UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 1999

Commission File Number: 0-27862

REALITY INTERACTIVE, INC.

MINNESOTA	41-1781991
State of Incorporation	I.R.S. Employer Identification Number

Suite 121
7885 Fuller Road
Eden Prairie, MN 55345
(612) 282-4497

Securities registered under Section 12(g) of the Exchange Act: COMMON STOCK, $.01 PAR VALUE

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No
--- ---

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulations S-B contained herein, and no disclosure will be contained, to the best of registrants knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

[X]

The Company's revenues for the Fiscal Year Ended December 31, 1999 totaled $254,199.

As of February 29, 2000, the Company had 4,677,407 shares of Common Stock outstanding. The aggregate market value of the 4,092,443 shares of Common Stock held by non-affiliates of the Company was $895,017, based on the closing bid price of $0.2187 on February 29, 2000 on the Over The Counter Bulletin Board.

Transitional small business disclosure format: Yes ----- No X -----

FORM 10-KSB INDEX

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

This Annual Report on Form 10-KSB 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.

On April 27, 1999, the Company announced that it would cease current business operations effective April 30, 1999. Management of the Company believes this action was necessary in light of the Company's current liquidity needs and lack of short-term revenue opportunities.

Since April 30, 1999, the Company has been exploring potential uses of its public shell. While the Company seeks potential uses for the public shell, the primary factor that might cause such difference in results is the Company's inability to find a suitable acquisition or merger candidate or other use for its public shell in the near future.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

GENERAL

Reality Interactive, Inc. (the "Company") was incorporated on May 24, 1994 for the purpose of developing technology-based knowledge solutions for the industrial marketplace.

On April 30, 1999, the Company ceased business operations and all employees were terminated. Management of the Company believes this action was necessary in light of the Company's liquidity needs and lack of short-term revenue opportunities.

Since April 30, 1999, the Company has been selling the intellectual property embodied in its previously developed CD-ROM and Internet products, as well as its fixed assets, including computers and office furniture. The Company is also exploring potential uses of its public shell. In the meantime, the Company intends to comply with all SEC reporting requirements in order to maintain its status as a public company.

The Company has incurred operating losses in each period since inception, and has an accumulated deficit of $15,407,200.

ITEM 2. DESCRIPTION OF PROPERTY

The Company's executive office is located in Eden Prairie, Minnesota, where it leases approximately 1,000 square feet. The Company's office space is secured by a 3 month renewable lease, which can be canceled by giving an advanced 90 day written notice.

ITEM 3. LEGAL PROCEEDINGS

NONE

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On July 8, 1999, the Company mailed a Proxy Statement to its shareholders that gave notice of a Special Meeting of Shareholders to be held at the Company's corporate offices on July 29, 1999. The purpose of the Special Meeting was to consider the sale, lease, transfer or other disposition of all or substantially all of the property and assets of the Company and, in particular, to vote on the following proposals:

1. To approve the sale of certain intellectual property assets of the Company, pursuant to an Asset Purchase Agreement dated June 18, 1999 (the "IP Asset Sale"), to VirtualFund.com, Inc. (the "Buyer"), in connection with the process of winding-down the Company's business affairs.

2. To approve the sale of the remaining intellectual property and all furniture, fixtures and equipment owned by the Company.

As of July 29, 1999, only 1,554,521 shares, or 33% of total shares outstanding of 4,677,407, were voted and present at the Special Meeting. Although less than a quorum, the shares were voted in the following manner:

	FOR	AGAINST	ABSTAIN
PROPOSAL 1	1,423,821	106,200	24,500
PROPOSAL 2	1,423,821	106,200	24,500

Because a quorum was not achieved, the Company rescheduled the Special Meeting of Shareholders in order to accumulate additional votes. The new meeting was held at 9:00 a.m. on Tuesday, August 17, 1999, at the corporate offices of the Company, Baker Technology Plaza, 6121 Baker Road, Suite 115, Minnetonka, Minnesota.

At the reconvened Special Meeting of Shareholders on August 17, 1999, 2,513,914 shares were voted and present, representing 53.75% of total shares outstanding. The shares voted were tabulated in the following manner:

	FOR	AGAINST	ABSTAIN
PROPOSAL 1	2,347,714	115,000	34,200
PROPOSAL 2	2,364,714	115,000	34,200

Since a quorum was achieved, the proposals were passed.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

A. MARKET PRICE OF COMMON STOCK

The Company's common stock trades on the Over The Counter Bulletin Board (OTC BB) under the symbol RINT. The following table sets forth the high and low prices of the Company's Common Stock for each calendar quarter for the past two years.

