIVAL SYSTEM OR OTHERWISE, OR BE MADE AVAILABLE ON THE INTERNET, A PUBLIC NETWORK, BY SATELLITE OR OTHERWISE WITHOUT THE PRIOR WRITTEN CONSENT OF THE AMERICAN NATIONAL STANDARDS INSTITUTE, 11 WEST 42ND STREET, NEW YORK, NY 10036."

Additionally, the following must be included on the bottom of every page of each Licensed Standard:

"-C- International Organization for Standardization. All rights reserved."

11. Licensor and Licensee agree that for the purpose of this Agreement, Electronic Digital Format means the delivery of the Product via CD ROM, or via a special video server network to PC workstations, or via a corporate Intranet (Local Area Network (LAN)).

Licensor and Licensee further agree that for purposes of this Agreement, "a corporate Intranet" means installation of a copy of the Product by the Licensee's customer(s) on the customer's internal LAN system for use only by the specified number of simultaneous users within the customer's company, and only within the United States of America. No Internet, public network, satellite or any other electronic delivery methods or use will be permissible.

12. Licensor and Licensee covenant and agree that this written Agreement constitutes the complete agreement between the parties, supersedes all prior agreements with respect to the subjects hereof, and may not be amended or modified, except by a writing signed by all parties hereto or by their duly authorized representatives.

13. This Agreement shall be governed by and construed according to the laws of the state of New York (exclusive of all conflicts of law rules and principles).

14. Any and all notices required to be given hereunder shall be in writing, shall be sent by registered or certified mail, return receipt requested, addressed to the parties at their respective addresses specified below and are effective when mailed. Alternatively, either a facsimile transmittal, overnight messenger or courier or an "express mail" transmittal, with a confirmation shall be acceptable. Either party may by like notice specify a different address.

If to ANSI:

American National Standards Institute
11 West 42nd Street
New York, New York 10036

Attention: Vice President of Finance and Administration

If to Reality Interactive:

Reality Interactive, Inc.
Suite 300
11200 West 78th Street
Eden Prairie, Minnesota 55344

Attention: W. Winnekins, CFO

15. Except as provided in the last two sentences of this paragraph, if a dispute for money damages shall arise under this Agreement, the parties hereby confer exclusive jurisdiction to hear and resolve any such dispute for money damages to the American Arbitration Association ("AAA") in the City and State of New York, or the AAA in the City of Minneapolis, State of Minnesota, at the option of the petitioner. The parties expressly waive the right to litigate any such dispute for money damages in any other location or forum. Either party shall have the right to seek provisional remedies in any court having jurisdiction. In addition, Licensor and Licensee shall each have the right to assert a cross-claim or third party claim against the other if a lawsuit is commenced against Licensor and/or Licensee by a third party, notwithstanding the exclusive arbitration provision.

16. Severability: The terms and conditions of this Agreement are severable. If any condition of this Agreement is deemed to be illegal or unenforceable under any rule of law, all other terms shall remain in force. Further, the term and condition which is held to be illegal or unenforceable shall remain in effect as far as possible and in accordance with the intention of the parties.

17. Force Majuere: Neither party shall be responsible for any delay or failure in performance resulting from acts beyond its control.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

AMERICAN NATIONAL STANDARDS
INSTITUTE, INC., LICENSOR

By: /s/ S. Mazza

S. Mazza, President CEO

REALITY INTERACTIVE,
INC., LICENSEE

By: /s/ W.W. Winnekins

W. W. Winnekins, CFO

APPENDIX 1

- - - - -

ISO DRAFT (DIS) 14000 STANDARDS

- - - - -

- ISO DIS 14001
- ISO DIS 14004
- ISO DIS 14010
- ISO DIS 14011
- ISO DIS 14012

APPROVED ISO 14000 STANDARDS

- - - - -

- ISO 14001:1996
- ISO 14004:1996
- ISO 14010:1996
- ISO 14011:1996
- ISO 14012:1996

MODIFICATION TO ISO 14000 AGREEMENT

Agreement made and entered into as of this 30th day of September 1996, by and between the American National Standards Institute Inc., a New York corporation whose address is 11 West 42nd Street, New York, New York 10036 (hereinafter referred to as "Licensor"), and Reality Interactive, Inc., whose address is Suite 300, 11200 West 78th Street, Eden Prairie, Minnesota 55344 (hereinafter referred to as "Licensee")

WITNESSETH:

Whereas, the parties entered into a Copyright License Agreement dated the 30th day of August 1996, hereinafter referred to as the "August 1996 Agreement"; and

Whereas, the parties herein intend to modify certain provisions of the August 1996 Agreement; and

Whereas, the parties herein intend that the terms of the August 1996 Agreement remain in full force and effect except as modified herein.

NOW THEREFORE, the parties agree and consent to the following modification:

1. Delete the second paragraph in Section 11 in its entirety and replace with:

"Licensor and Licensee further agree that for purposes of this Agreement, "a corporate Intranet" means installation of a copy of the Product by the Licensee's customer(s) on the customer's internal LAN system for use only by the specified number of simultaneous users within the customer's company. No Internet, public network, satellite or any other electronic delivery methods or use will be permissible.

All other terms and conditions of the August 1996 Agreement remain unchanged.

IN WITNESS WHEREOF, the parties have executed this Modification as of the date first above written.

AMERICAN NATIONAL STANDARDS INSTITUTE
INC. (ANSI)

By /s/ S. Mazza

S. Mazza, President and Chief Executive Officer

REALITY INTERACTIVE, INC.

By /s/ W.W. Winnekins

W.W. Winnekins, CFO

ISO 14000 MARKETING AND PROMOTION AGREEMENT

THIS AGREEMENT is being entered into as of this 20th day of September, 1996, between REALITY INTERACTIVE, INC., a Minnesota corporation with its principal office at Suite 300, 11200 West 78th Street, Eden Prairie, Minnesota 55344 ("RII") and AMERICAN NATIONAL STANDARDS INSTITUTE, a New York corporation, with its principal place of business at 11 WEST 42ND STREET, NEW YORK, NY 10036 ("ANSI").

RECITALS

WHEREAS, RII is the producer and publisher of a certain environmental standards product published in electronic digital format and known as the ISO 14000 EMS Conformance Series (the "Series");

WHEREAS, the Series will be comprised of five separate titles (individually, the "Title") as follows:

UNDERSTANDING ISO 14000
GETTING STARTED WITH ISO 14000
BUILDING AND IMPLEMENTING AN EMS FOR ISO 14000
INTERNAL AUDITING AND MANAGEMENT REVIEW FOR ISO 14000
PROJECT PLANNING FOR ISO 14000

The Titles and Series are collectively referred to herein as the "Product";

WHEREAS, ANSI desires to market and promote environmental training and education materials including interactive multimedia products;

WHEREAS, RII is willing to grant ANSI the right to market and promote the Product and to allow ANSI to earn a Promotion Royalty in accordance with the terms and conditions as set forth herein.

AGREEMENTS

NOW, THEREFORE, in consideration of the recitals and the mutual agreements and acknowledgments made herein, the parties agree as follows:

1. APPOINTMENT. RII grants to ANSI the nonexclusive right, under the terms of this Agreement, to market and promote the Product in the United States (the "Territory") employing such marketing and promotion programs as identified in EXHIBIT A, or employing other programs as deemed appropriate by the parties.

2. USE OF TRADEMARKS AND ADVERTISING. ANSI and RII agree to allow each other to advertise and use the trade names, trademarks, images, likenesses or other information of each other ("Approved Materials") for product packaging, normal advertising and promotion in the Territory. In connection with the use of ANSI's Approved Materials, RII will only use such Approved Materials when preceded with the wording "In association with". ANSI and RII will have the right to review and approve each others initial use of its Approved Materials, and any future changes thereof, prior to marketing and selling the Product. Upon reasonable notice, each party may withdraw or modify such authorization. The respective use of these trademarks are identified as EXHIBIT B AND C.

3. PROMOTION ROYALTY. ANSI shall be entitled to a Promotion Royalty of (***)% on each unit of the Product sold by RII up to \$(***). Thereafter, ANSI shall be entitled to a Promotion Royalty of (***)% on each unit of the Product sold by RII. The amount of the Promotion Royalty shall be calculated based on Net Receipts. As used herein, "Net Receipts" means the gross revenues that RII receives from sales of the Product by any means or distribution channels, less sales discounts, returns, postage, freight or other actual shipping charges.