YEAR ENDED DECEMBER 31, 1999			YEAR ENDED DECEMBER 31, 1998		
QUARTER	HIGH	LOW	QUARTER	HIGH	LOW
First	$0.31	$0.09	First	$0.69	$0.28
Second	$0.15	$0.03	Second	$0.78	$0.09
Third	$0.13	$0.06	Third	$0.28	$0.06
Fourth	$0.13	$0.03	Fourth	$0.17	$0.04

The Company has never paid cash dividends on its common stock and does not anticipate paying cash dividends in the foreseeable future.

B. CHANGES IN SECURITIES

NONE

ITEM 6. 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 for the years ended December 31, 1998 and 1999.

RESULTS OF OPERATIONS

REVENUES. Revenues were $744,221 for 1998, compared to revenues of $254,199 for 1999. This decrease was due primarily to the Company's decision to cease its business operations effective April 30, 1999.

On August 17, 1999, the Company received approval from its shareholders to sell certain intellectual property rights associated with its CD-ROM and internet-based training products. See Item 4. "SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS," and Item 6. "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION - GAIN ON SALE OF INTELLECTUAL PROPERTY."

COST OF REVENUES. Cost of revenues were $346,743 for 1998, compared to $129,773 for 1999. The decrease in cost of revenues was primarily due to the decrease in product sales attributed to the Company's decision to cease business operations effective April 30, 1999.

OPERATING EXPENSES. The Company's operating expenses for 1998 were $2,229,350, compared to operating expenses of $816,422 for 1999. This decrease in operating expenses between 1998 and 1999 was due primarily to expense reductions and ceasing business operations effective April 30, 1999

(a) SALES AND MARKETING. Sales and marketing expenses were $493,908 for 1998, compared to $99,285. This decrease between periods was due primarily to the Company's decision to cease business operations effective April 30, 1999.

(b) RESEARCH AND DEVELOPMENT. Research and development expenses were $545,192 for 1998, compared to $103,456 for 1999. This decrease between periods was due primarily to the Company's decision to cease business operations effective April 30, 1999.

(c) GENERAL AND ADMINISTRATIVE. General and administrative expenses were $1,190,250 for 1998, compared to $613,681 for 1999. This decrease between periods was due primarily to the Company's decision to cease business operations effective April 30, 1999.

The Company expects that it will continue to incur general and administrative expenses for the year 2000 as it continues to maintain a small administrative office, pursues opportunities for its public shell and maintains its status as a fully reporting company with the Securities and Exchange Commission.

GAIN ON SALE OF INTELLECTUAL PROPERTY. In connection with the sale of business assets, the Company entered into an Asset Purchase Agreement dated June 18, 1999 with VirtualFund.com, Inc. (the "Buyer"), whereby the Buyer agreed to purchase certain intellectual property assets owned by the Company for a price of $85,000. The Buyer agreed to provide loans to the Company up to the amount of the purchase price until the asset sale is approved by the Company's shareholders. Upon approval by the Company's shareholders, the loans advanced would be considered payment for the assets and all loans would be discharged and canceled. During the second and third quarters of 1999, the Buyer made loans to the Company of $70,000 and $15,000, respectively. In connection with a Special Meeting of Shareholders on August 17, 1999, the sale of assets to the Buyer was approved by shareholders, and the proceeds realized were treated as a gain on sale of intellectual property. See Item 4. "Submission of Matters to a Vote of Security Holders."

INTEREST INCOME. The Company's interest income was $54,444 for 1998, compared to net other income of $7,290 for 1999. For 1998 and 1999, net other income consisted entirely of interest earned on short-term investments, with the decrease between years being attributed to declining cash reserves.

NET LOSS. Net loss was $1,777,428 for 1998, compared to a net loss of $599,706 for 1997. Since the Company has ceased business operations, it does not expect to incur additional substantial losses in 2000, except for expenses relating to the operation of a small office, pursuing opportunities for its public shell and SEC public filing requirements.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents were $291,697 as of December 31, 1998, compared to $40,986 as of December 31, 1999. This decrease in cash, cash equivalents and short-term investments was due primarily to the net loss from operations for the year ended December 31, 1998.

The Company expects that its current cash balance will allow it to meet its minimal operating expenditures at least through June 30, 2000.

ITEM 7. FINANCIAL STATEMENTS

INDEX TO FINANCIAL STATEMENTS

ITEM 8. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT.