4. PAYMENT. The Promotion Royalty payment required to be made by RII pursuant to section 3 herein shall be made quarterly by the 30th day of each April, July, October and January for the preceding calendar quarter in which such Promotion Royalty accrued. All payments will be made in U.S. dollars and shall be accompanied by a statement, certified to by an officer of RII, setting forth (a) the total Promotion Royalty payable to ANSI and how it was computed, and (b) the total Net Receipts and number of copies of the Product distributed, sold and/or leased by RII during the quarter. Further, RII agrees at its expense to have its independent public accountants certify (and make any necessary adjustments) to ANSI, every fiscal year-end of RII from the date hereof, the Net Receipts derived by RII and the accuracy of the payments made to ANSI. In the event that ANSI requires the certification more frequently, upon request by ANSI, and with reasonable notice, RII shall make available to ANSI the books and records of RII necessary to verify the data supplied.

5. TERM AND TERMINATION. The term of this Agreement is three years from the date of its execution. The term may be extended by mutual consent of the parties. This Agreement may not be terminated by either party during its term except for good cause. Good cause shall mean a material breach of this Agreement. Neither party may terminate for cause unless it notifies the other party of any alleged material breach in writing and the breach has not been cured within 30 calendar days from the mailing date of such notice. This Agreement will terminate automatically in the event either party ceases to do business, in the event of either party's bankruptcy, insolvency, or assignment for the benefit of creditors.

Upon termination of this Agreement, ANSI shall return any Product, as well as copies of promotional materials, marketing literature, written information and reports pertaining to the Product that have been supplied by RII. At the same time, RII shall cease using any references to or selling any products with the ANSI Approved Materials, including packaging and any collateral marketing materials. Within ten (10) business days of notice of termination, RII shall gather and destroy, from its own stock as well as from all of its distribution channels, all copies of the product, its packaging, and all collateral marketing materials which may contain any information referring or related to ANSI.

6. PRICE OF PRODUCT. RII retains the right to establish the retail price of any Title and of the Series (the "Retail Price") and to adjust the Retail Price from time to time.

7. QUALITY AND WARRANTIES. RII warrants that the digital media on which the Product is distributed is free from defects in materials and workmanship. EXCEPT AS SPECIFICALLY PROVIDED IN THE PRECEDING SENTENCE, RII MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE PRODUCT, INCLUDING ITS CONTENT, QUALITY, PERFORMANCE, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. This section shall not limit RII's liability with respect to intellectual property rights and indemnification. RII shall extend its standard warranty to purchasers of the Product, a copy of which is attached as EXHIBIT D, in the form in which it appears on the Product Registration Card packaged with the Product. ANSI shall not represent that RII makes any warranty other than this standard warranty.

*** Denotes confidential information that has been omitted from the exhibit and filed separately, accompanied by a confidential treatment request, with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

8. OWNERSHIP AND PROPRIETARY RIGHTS. RII represents and warrants that (i) it has all rights in and to copyrights, trade secrets and trademarks associated with the Product under this Agreement, (ii) the use of the literary and artistic materials and ideas contained or embodied in the Product, containers and advertising materials, if any, furnished to ANSI by RII in accordance with the terms of this Agreement, will not violate any law, or infringe upon, or violate any rights of any person, firm or corporation, and (iii) RII has no knowledge of any litigation, proceeding or claim pending or threatened against RII which may materially affect RII's rights in and to the Product, or the works and performances embodied thereon, the copyrights pertaining thereto, or the rights, licenses and privileges granted to ANSI hereunder.

9. INDEMNIFICATION. Each party shall defend, indemnify and hold the other party and its officers, agents and employees harmless against any liability, claim, damage, suit or expense (including reasonable attorney's fees) caused by the first party's acts or omissions, including without limitation, claims based on: (i) the first party's infringement of a patent, copyright, trademark or any other intellectual property right; (ii) bodily injury, death or damage to property caused by the first party; (iii) the first party's conflicts of interests, fraud or criminal conduct; (iv) the first party's non-compliance with applicable laws or regulations; (v) the first party's failure to compensate or comply with any applicable labor standards with respect to the first party's employees, agents or independent contractors; and (vi) the first party's breach of this Agreement, or any representation or warranty contained in this Agreement.

10. RELATIONSHIP OF PARTIES. During the term of this Agreement, the relationship between RII and ANSI is that of independent contractors. Under no circumstances shall any of the employees of one party be deemed the employees, agents or partners of the other for any purpose.

11. CONFIDENTIALITY. Any proprietary business information or data, written, oral or otherwise, disclosed by one party to the other ("Confidential Information") shall remain the property of the disclosing party. The parties agree to hold all such Confidential Information in strict confidence and not to disclose same to any third party without the disclosing party's prior written consent. Upon expiration or termination of this Agreement, each party shall return to the other all such Confidential Information in its possession. RII shall permit ANSI to share such Confidential Information with GETF only during the term of their mutual partnership, as well as during the term of ANSI's and GETF's relationship with RII in connection with the marketing and promotion of the Product.

12. NOTICE. All notices shall be in writing and will be delivered personally, by confirmed facsimile transmission, by certified mail, or overnight courier, to the addresses specified below:

If to ANSI:	ANSI	If to RII:	Reality Interactive, Inc.
	11 West 42nd Street		Suite 300
	New York, NY 10036		11200 West 78th Street
	Attn: VP of Finance and Admin		Eden Prairie, MN 55344
	Telephone: (212) 642-4900		Attn: Wes Winnekins, CFO
	Fax: (212) 398-0023		Telephone: (612) 996-6777
			Fax: (612) 996-6799

Notice will be effective only upon receipt.

13. MISCELLANEOUS.

(a) ASSIGNMENT, AMENDMENT AND SEVERABILITY. Neither this Agreement nor any rights hereunder or interest herein may be assigned by either party without the prior written consent of the other. This Agreement and the Exhibits hereto constitute the entire agreement between RII and ANSI. In the event any provision of this Agreement is found to be void or unenforceable, all remaining provisions of this Agreement will remain in full force and effect.

(b) GOVERNING LAW. This Agreement and the relationship between the parties hereto will be governed by and construed in accordance with the laws of the State of Minnesota.

(c) MODIFICATION. No modification, amendment, supplement to or waiver of any provision of this Agreement shall be binding upon the parties hereto unless made in writing and duly signed by all parties.

(d) ARBITRATION. All disputes arising out of or relating to this Agreement shall be submitted to arbitration by the American Arbitration Association ("AAA") in the City of Minneapolis, Minnesota, or the AAA in the City and State of New York, at the option of the petitioner. In no event shall the arbitrator have the power to include any element of punitive, incidental or consequential damages in the arbitration award. Judgment on the arbitration award in accordance with this Agreement may be entered in any state or federal court of competent jurisdiction.

IN WITNESS WHEREOF, the parties have caused the Agreement to be executed as of the date written above.

REALITY INTERACTIVE, INC.

AMERICAN NATIONAL STANDARDS
INSTITUTE

BY /s/ Wesley W. Winnekins

BY /s/ Sergio Mazza

ITS Chief Financial Officer

ITS President and Chief Executive Officer

EXHIBIT A
ANSI/RII PARTNERING OPPORTUNITIES

PRODUCT OPPORTUNITIES

Web links between our respective Internet locations

MARKETING OPPORTUNITIES

ANSI featured in Reality PR efforts with Schwartz Communications

EXHIBIT B
ANSI TRADEMARKS

In Association with [LOGO] ANSI

EXHIBIT C
RII TRADEMARKS
(APPROVED MATERIALS)

[LOGO] REALITY INTERACTIVE (TM)

REAL TOOLS FOR ACCELERATED LEARNING (TM)

[LOGO] REALITY INTERACTIVE (TM)
REAL TOOLS FOR ACCELERATED LEARNING (TM)

EXHIBIT D

STANDARD WARRANTY

Licensors warrants that the optical media on which the Product is distributed is free from defects in materials and workmanship. Licensors will replace defective media at no charge, provided you return the defective item with dated proof of payment to Licensors within ninety (90) days of the date of delivery. This is your sole and exclusive remedy for any breach of warranty. EXCEPT AS SPECIFICALLY PROVIDED ABOVE, LICENSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESSED OR IMPLIED, WITH RESPECT TO THE PRODUCT, INCLUDING ITS CONTENT, QUALITY, PERFORMANCE, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE. IN NO EVENT WILL LICENSOR BE LIABLE FOR DIRECT, INDIRECT, SPECIAL; INCIDENTAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF THE USE OR INABILITY TO USE THE PRODUCT OR DOCUMENTATION. EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO CASE SHALL LICENSOR'S LIABILITY EXCEED THE AMOUNT OF THE LICENSE FEE PAID. THE WARRANTY AND REMEDIES SET FORTH ABOVE ARE EXCLUSIVE AND IN LIEU OF ALL OTHERS, ORAL OR WRITTEN, EXPRESS OR IMPLIED. Some states do not allow the exclusion or limitation of implied warranties or limitation of liability for incidental or consequential damages, so that the above limitation or exclusion may not apply to you.

ISO 14000 MARKETING AND PROMOTION AGREEMENT

THIS AGREEMENT is being entered into as of this 6th day of September, 1996, between REALITY INTERACTIVE, INC., a Minnesota corporation with its principal office at Suite 300, 11200 West 78th Street, Eden Prairie, Minnesota 55344 ("RII") and GLOBAL ENVIRONMENT AND TECHNOLOGY FOUNDATION, a non-profit Virginia corporation, with its principal place of business at 7010 Little River Turnpike, Suite 300, Annandale, Virginia 22003 ("GETF").

RECITALS

WHEREAS, RII is the producer and publisher of a certain environmental standards product published in electronic digital format and known as the ISO 14000 EMS Conformance Series (the "Series");

WHEREAS, the Series will be comprised of five separate titles (individually, the "Title") as follows:

UNDERSTANDING ISO 14000
GETTING STARTED WITH ISO 14000
BUILDING AND IMPLEMENTING AN EMS FOR ISO 14000
INTERNAL AUDITING AND MANAGEMENT REVIEW FOR ISO 14000
PROJECT PLANNING FOR ISO 14000

The Titles and Series are collectively referred to herein as the "Product";

WHEREAS, GETF desires to market and promote ISO 14000 information including environmental training and education materials such as interactive multimedia products;

WHEREAS, GETF and the American National Standards Institute (ANSI) have formed "ISO 14000 Integrated Solutions" (IIS), which includes an on-line website that provides education, training and information to American industry and government about the changing dynamics of international environmental management standards;

WHEREAS, RII is willing to grant GETF the right to market and promote the Product and to allow GETF to earn a Promotion Royalty in accordance with the terms and conditions as set forth herein;

WHEREAS, GETF has determined that the RII Product meets GETF's criteria for products that GETF is willing to be associated with and this association is granted to RII on the basis of the terms and conditions set forth herein.

AGREEMENTS

NOW, THEREFORE, in consideration of the recitals and the mutual agreements and acknowledgments made herein, the parties agree as follows:

1. APPOINTMENT. RII grants to GETF the nonexclusive right, under the terms of this Agreement, to market and promote the Product on a worldwide basis (the "Territory") employing such marketing and promotion programs as identified in EXHIBIT A, or employing other programs as deemed appropriate by the parties.

2. PROMOTION ROYALTY. GETF shall be entitled to a Promotion Royalty of (***)% on each unit of the product sold by RII up to Net Receipts of \$(***). Thereafter, GETF shall be entitled to a Promotion Royalty of (***)% on each unit of the product sold by RII in excess of \$(***) of Net Receipts. In addition to the above terms, GETF shall be entitled to a Promotion Royalty of (***)% on Net Receipts realized as a direct result of its sales efforts in which Joe Cascio or another GETF employee actively participates in a sale closed by RII. As used herein, "Net Receipts" means the net revenues that RII receives from sale of the Product by any means or distribution channels, exclusive of demonstration or promotional copies, sales discounts, returns, postage, freight or other actual shipping charges.

(***)

3. PAYMENT. On or before the 30th day after the end of each month during the term of this Agreement, RII shall submit to GETF a report of the Net Receipts for the Product during the previous month along with a payment of the Promotion Royalty for such Net Receipts if such Production Royalty is in excess of the amounts paid in connection with clause 2 of this Agreement. All payments will be made in U.S. dollars.

4. TERM AND TERMINATION. The term of this Agreement is three years from the date of its execution. The term may be extended by mutual consent of the parties. This Agreement may not be terminated by either party during its term except for good cause. Good cause shall mean a material breach of this Agreement. Neither party may terminate for cause unless it notifies the other party of any alleged material breach in writing and the breach has not been cured within 30 calendar days from the mailing date of such notice. This Agreement will terminate automatically in the event either party ceases to do business, in the event of either party's bankruptcy, insolvency, or assignment for the benefit of creditors.

Upon termination of this Agreement, GETF shall return any Product, as well as copies of promotional materials, marketing literature, written information and reports pertaining to the Product that have been supplied by RII. At the same time, RII shall cease using any references to or selling any products with the GETF/IIS logos, including packaging and any collateral marketing materials. Within ten (10) business days of notice of termination, RII shall gather and destroy, from its own stock as well as from all of its distribution channels, all copies of the product, its packaging, and all collateral marketing materials which may contain any information referring or related to GETF and/or IIS.

5. PRICE OF PRODUCT. RII retains the right to establish the retail price of any Title and of the Series (the "Retail Price") and to adjust the Retail Price from time to time.

6. MARKETING POLICIES; PRODUCT SUPPORT. GETF agrees to use its reasonable best efforts to market and promote the Products as defined in EXHIBIT A. GETF will promptly respond to any inquiries that it receives on the Product. RII agrees to maintain a responsive customer support function. RII also agrees to provide GETF with a starter package of all materials necessary to market the Product including Demo CD's, advertising flyers etc. GETF agrees to purchase additional marketing materials, if necessary, at a price equal to RII's cost to produce such materials.

*** Denotes confidential information that has been omitted from the exhibit and filed separately, accompanied by a confidential treatment request, with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

7. QUALITY AND WARRANTIES. RII warrants that the digital media on which the Product is distributed is free from defects in materials and workmanship. EXCEPT AS SPECIFICALLY PROVIDED IN THE PRECEDING SENTENCE, RII MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE PRODUCT, INCLUDING ITS CONTENT, QUALITY, PERFORMANCE, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. This section shall not limit RII's liability with respect to intellectual property rights and indemnification. RII shall extend its standard warranty to purchasers of the Product, a copy of which is attached as EXHIBIT E, in the form in which it appears on the Product Registration Card packaged with the Product. GETF shall not represent that RII makes any warranty other than this standard warranty.

8. USE OF TRADEMARKS AND ADVERTISING. With their prior review and written approval, GETF and RII agree to allow each other to advertise and use the trade names, trademarks, images, likenesses or other information of each other ("Approved Materials") for product packaging, normal advertising and promotion. Upon reasonable notice, each party may withdraw or modify such authorization. The respective use of these trademarks are identified as EXHIBIT C AND D.

9. OWNERSHIP AND PROPRIETARY RIGHTS. RII represents and warrants that (i) it has all rights in and to copyrights, trade secrets and trademarks associated with the Product under this Agreement, (ii) the use of the literary and artistic materials and ideas contained or embodied in the Product, containers and advertising materials, if any, furnished to GETF by RII in accordance with the terms of this Agreement, will not violate any law, or infringe upon, or violate any rights of any person, firm or corporation, and (iii) RII has no knowledge of any litigation, proceeding or claim pending or threatened against RII which may materially affect RII's rights in and to the Product, or the works and performances embodied thereon, the copyrights pertaining thereto, or the rights, licenses and privileges granted to GETF hereunder.

10. INDEMNIFICATION. Each party (in the case of GETF, "Party" refers to IIS as well as to GETF) shall defend, indemnify and hold the other Party and its officers, agents and employees harmless against any liability, claim, damage, suit or expense (including reasonable attorney's fees) caused by the first Party's acts or omissions, including without limitation, claims based on: (I) the first Party's infringement of a patent, copyright, trademark or any other intellectual property right; (ii) bodily injury, death or damage to property caused by the first Party; (iii) the first Party's conflicts of interests, fraud or criminal conduct; (iv) the first Party's non-compliance with applicable laws or regulations; (v) the first Party's failure to compensate or comply with any applicable labor standards with respect to the first Party's employees, agents or independent contractors; and (vi) the first Party's breach of this Agreement, or any representation or warranty contained in this Agreement.

11. RELATIONSHIP OF PARTIES. During the term of this Agreement, the relationship between RII and GETF is that of independent contractors. Under no circumstances shall any of the employees of one party be deemed the employees of the other for any purpose.

12. CONFIDENTIALITY AND NONDISCLOSURE. Any specifications, samples, computer programs, technical information, lists of customers or potential customers, business plans or other proprietary business information or data disclosed by one party to the other during the term of this Agreement, whether written, oral or otherwise, ("Confidential Information") shall remain the property of the disclosing party. The parties agree to hold all such Confidential Information in strict confidence and not to disclose same to any third party, with the exception of IIS issues being discussed with ANSI, without the disclosing party's prior written consent. Upon expiration or termination of this Agreement, each party shall return to the other all such Confidential Information in its possession.

13. NOTICE. All notices shall be in writing and will be delivered personally, by confirmed facsimile transmission, by certified mail, or overnight courier, to the addresses specified on the following page:

If to GETF: GETF
7010 Little River Turnpike,
Suite 300
Annandale, VA 22003-9998
Attn: Kenneth Whitt
Telephone: (703) 750-6401
Fax: (703) 750-6506

If to RII: Reality Interactive, Inc.
11200 West 78th Street,
Suite 300
Eden Prairie, MN 55344
Attn: Wes Winnekins, CFO
Telephone: (612) 996-6777
Fax: (612) 996-6799

Notice will be effective only upon receipt.