DIRECTORS

Information regarding the Directors of the Company is set forth below:

Name	Age	Offices
Paul J. Wendorff *	46	Chairman of the Board, President and Chief Executive Officer

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* Is currently fulfilling the duties of the above noted offices as an outside consultant.

Paul J. Wendorff has served as the Company's Chairman of the Board, President and Chief Executive Officer since the Company's inception in May 1994. From December 1990 to May 1994, he served as Director of Strategic Markets for Fourth Shift Corporation. From November 1983 to December 1990, he was Manager of Mid Range Software for Management Science America, Inc. Prior to that he served in various sales management positions for the American Hospital Supply Corporation between December 1976 and November 1983.

MEETINGS OF THE BOARD OF DIRECTORS AND CERTAIN COMMITTEES

During the fiscal year ended December 31, 1999, there were no Board of Directors meeting. The Board of Directors and its committees also act from time to time by written consent in lieu of meetings.

The Board of Directors of the Company has standing audit and compensation committees which have a current membership as indicated in the foregoing section. The Board of Directors has no standing nominating committee.

The Audit Committee makes recommendations as to the selection of auditors and their compensation, and reviews with the auditors the scope of the annual audit, matters of internal control and procedure and the adequacy thereof, the audit results and reports and other general matters relating to the Company's accounts, records, controls and financial reporting. There was no formal meeting of the Audit Committee during fiscal 1999.

The Compensation Committee reviews and recommends to the Board of Directors the compensation guidelines for executive officers. There was no formal meeting of the Compensation Committee during fiscal 1999 as all employees were terminated on April 30, 1999 when the Company ceased its business operations.

EXECUTIVE OFFICERS

Name	Age	Offices
Paul J. Wendorff	45	President, Chief Executive Officer

See the biographical information for Mr. Wendorff under the section "Directors."

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires executive officers and directors and persons who beneficially own more than 10% of the Company's Common Stock to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission ("SEC"). Such persons are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

The Company believes that all Section 16(a) filing requirements were met in a timely manner for the fiscal year ending December 31, 1999.

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth the compensation awarded to or earned in fiscal years 1997, 1998 and 1999 by the Company's Chief Executive Officer. No other executive officer of the Company earned salary and bonus in excess of $100,000 during 1998.

SUMMARY COMPENSATION TABLE

		Annual Compensation		Long-Term Compensation
Name	Fiscal Year	Salary (1)	Bonus	Options (2)
Paul J. Wendorff	1999	$48,442	--	--
President and Chief Executive Officer	1998	129,938	--	100,000
	1997	125,000	--	105,000

(1) The compensation to Mr. Wendorff for 1999 represents payments made through April 30, 1999, the effective date of the Company's cessation of business operations.

(2) All options granted to Mr. Wendorff for the years presented have expired.

The following table summarizes the options granted to the executive officer named in the Summary Compensation Table in 1999.

OPTION GRANTS IN 1999

Name	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees in Fiscal 1997	Exercise Price	Expiration Date
Paul J. Wendorff	---	---%	$---	---

No options were granted or exercised by the executive officer named in the Summary Compensation Table during fiscal year 1999.

The following table summarizes the number of unexercised options held by the executive officer named in the Summary Compensation Table as of December 31, 1999.

OPTION VALUES AT DECEMBER 31, 1999

Name	Number of Unexercised Options at End of Fiscal 1999		Value of Unexercised In-the-Money Options at End of Fiscal 1999 (1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Paul J. Wendorff	---	---	$--	$--

(1) Value is based on the difference between the closing price of the Company's Common Stock of $0.10 on December 31, 1999 and the option exercise price per share multiplied by the number of shares subject to the option. All options had expired by December 31, 1999.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information with respect to beneficial ownership of the Company's Common Stock as of February 26, 1999 by: (i) each director of the Company, (ii) each executive officer of the Company named in the Summary Compensation Table, (iii) all directors and executive officers of the Company as a group and (iv) each person or entity known by the Company to own beneficially more than 5% of the Company's Common Stock. Unless noted below, the address of each of the following shareholders is the same as the Company.

Name	Beneficial Ownership (1)	
	Shares	Percent
Perkins Capital Management, Inc.(2) 730 E. Lake Street Wayzata, Minnesota 55391	674,050	12.9%
Paul J. Wendorff	584,964	12.5
The Perkins Opportunity Fund(3) 730 E. Lake Street Wayzata, Minnesota 55391	525,000	10.6
All directors and executive officers as a group (1 person)(8)	584,964	12.5

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(1) Shares of Common Stock subject to options or warrants currently exercisable or exercisable within 60 days of February 29, 2000 are deemed to be outstanding for purposes of computing the percentage of shares beneficially owned by the person holding such options or warrants, but are not deemed to be outstanding for purposes of computing such percentage for any other person. Except as indicated by footnote, the persons named in the table above have the sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them.