14. MISCELLANEOUS.

(a) ASSIGNMENT, AMENDMENT AND SEVERABILITY. Neither this Agreement nor any rights hereunder or interest herein may be assigned by either party without the prior consent of the other, except to a parent, subsidiary or affiliate of the assigning party. This Agreement and the Exhibits hereto constitute the entire agreement between RII and GETF. In the event any provision of this Agreement is found to be void or unenforceable, all remaining provisions of this Agreement will remain in full force and effect.

(b) GOVERNING LAW. This Agreement and the relationship between the parties hereto will be governed by and construed in accordance with the laws of the State of Minnesota.

(c). MODIFICATION. No modification, amendment, supplement to or waiver of any provision of this Agreement shall be binding upon the parties hereto unless made in writing and duly signed by all parties.

(d) ARBITRATION. All disputes arising out of this Agreement and relating to any relationships created hereby will be subject to binding arbitration. The party seeking arbitration must serve the other party by certified mail with a written demand for arbitration setting forth the question for arbitration. Arbitration will be held before a single arbitrator in the State of Virginia, if arbitration is sought by RII or in the State of Minnesota if arbitration is sought by GETF. Arbitration will be pursuant to the rules of the American Arbitration Association, except as modified by this Agreement. In no event may the arbitrator award punitive damages. The prevailing party will be entitled to reimbursement from the other party for all expenses, costs and attorneys' fees incurred in the arbitration. The parties consent to the jurisdiction of the state and federal courts in Virginia and the state and federal courts in Minnesota, as the case may be, for any action to enforce the award of the arbitrator.

IN WITNESS WHEREOF, the parties have caused the Agreement to be executed as of the date written above.

REALITY INTERACTIVE, INC.

GLOBAL ENVIRONMENTAL
TECHNOLOGY FOUNDATION

BY /s/ Wesley W. Winnekins

BY /s/ Kenneth W. Whitt

ITS Chief Financial Officer

ITS Chief Financial Officer

EXHIBIT A

GETF MARKETING, PROMOTION AND ENDORSEMENT COMMITMENTS

1. GETF/IIS will include RII materials in all of its information packages and will present and demonstrate the Product to appropriate audiences.
2. GETF/IIS will endorse the Product and agree to put both logos on the CD-ROM and Product packaging.
3. GETF/IIS agree to include video segments of Joe Cascio into the Product and demo CD.
4. GETF/IIS agree to allow Joe Cascio quotations in RII developed marketing and advertising materials.
5. GETF/IIS agree to work with RII's public relations firm regarding the marketing, promotion and endorsement of the Product.
6. GETF/IIS agree to provide prominent links to RII, IIS and GNET websites.
7. RII will be kept informed of Joe Cascio's (and other GETF employees) travel schedules and, when possible, RII may schedule a sales call or seminar for Joe Cascio or other GETF employees to participate in. GETF agrees to allow Joe Cascio to participate in a minimum of 7 such sales calls during the course of each year.
8. RII will have access to GETF's database for direct mail and other marketing programs.
9. RII materials will be featured at all GETF conferences and seminars.
10. GETF agrees to make Joe Cascio available for 3 international sales calls. RII will make every effort to schedule these calls in conjunction with GETF's ongoing activities.

RII agrees to pay all of GETF travel costs and related expenses providing that such travel was not previously scheduled for other GETF activities and is specifically requested by RII.

During the term of this Agreement, GETF and RII may modify the aforementioned activities at the agreement of both parties.

EXHIBIT B (NOT USED)

EXHIBIT C
GETF TRADEMARKS

[LOGO] Global Environment & Technology Foundation

[LOGO]
ANSI/GETF ISO 14000 Integrated Solutions (IIS) (TM)

EXHIBIT D
RII TRADEMARKS

[LOGO] REALITY INTERACTIVE (TM)

REAL TOOLS FOR ACCELERATED LEARNING (TM)

[LOGO] REALITY INTERACTIVE (TM)
REAL TOOLS FOR ACCELERATED LEARNING (TM)

EXHIBIT E

STANDARD WARRANTY

Licensor warrants that the optical media on which the Product is distributed is free from defects in materials and workmanship. Licensor will replace defective media at no charge, provided you return the defective item with dated proof of payment to Licensor within ninety (90) days of the date of delivery. This is your sole and exclusive remedy for any breach of warranty. EXCEPT AS SPECIFICALLY PROVIDED ABOVE, LICENSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESSED OR IMPLIED, WITH RESPECT TO THE PRODUCT, INCLUDING ITS CONTENT, QUALITY, PERFORMANCE, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE. IN NO EVENT WILL LICENSOR BE LIABLE FOR DIRECT, INDIRECT, SPECIAL; INCIDENTAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF THE USE OR INABILITY TO USE THE PRODUCT OR DOCUMENTATION. EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO CASE SHALL LICENSOR'S LIABILITY EXCEED THE AMOUNT OF THE LICENSE FEE PAID. THE WARRANTY AND REMEDIES SET FORTH ABOVE ARE EXCLUSIVE AND IN LIEU OF ALL OTHERS, ORAL OR WRITTEN, EXPRESS OR IMPLIED. Some states do not allow the exclusion or limitation of implied warranties or limitation of liability for incidental or consequential damages, so that the above limitation or exclusion may not apply to you.

DISTRIBUTION AGREEMENT
REALITY INTERACTIVE AND FUTUREMEDIA PLC

THIS AGREEMENT is made on July 12, 1996

BETWEEN Reality Interactive, Inc. a public company, incorporated in Minnesota and having its registered office at 11200 West 78th Street, Suite 300, Eden Prairie MN 55344 and whose principal place of business is at 11200 West 78th Street, Suite 300, Eden Prairie MN 55344 (the "Company"), which expression where the context so requires shall include its successors and assigns,

AND Futuremedia PLC, a public company registered in England and having its registered office at Media House, Arundel Road, Walberton, Arundel, West Sussex, BN18 0QP, and whose principal place of business is at Media House, Arundel Road, Walberton, Arundel, West Sussex, BN18 0QP (the "Distributor"),

WHEREBY IT IS AGREED as follows:

1 APPOINTMENT

The Company hereby appoints the Distributor (and the Distributor hereby accepts the appointment) as its non-exclusive distributor in the territory described in Schedule A hereto (the "Territory") for the promotion, marketing and distribution of the products more particularly described in Schedule B-1 hereto (the "Products"). Distributor shall have the right to name and license resellers to distribute the Products as long as Distributor and such reseller execute a distribution agreement in substantially the same form as this Agreement.

If Distributor meets the revenue targets more particularly described in Schedule G hereto (the Distributor Discount Schedule), Distributor can convert its nonexclusive appointment into an exclusive appointment for calendar year 1997. If such revenue targets are not met by Distributor then the appointment for calendar year 1997 shall remain as a nonexclusive appointment subject to termination in accordance with Clauses 2, 7 or 11.

Localization issues, if any, shall be covered in Schedule B-2.

2 PERIOD

Subject to the terms and conditions of the Agreement, this Agreement shall continue in force until December 31, 1997 from the Effective Date of this Agreement but subject to earlier termination in accordance with Clause 7 or Clause 11.

This Agreement shall automatically continue after the end of the said initial period for successive annual terms provided the parties agree to an annual revision of the Business Plan attached as Schedule C on or before December 31 preceding the renewal term, unless terminated by either party by giving to the other not less than six months prior notice to expire at the end of the said initial period or prior to the expiration of any subsequent annual renewal term.

3 DISTRIBUTOR'S OBLIGATIONS

The Distributor agrees with the Company:

(a) To use its reasonable endeavours to promote, market and distribute the Products in the Territory as part of the Distributor's range of interactive multimedia products as more particularly described in the Business Plan attached as Schedule C:

- (i) To devote sufficient time, energy and expertise to market, supply, deliver, install, set-up, commission, instruct customers in the use of, provide contractual field support, warranties and help-line facilities for the Products;
- (ii) To permit an audit of all records relating to revenues and collections derived from the sale of Products;
- (iii) Not to undertake representation of any software system which may be competitive to or dilute efforts in the marketing etc of the Products..

(b) To give the Company, upon the signing of this Agreement and calendar monthly thereafter during the term of this Agreement, (1) a written but non-binding forecast outlining the quantities of Products that the Distributor proposes to sell during the next calendar month in the format attached as Schedule D-1; (2) a written but non-binding forecast outlining the quantities of Products that the Distributor proposes to sell during the next 6 months in the format attached as Schedule D-2; and (3) a written marketing report outlining Distributor's activities in the preceding month and proposed activities for the subsequent month as well as other relevant marketing information in the format attached as Schedule D-3. .

(c) To supply the Products at prices agreed with the Company, and to pay a royalty based on a percentage of sales revenues received by the Distributor as detailed in the Business Plan attached as Schedule C.

(d) Not in any manner to pledge the credit of the Company or to receive any money on behalf of the Company and not to make any warranty or other representation regarding the Products other than as authorised by the Company in writing from time to time.

(e) Upon the termination of this Agreement for any reason to return to the Company and at the cost of the Distributor all materials supplied to the Distributor by the Company relating to the Products including all magnetic and optical materials embodying or containing the Products, and all documentation forming part of or relating to or concerning the Products, except that the Distributor shall be able to retail stocks of Products then held or on order together with related documentation.

(f) Not to modify, amend or in any other way interfere with the Products or any names, notices or copyright marks which may appear therein except as may be required to correct errors which may appear in the textual material associated with or forming a part of the Products from time to time, and in the event such an alteration is made to notify the Company of the alteration promptly.

(g) To co-operate with the Company or its nominees in the instruction and training of the employees of the Distributor in connection with (i) the procedures necessary to enable them to comply with the requirements of this Agreement, and (ii) the operation and use of the Products. Distributor shall be required, at its own expense, to have a person responsible for customer support attend training on Company's Products for the purposes of performing customer support. What constitutes "training" for this Clause shall be agreed to between the parties.

(h) Not without written authority from the Company to copy or reproduce the Products or any part thereof and upon the termination of this Agreement to return to the Company and at cost of the Company all brochures, pamphlets and materials supplied to the Distributor by the Company relating to the Products.

(i) Not to modify, amend or in any other way interfere with the Products or any names, notices or copyright marks which may appear thereon except as may be required to correct errors which may appear in the textual material associated with or forming a part of the Products from time to time, and in the event such alteration is made to notify the Company of the alteration promptly.

(j) To supply the Company with reseller and customer information as reasonably requested by the Company including a complete list of registered customers with all essential contact information.

(k) To be responsible for and obtain any license, permits or other such legal or regulatory requirements for importing the Products into the Territory.

4 COMPANY'S OBLIGATIONS

The Company agrees with the Distributor:

(a) To supply the Distributor with such information, know-how and technical data concerned with the Products as is reasonably necessary or appropriate, in the opinion of the Company, to the Distributor's activities in supplying the Products in the Territory and which shall come into the Company's possession or control and which the Company is free to disclose.

(b) In the Company's sole discretion, to make its sales and technical support personnel (or those of its nominees) available to the Distributor by telephone or otherwise.

(c) To give serious consideration to any modifications to the Products suggested by the Distributor without being under any obligation to incorporate any such modifications into the Products.

(d) To supply the Distributor with examples in English of publicity materials, catalogues and price lists available to the Company from time to time as the Distributor shall reasonably require and the Distributor shall be entitled to reproduce the same or parts thereof in its own publicity and other materials.

(e) Upon termination of this Agreement for any reason, the Company shall if so required by the Distributor fulfill any orders for the Product from the Distributor outstanding at the date of termination.

5 SHIPPING, CUSTOMS, TITLE, LIMITATION, WARRANTIES

(a) Risk of loss or damage to the Products shall pass to the Distributor upon delivery to the carrier as specified by Distributor. Company will not ship orders without Distributor's delivery and carrier instructions. Distributor shall be responsible for cost of shipping any ordered Products. Order procedures, payment procedures and payment terms shall be more particularly described in Schedule

(b) The Company hereby excludes to the maximum extent permitted by law any liability arising in tort, contract or otherwise for:

(i) Consequential loss or damage caused by or arising out of the use of the Products or occurring in respect of the Products;

(ii) Loss, injury or damage due to fair wear and tear, or to negligent or improper installation, use, maintenance, storage or handling of the Products on the part of any person, firm or company other than the Company and its employees.

(c) Under no circumstances shall either party be liable to the other for any damages in excess of the aggregate amount of purchases that have exchanged between the parties under this Agreement.

(d) Company authorises Distributor to pass through to its customers the standard warranties as set forth in its standard license agreement attached as Schedule E. All such warranty claims shall be made promptly in writing and shall state the nature and details of the claim, the date the cause of the claim was first observed and the registration number of the Products concerned. All such warranty claims must be received by Company not later than 15 days after the expiration of the warranty period for such customer as provided to customer in Company's standard license Agreement. Company shall have no obligations to Distributor or Distributor's resellers or customers under this Clause if (1) the Products have not been properly installed, used or maintained in accordance with Company's product documentation; (2) the Products have been modified in any manner or are used or combined with other products not supplied by Company and without the prior written consent of Company; or (3) The Products have been distributed to a customer with any warranties or representations oral or written, made by Distributor beyond those expressly set forth in Company's standard license agreement (Schedule E).

e. THE WARRANTIES SET FORTH IN THIS CLAUSE AND IN COMPANY'S STANDARD LICENSE AGREEMENT, SCHEDULE E ARE IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, WHICH ARE HEREBY DISCLAIMED AND EXCLUDED BY COMPANY, INCLUDING WITHOUT LIMITATION ANY WARRANTY OR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE AND ALL OBLIGATIONS OR LIABILITIES ON THE PART OF COMPANY ARISING OUT OF OR IN CONNECTION WITH THE DISTRIBUTION, USE, REPAIR OR PERFORMANCE OF THE PRODUCTS.

(f) THE SOLE AND EXCLUSIVE REMEDIES FOR BREACH OF ANY AND ALL WARRANTIES AND THE SOLE REMEDIES FOR COMPANY'S LIABILITY OF ANY KIND (INCLUDING LIABILITY FOR NEGLIGENCE OR PRODUCTS LIABILITY) WITH RESPECT TO THE PRODUCTS AND SERVICES COVERED BY THIS AGREEMENT AND ALL OTHER PERFORMANCE BY COMPANY UNDER THIS AGREEMENT SHALL BE LIMITED TO THE REMEDIES PROVIDED IN COMPANY'S STANDARD LICENSE AGREEMENT , ATTACHED HERETO AS SCHEDULE E.

6 INTELLECTUAL PROPERTY RIGHTS

(a) The Distributor shall have no right, title or interest in any patent related to the Products or any trade mark or name used in connection with the Products, or the copyright in the Products or in any drawing, specification or other document relating to the Products except as provided in this Agreement and the Distributor agrees to enter into at the Company's expense such license agreements in respect of such rights and interest as the Company may reasonably request from time to time, and to cease any and all use of such rights upon termination of this Agreement whatever the cause or reason for such termination, except to the extent necessary to enable the Distributor to dispose of any stocks of Products then remaining or on order.

(b) The Company warrants the Company has all necessary rights to enable the Company to enter into this Agreement and to grant to the Distributor the distribution and other rights contained in this Agreement.

(c) The Company has no actual knowledge of any present claim by any third party that the Products infringe any patents, registered designs, trade marks, copyright or similar rights existing or registered in any of the countries in the Territory.

7 TERMINATION

(a) This Agreement shall terminate upon expiry of any notice given under Clause 2.

(b) Without prejudice to any other remedy that may be available for the breach or nonperformance of any of the obligations herein contained, either party shall be entitled immediately to terminate this Agreement forthwith without compensation by notice to the other if the other shall:

(i) Commit a breach of any of its obligations hereunder and shall not remedy such breach (if the same is capable of remedy) within thirty (30) days of being required to do so by notice;

(ii) Pass a resolution, or have an order made, for its winding-up (except for the purpose of and followed by an amalgamation or reconstruction).

8 FORCE MAJEURE

The Company shall not be liable to the Distributor for any loss or damage which may be suffered by the Distributor as a direct or indirect result of the supply of the Products by the Company being prevented, hindered or delayed, and the Distributor shall not be liable to the Company in respect of any delay or failure by the Distributor in carrying out any of its obligations hereunder, in either case by reason of war, riot, civil disturbance, act of God, strike, lock-out, trade dispute or labour disturbance, accident, breakdown of plant or machinery, fire, flood, difficulty in obtaining workmen, materials or transport or any other circumstances whatsoever outside the control of the party concerned.

9 MISCELLANEOUS

(a) This Agreement is personal to the Distributor who shall not assign or transfer to any other person, firm or company any of its rights or obligations hereunder.

(b) Each of the parties hereto is an independent contractor and nothing herein contained shall be deemed to create a partnership, joint venture or the relationship of principal and agent, between the parties.

10 WAIVER

The failure by either party to require strict performance by the other of any provision hereof shall not waive or diminish the right of that party to require strict performance of the provision thereafter nor shall any such failure waive or diminish the right of the party to require strict performance of any other provision hereof.

11 ALTERATIONS

If any governmental or other authority (including without limitation the Commission of the European Communities)(hereinafter together called the "Authority") requires any alteration (hereinafter called the "Alteration") to be made to this Agreement or to any agreement made under this Agreement as a condition of granting approval, clearance or exemption of this Agreement or to any agreement made under this Agreement, then the parties hereto shall within one month of both parties having notice of the Alteration confer together for the purpose of making the Alteration and any other alteration, change or other action which they consider necessary (hereinafter called the "Consequential Alterations"). In the event that either party shall not agree to the Alteration or the Consequential Alterations within two months from the date on which both parties had notice of the Alteration, then either party shall be entitled to terminate this Agreement or any agreement made under this Agreement by giving not less than one month's notice to the other party.

12 ENTIRETY OF AGREEMENT

Except as provided in this Agreement and Schedules A to G inclusive hereto embody the entire understanding between the parties with respect to the distribution of the Products in the Territory to the entire exclusion of:

(a) Any term or conditions appearing on or referred to in the Distributor's orders or the Company's acknowledgment thereof.

(b) Any prior understanding, agreement, representation, warranty or dealing by or between the parties in such respect.

The parties hereby confirm that there is no agreement, expressed or implied, which is in contradiction to this Agreement. No modification or addition to this Agreement shall be binding unless made in writing and signed on behalf of each party hereto by a duly authorised representative.

13 CONFIDENTIALITY

The Distributor shall at all times during the continuance of this Agreement and after its termination:

(a) Use its best endeavours to keep all Restricted Information confidential and accordingly not to disclose any Restricted Information to any other person.

(b) Not use any Restricted Information for any purpose other than the performance of the obligations under this Agreement.

(c) Any Restricted Information may be disclosed by the Distributor to:

(i) Any customers or prospective customers;

(ii) Any governmental or other authority or regulatory body;

(iii) Any employees of the Distributor or for any aforementioned persons;

to such extent only as is necessary for the purposes contemplated by this Agreement, or as is required by law and subject in each case to the Distributor using its best endeavours to ensure that the person in question keeps the same confidentiality and does not use the same except for the purposes for which the disclosure is made.

(d) Any Restricted Information may be used by the Distributor for any purpose, or disclosed by the Distributor to any other person, to the extent only that:

(i) It is at the date hereof, or hereafter becomes public knowledge through no fault of the Distributor (provided that in doing so the Distributor shall not disclose any Restricted Information which is not public knowledge);

(ii) It can be shown by the Distributor, to the reasonable satisfaction of the Company, to have been known to it prior to its being disclosed by the Company to the Distributor.

(e) In this clause Restricted Information means any information which is disclosed to the Distributor by the Company pursuant to or in connection with this Agreement (whether orally or in writing, and whether or not such information is expressly stated to be confidential or marked as such).

14 NOTICES

(a) Any notice required or authorised to be given hereunder shall be in writing and shall be served by facsimile or first class prepaid airmail letter and shall (unless a different address is notified in writing by one party to the other by due notice under this Clause) be addressed in the case of the Company to:

REALITY INTERACTIVE, INC.
11200 West 78th Street, Suite 300
Eden Prairie, MN 55344 USA
FAX: +1 612 996 6799
TEL: +1 612 996 6777

marked for the attention of the Director of International Sales with a copy to the Chief Financial Officer

And in the case of the Distributor to:

FUTUREMEDIA PLC
Media House, Arundel Road, Walberton, Arundel, West Sussex, BN18 0QP
FAX: +44 1243 555020
TEL: +44 1243 555000

marked for the attention of the Director of Sales & Marketing with a copy to the Chief Financial Officer

(b) Any such notice shall be deemed to be served, in the case of a facsimile, at the opening of office hours of the recipient party on the next working day of the recipient party after the day of dispatch and , in the case of first class prepaid letter, five days after the date of proved posting.

15 PROPER LAW

The construction, validity and performance of this Agreement shall be governed by and construed in all respects by the laws of the state of Minnesota and the parties hereby submit to the nonexclusive jurisdiction of the Minnesota state or federal courts.

SCHEDULE A
THE TERRITORY

"Territory" shall include:

The United Kingdom and Ireland

SCHEDULE B-1
THE PRODUCTS AND US RETAIL PRICE LIST

"Products" shall include the following:

ISO 9000 Registration Series (5 titles) and the QS 9000 Series (4 titles) and any localized versions for the UK market

US RETAIL PRICE FOR THE PRODUCTS:

PRODUCT NAME	US PRICE
ISO 9000 Series (5 CD Set)	\$4,995.00
Title 1	\$ 99.00
Title 2	\$1,295.00
Title 3	\$1,795.00
Title 4	\$1,795.00
Title 5	\$ 895.00
QS 9000 Series (4 CD Set)	\$3,595.00
Title 1	\$ 995.00
Title 2	\$ 995.00
Title 3	\$ 995.00
Title 4	\$ 995.00

All the above US Retail Prices are in US dollars.

SCHEDULE C
BUSINESS PLAN CONTAINING
DISTRIBUTOR AND ROYALTY PAYMENTS TO THE COMPANY

FUTUREMEDIA BUSINESS PLAN OUTLINE FOR REALITY INTERACTIVE

1. COMPANY INFORMATION

- A. Contact information (e.g. address, phone, fax, email, website)
1. Key contacts between the company and Reality Interactive:

Key contact: Mats Johansson, Director, Sales and Marketing
Phone: 44-1243-555-000
Fax: 44-1243-555-020,
Compuserve: 100444,3271
Website: <http://ourworld.compuserve.com/homepages/futuremediapl>

Mats Johansson: responsible person for the relationship
Philip Lingard, Norman Burton: strategic
John Pemberton and Alison Russell, product champions (marketing report)
Clare Willington, pre-sales support (forecasts)
Caroline Rees, post-sales support (logistics of product going into customer site)

- B. Company Background
2. History

Founded in 1982
NASDAQ in 1993
Multimedia production since 1982; UK distribution business started in 1987; 1992 Futuremedia took over Thorn-EMI interactive multimedia business in the UK; 800 installations of products in the UK (550 customers have purchased the SPC product); more than 50% of Ford's Q1's suppliers are Futuremedia customers; Ford approved "blanket purchase order" supplier; 30% of revenue derived from custom production and 70% of revenue from packaged sales

2. Structure of Organization

Two separate legal organizations: Futuremedia PLC (parent company and custom business); LaserMedia (UK) Ltd. (child of Futuremedia and focus on packaged software distribution business; functionally the business is organized and runs as one business);

Management structure:

Directors: Board Directors: Norman Burton and Philip Lingard; Mats Johansson (likely to join board); Jon Pascoe, Controller, Hilary Channing, Human Resources and Quality, Richard Bunning, Creative Director, Gary Allman, Production Manager, Ashley Hawes, Operations Manager (Logistics, MIS)

3. # of employees: 45 fulltime and 5 contractors (in UK)

4. Branches and affiliations:

Wholly owned Germany subsidiary (15 employees)

Wholly owned Dutch subsidiary
Wholly owned American subsidiary (warehouse in Pittsburgh)
Affiliates: Italy (MT&C), Portugal (Multilaser), Denmark (IMS)
Various subdistributors and resellers in the UK
12 distributors for their products throughout world

II. FINANCIAL INFORMATION

A. Revenue for Last 3 year (TBD)

	Year ending April 1996	Year ending April 1995	Year ending April 1994
Turnover in \$USD	\$5.5M	\$7.4M	\$5.8M

B. Key Changes in Financial Strategy

1994-95 was a disappointing year; 95-96 complete turn around in the UK

C. Banking References

Lloyd's Bank PLC, 10 East Street, Chichester, West Sussex PO19 1HJ

D. Accounting Firm

Ernst and Young (Southampton office), Trevor Denny (engagement partner)

E. Public or Private

Futuremedia is a public LTD company; on the NASDAQ: FMDAY

III. SALES

A. Staffing

1. Head Sales Manager: Mats Johansson
2. Organization of Sales Team
 - a. Number: 6 salespeople: 3 major account (industry-based: IT, Financial Services, Manufacturing, Rest of Industry), major custom and package; and 3 package (geographically based North, South and Middle); in addition Mats, Norman and Philip do strategic sales
 - b. Richard Bunning and Ashley Hawes also originate customer contact
 - i. Indirect : Caroline Rees (looking to build aggressively)
 - channels: based on historical accident
 - looking for particular verticals and particular geographies
 - Health service vertical
1. Sales Strategies (by product) QS 9000
 - c. Direct
 - i. Target Customers: 3 areas: Automobile manufacturers (current customers), automobile manufacturers (not current customers), public open learning centers, training and enterprise councils

Key customers: Ford, Vauxhall (GM), AVD (commercial vehicles of GM), Rolls Royce, Zetec (PCB's), Lucas, CMB (metal packaging), Jaguar, Peugeot, Toyota, Rover

The plan is for one-off sales of QS to get sales started for September 30th revenue goals of \$25k; larger sales looking to sell preconfigurations; longterm: site and enterprise licenses

Other modes of providing revenue:
rental sale: rotating library

Ford Open Learning Centers are likely target

Hardware, after sales support

The target for Reality's ISO 9000 target is Service sector; Unilever is big customer for Futuremedia and is likely target for Reality's ISO 9000 products

Sales Cycle (12 point sales process)

- i. Made contact and established need/timescale
 - ii. Sent details and budgetary proposal
 - iii. Customer has applied for budget
 - iv. Product demonstrated
 - v. formal proposal submitted
 - vi. Budget approval confirmed
 - vii. Key influencers involved
 - viii. Futuremedia shortlisted
 - ix. Spend approved
 - x. Written confirmation is received (e.g. signed LOI)
 - xi. Purchase Order or signed Agreement received
 - xii. Futuremedia accepts order
- b. Indirect Sales Channels (just starting to develop using Caroline Rees)
- i. Motivation and Management of Channel
 - ii. Sales Tools for Channel
4. Sales Goals (by product; use Exhibit F-2: 6-month rolling forecast template)
- d. First Quarter: \$25K by September 30
 - e. 1996: \$100k by December 31, 1996
 - f. 1997: \$250-300k for 1997

IV. MARKETING

A. Staffing

1. Marketing Manager: Mats Johannson
2. Organization of Marketing Team

John Pemberton (quality products and exhibits and product introduction process), Clare Willington (HR development product and pre-sales support), Alison Russell (PR and business development products), Julie MacDonald (administrative assistant)

- a. Leads generation (mail shots and followups to targeted sectors with action)
 - b. Public relations (1 PR release per week, comprehensive PR database)
 - c. Advertising (very little; does not find that it pays; but is re-evaluating)
 - d. Product marketing (product literature, packaging)
- a. Support for sales team

- proposal templates, pricing, hardware, products for demonstration, mobile telephones (internet is not yet available for sales people)
- there is a "movement" schedule to keep track of sales people's "movements"
- service team works with sales to generate leads and help in sales process
- sales tools (interactive multimedia use stories, demo disk)
- success stories, case studies

Database for all customer contacts ("Tracker")

B. Key Strategies and Goals

2. Leads generation (e.g. number generated from small targeted direct mail (e.g. 1000 (250 per week for 4 weeks)), telemarketing (follow-up from direct mail), trade shows: and follow-up over the phone (repeat follow-up)(John Pemberton) and external contractors
3. Public relations (in house)(e.g. number of press releases, number of speaking engagements, placement of quotes in key periodicals, number of articles/reviews)
4. Product Marketing Schedule (Calendar)

July 1: First mailshot to be produced to all customers of LaserMedia who purchased SPC and other Ford Automotive courses

July 3-10: Telemarketing campaign to follow up mailshot, send demo disks and organise demonstration visits

July 1-8: first press release to be out by this time; identify what is required in the sales training sessions

July 9-10: Training for generic sales; distribution kits sent for by email to Randy Boyer

July 10: Updated UK/Ireland automotive suppliers database to be completed by this date for Ford and General Motors

July 17: Proposed mailshot to all non-customer Ford automotive suppliers plus TEC's , LEC's and open learning centres; Targeted campaign to obtain press coverage in relevant journals and newspapers.

July 24- August 6: Telemarketing follow-up, sending requested demo disks and making demo visit appointments for salesmen

July 31: Target to have all product literature at the printers

Mid-August: Revise marketing plan based on initial feedback; check exhibitions and roadshows that are currently taking place and analyse worthiness of involvement; Also advertising discussions, press coverage and initial feedback.

September 1: Complete customer and non-customer mailshot to all companies who have been previously contacted throughout the campaign, including product literature

September 18-30: Telemarketing follow-up to complete mailshot

October 1996: Complete review of telemarketing and mailshot campaigns to date and feedback discussions; revise marketing plan based on feedback

Public Relations Ideas for QS 9000:

- a. Regular press releases at each stage of campaign especially if we are present at various Quality Exhibitions
- b. Investigate cost, availability and worth of quality exhibitions to get contacts; use Reality Booth if needed
- c. Create press campaign for September periodicals on Quality

- d. Invite people to Media House (office) for special promo/preview days on the product; provide lunch and demonstrations of the product and what it can do for a company; combine with the invitation of representations from the 3 car companies with their company cars (top of range) and have them displayed at Media House for the day;
- e. Q & A session could be arranged on the benefits of the product and the importance of complying

4. Trade Shows and Conferences

Milia (February in Cannes), HRD (March in Birmingham), Multimedia (June in London), Technology-based Learning (August in London) plus ad hoc conferences as the need requires

- a. Key Subject Matter trade shows (industry quality show, HRD)
- b. Key Technology trade shows (Milia, Multimedia 96)
- c. Coordination needed with Reality (e.g. 10 foot booth, promotional materials to be ordered, \$ needed)(HRD 97, March 97): may need access to Reality Booth; personnel needed?
- 3. Customer Success Stories (targeting different user profiles, different industries, etc.)Futuremedia wants to participate in proactive Enterprise Knowledge Center program to proactively target the "right" success stories
- 4. Seminars: ?
- 5. Internet strategies: ?
- 6. Timetable on spreadsheet

V. ROYALTIES PAID TO REALITY

The royalty rate paid to Reality shall be based on the discount rate as described in Schedule G. Any premiums above the introductory prices shall be shared with Reality on a 50-50 basis.

VI. PRODUCT FULFILLMENT

Futuremedia will create a bill of materials for building Reality product

VII. LOCALIZATION EXPERIENCE

- A. Futuremedia's Experience: All Ford multimedia products have been localized into German, Spanish, Portuguese, Dutch; Italian, American, German and Portuguese; Hydro Aluminum products have been localized into French, Italian, German, Danish, Swedish
- B. Futuremedia's Resources: They have access to translators with technical background; translations checked by locals (and validated with local TV station from a video perspective)

SCHEDULE D-1
MONTHLY SALES FORECAST TEMPLATE

See attached spreadsheet templates for ISO 9000 and QS 9000 (These forecasts are due between the 10th and 20th of every month.)

SCHEDULE D-2
6-MONTH ROLLING FORECAST

See attached spreadsheet templates for ISO 9000 and QS 9000 (These forecasts are due between the 10th and 20th of every month.)

SCHEDULE D-3
MONTHLY MARKETING REPORT

(This report is due between the 10th and 20th of every month.)

KEY MARKETING EVENTS THAT HAPPENED IN PREVIOUS MONTH:

Trade Shows:

Press Releases:

Product Launches:

Public Relations Activities:

KEY MARKETING EVENTS FOR NEXT MONTH:

Planned Trade Shows:

Planned Press Releases:

Planned Product Launches:

Planned Public Relations Activities:

IMPORTANT FUTURE MARKETING ACTIVITIES (MORE THAN ONE MONTH AWAY):

Planned Trade Shows:

Planned Press Releases:

Planned Product Launches:

Planned Public Relations Activities:

Distributor Requests for Reality in the United States related to
Marketing/Marketing Support:

SCHEDULE E
STANDARD LICENSE AGREEMENT

[use Futuremedia's standard end user license agreement here]

SCHEDULE F
PURCHASE ORDER PROCEDURE, ROYALTY PAYMENTS PROCEDURE, PAYMENT TERMS,
COMPANY CONTACT DETAILS

PRODUCT ORDER PROCEDURES:

The following procedures will apply when ordering product from Reality Interactive:

1. Product is ordered once every 30 days via fax to: SALES ADMINISTRATION MANAGER, REALITY INTERACTIVE, +1 (612) 996-6799 WITH A COPY TO RANDY BOYER, DIRECTOR OF INTERNATIONAL SALES VIA EMAIL); product is supplied at cost; invoices payable by Distributor within 30 days.

During the first week of every month, Distributor shall provide monthly royalty statements against which Company will invoice Futuremedia America, Inc. Futuremedia America, Inc. will settle the royalty payments within seven days of Company receiving payment from its customers (average payment is 35 days) but no more than 50 days from Futuremedia invoicing its customers. Distributor will pay for shipment and insurance.

2. Reality Interactive's payment terms: wire transfers are preferred.

Wire transfers to Reality Interactive can be made as follows:

Bank: First Bank, N.A.
Eden Prairie, MN 55344 USA
(612) 942-2847

ABA #: 091000022

Account #: 173100140149

3. Orders for marketing materials should be in writing and faxed or emailed to Peter Kelley, Field Communications Specialist (fax: +1 612 996 6799; email: peterk@ry.com)

REALITY INTERACTIVE CONTACT DETAILS:

Distributor should primarily communicate with Reality through the following person:

Randy Boyer, Director, International Sales

Randy Boyer's Contact Details:

Internet: RandyB@ry.com (communication via internet is preferred means)

Phone: +1 612 996 6789

Fax: +1 612 996 6799

Reality's Intranet: (online as of August 1, 1996 to provide significant amount of information for International Distributor)

Reality's Corporate Website: <http://www.realtools.com>

SCHEDULE G
DISTRIBUTOR DISCOUNT SCHEDULE

The discount rate shall be (***)%. The discount rate shall be increased to (***)% for calendar year 1997 if Distributor provides \$(***) of revenue to Company on or before December 31, 1996. The discount rate for 1998 shall be separately negotiated between the parties but in no event shall be less than (***)%.

*** Denotes confidential information that has been omitted from the exhibit and filed separately, accompanied by a confidential treatment request, with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

AS WITNESSED this Agreement has been signed on behalf of each of the parties the day and year first above written.

SIGNED for and on behalf of
REALITY INTERACTIVE, INC.

Signature: /s/ Wesley W. Winnekins

Name printed: Wesley W. Winnekins

Title: Chief Financial Officer

Date: July 12, 1996

SIGNED for and on behalf of
FUTUREMEDIA PLC

Signature: /s/ Philip Lingard

Name printed: Philip Lingard

Title: Operations Director

Date: July 12, 1996

3-MOS
 DEC-31-1996
 SEP-30-1996
 271,269
 6,664,403
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 89,231
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CAUTIONARY STATEMENT

Reality Interactive, Inc. (the "Company"), or persons acting on behalf of the Company, or outside reviewers retained by the Company making statements on behalf of the Company, or underwriters, from time to time make, in writing or orally, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. When used in conjunction with an identified forward-looking statement, this Cautionary Statement is for the purpose of qualifying for the "safe harbor" provisions of such sections and is intended to be a readily available written document that contains factors which could cause results to differ materially from such forward-looking statements. These factors are in addition to any other cautionary statements, written or oral, which may be made or referred to in connection with any such forward-looking statement.

The following matters, among others, may have a material adverse effect on the business, financial condition, liquidity, results of operations or prospects, financial or otherwise, of the Company. Reference to this Cautionary Statement in the context of a forward-looking statement or statements shall be deemed to be a statement that any or more of the following factors may cause actual results to differ materially from those in such forward-looking statement or statements:

DEVELOPMENT STAGE COMPANY. The Company was incorporated in May 1994, first began to ship the complete series of its initial product in August 1995, and accordingly, has only a limited history of operations. The Company's prospects for success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the formation and development of a new business in a competitive industry. In addition, due to the uncertainty in growth of a development stage company and the rate of change in the industry perceived by the Company, the Company is uncertain of the time frame or amount of funding required to accomplish its business objectives.

DEVELOPING MARKET; MARKET ACCEPTANCE. The market for educating and training businesses has historically been served by consultants, instructor-led training and training publications such as books, manuals and tapes. Currently, there is little use of interactive multimedia education and training products by businesses, and many of the Company's potential customers do not own or have access to multimedia compatible equipment. The Company's future success will depend upon, among other factors, the extent to which companies acquire multimedia equipment compatible with the Company's products and adopt and use interactive multimedia education and training programs. In addition, the Company's success will depend in part on its ability to market and sell multiple copies of its products to large corporate customers. In the event that adoption and use of multimedia equipment compatible with the Company's products do not become widespread, the number of potential customers of the Company will be limited. There can be no assurance that the Company's products or the prices the Company charges for its products will be acceptable to the market or that the Company will be able to sell multiple copies to large corporate customers.

LIMITED MARKETING CAPABILITY. The Company currently has a small sales and marketing staff and limited number of strategic alliances relating to distribution of its products. There can be no assurance that the Company will be able to build a suitable sales force or enter into satisfactory marketing alliances with third parties, or that its sales and marketing efforts will be successful.

DEPENDENCE ON DIVERSIFICATION OF PRODUCT OFFERINGS. The Company currently has a limited number of product offerings, and purchasers of the Company's products are not required to purchase additional products. Accordingly, the Company's products represent non-recurring revenue sources, and the success of the Company is dependent, in part, on its ability to develop sustained demand for its current products and to develop and sell additional products. There can be no assurance that the Company will be successful in developing and maintaining such demand or in developing and selling additional products.

DEPENDENCE ON EVOLVING INDUSTRY STANDARDS. The Company's initial product offerings prepare businesses for adherence to worldwide management standards. The failure of the Company to enhance its products in a timely manner to changes in the standards, the lack of public acceptance of such standards or the delay in introduction of or enhancement to such standards would materially adversely affect the Company's operations.

TECHNOLOGICAL CHANGE. The industry in which the Company competes is characterized by rapid technological change. The introduction of products embodying new technology can render existing products and product formats obsolete and unmarketable. The Company's success will depend on its ability to anticipate changes in technology and to develop and introduce new and enhanced products in a timely manner in response to technological changes, or if products or product enhancements by the Company do not achieve market acceptance, the Company's business would be materially adversely affected.

FUTURE ADDITIONAL CAPITAL REQUIREMENTS; NO ASSURANCE FUTURE CAPITAL WILL BE AVAILABLE. If the Company is unable to generate substantial revenues from its operations or if the Company's expenses exceed expectations, the Company will likely require additional funds to meet its capital requirements. The Company does not currently have available bank financing. The Company may be required to raise additional funds through public or private financings, including equity financings, or through collaborative arrangements. There can be no assurance that additional financing would be available on favorable terms, or at all. If funding is not available when needed or on acceptable terms, the Company may be forced to curtail its operations significantly or cease operations and abandon its business entirely.

COMPETITION. The business education and training industry is highly competitive. A large number of companies are currently developing interactive, multimedia-based training, educational and instructional aids. Competitors also include national, regional and local accounting firms engaged in industrial consulting and instructor-led training and companies which market training tools such as books, videos and audio tapes. Some of the Company's existing competitors, as well as a number of potential competitors, have larger technical staffs, more established marketing and sales organizations, and greater financial resources than the Company. There can be no assurance the Company will be able to compete successfully with such companies, or at all.

FLUCTUATIONS IN OPERATING RESULTS. The Company's future operating results may vary substantially from quarter to quarter. At its current stage of operations, the Company's quarterly revenues and results of operations may be materially affected by the timing of the development and market acceptance of the Company's products. Generally, operating expenses will be higher during periods in which product development costs are incurred and marketing efforts are commenced. Due to these and other factors, including the general economy, stock market conditions and announcements by the Company or its competitors, the market price of the securities offered hereby may be highly volatile.

DEPENDENCE ON KEY PERSONNEL; LACK OF EMPLOYMENT AND NONCOMPETITION AGREEMENTS. The success of the Company is dependent in large part upon the ability of the Company to attract and retain key management and operating personnel. Qualified individuals are in high demand and are often subject to competing offers. In the future, the Company will need to hire additional skilled personnel in the areas of research and development, sales and marketing. There can be no assurance that the Company will be able to attract and retain the qualified personnel needed for its business. The Company has no employment or noncompetition agreements with any of its management or other personnel.

DEPENDENCE ON ABILITY TO RETAIN SUBJECT MATTER EXPERTS. The Company's product development strategy requires the Company to retain third-party subject matter experts to perform research and development functions by providing accurate and informative content for the Company's products. There can be no assurance that the Company will be able to continue to attract and retain qualified subject matter experts required to develop new products and enhance existing products. The inability of the Company to attract and retain such experts could have a material adverse effect on the Company and its prospects.

INTELLECTUAL PROPERTY. The Company regards its multimedia products as proprietary and relies primarily on a combination of statutory and common law copyright, trademark and trade secret laws, customer licensing agreements, employee and third-party nondisclosure agreements and other methods to protect its proprietary rights. Despite these precautions, it may be possible for a third party to copy or otherwise obtain or use the Company's products or technology without authorization, or to develop similar products or technology independently. If unauthorized use or copying of the Company's product were to occur to any substantial degree, the Company's business and results of operations could be materially adversely affected. There can be no assurance that the Company's means of protecting its proprietary rights will be adequate or that the Company's competitors will not independently develop similar products.

The Company believes that developers of multimedia products may increasingly be subject to such claims as the number of products and competitors in the industry grows and the functionality of such products in the industry overlaps. Any such claim, with or without merit, could result in costly litigation and could have a material adverse effect on the Company.

LACK OF PRODUCT LIABILITY INSURANCE. The Company may face a risk of exposure to product liability claims in the event that use of its products is alleged to have resulted in damage to its customers. The Company does not currently carry product liability insurance. There can be no assurance that such insurance will be available on commercially reasonable terms, or at all, or that such insurance, even if obtained, would adequately cover any product liability claim. A product liability or other claim with respect to uninsured liabilities or in excess of insured liabilities could have a material adverse effect on the business and prospects of the Company.