(2) Includes 555,600 shares of Common Stock subject to warrants.

(3) Includes 275,000 shares of Common Stock subject to warrants. Perkins Capital Management, Inc. serves as investment advisor to The Perkins Opportunity Fund, and holds voting and dispositive power over such shares. Perkins Capital Management, Inc. disclaims beneficial ownership in such shares.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

NONE

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) Index of Exhibits

Exhibit Number	Description
3.1(1)	Articles of Incorporation of the Company
3.2(1)	Amended and Restated Articles of Incorporation of the Company
3.3(1)	Bylaws of the Company
3.4(1)	Amended Bylaws of the Company
4.1(1)	Specimen form of the Company's Common Stock Certificate
4.2(1)	Warrant Agreement (including Form of Redeemable Warrant)
4.3(1)	Form of Bridge Loan Agreement, dated January 19, 1996, between the Company and various investors (including form of Bridge Note and Bridge Warrant)
4.4(1)	Canceled Promissory Note in favor of Brightstone Fund VI in the amount of $200,000
4.5(1)	Canceled Promissory Note in favor of Wyncrest Capital, Inc. in the amount of $120,000
4.6(1)	Warrant in favor of Brightstone Fund VI for 43,109 shares
4.7(1)	Warrant in favor of Wyncrest Capital, Inc. for 25,188 shares
10.1(1)	ISO 9000 Content Agreement between Reality Interactive, Inc. and Process Management International, dated August 4, 1994
10.2(1)	Joint Marketing and Distribution Agreement between Reality Interactive, Inc. and American Society for Quality Control, Inc., dated May 10, 1995
10.3(1)	Agreement for Consulting Services between Reality Interactive, Inc. and Steven W. McClernon, dated January 15, 1996
10.4(1)	Sublease Agreement between Reality Interactive, Inc. and Collopy Saunders Real Estate, Inc., dated December 15, 1994
10.5(1)	Subject Matter Expert Agreement between Reality Interactive, Inc. and The Third Generation, Inc., dated January 6, 1996
10.6(1)	Subject Matter Expert Agreement between Reality Interactive, Inc. and WRITAR, dated February 1, 1996
10.7(1)	Reality Systems, Inc. 1994 Stock Incentive Plan, as amended (including form of Stock Option Agreement)
10.8(1)	Form of Non-Statutory Directors' Option Agreement (issued to certain non-employee directors or affiliates of non-employee directors in 1994 and 1995)
10.9(1)	Reality Interactive, Inc. 1996 Directors Stock Option Plan (including form of Directors Stock Option Agreement)
10.10(1)	Form of Shrink-Wrap License Agreement
10.11(1)	Form of Enterprise License Agreement
10.12(1)	Form of Volume Discount Agreement
10.13(1)	ISO 9000/QS-9000 Addendum, dated March 13, 1996, between the Company and Process Management Institute, Inc., amending the agreement dated August 4, 1994
10.14(1)	Form of Lock-Up Agreement
10.15(1)	Independent Software Vendor Agreement between the Company and Hewlett Packard

Exhibit Number	Description
10.16(1)	Master Equipment Lease Agreement, dated June 15, 1995, and Amendment No. 1 to Master Equipment Lease Agreement, dated July 1995, each between the Company and Carlton Financial Corporation
10.17(1)	Lease Agreement, dated January 30, 1996, between the Company and Lease Finance Group, Inc.
10.18(1)	Irrevocable Letters of Credit, dated June 20, 1995 and August 1, 1995, from BankWindsor in favor of Carlton Financial Corp. and Irrevocable Letter of Credit, dated December 27, 1995, in favor of Lease Finance Group, Inc.
10.19(2)	First Amendment to Joint Marketing and Distribution Agreement between Reality Interactive, Inc. and American Society for Quality Control, Inc., dated May 1, 1996
10.20(2)	Joint Marketing and Distribution Agreement between Reality Interactive, Inc. and American Society for Quality Control, Inc., dated May 17, 1996
10.21(3)	Equipment Lease between Reality Interactive, Inc. and Dexxon Capital Corporation Dated June 3, 1996
10.22(4)	Copyright License Agreement between Reality Interactive, Inc. and the American National Standards Institute dated August 30, 1996, including Modifying Agreement
10.23(4)	ISO 14000 Marketing and Promotion Agreement between Reality Interactive, Inc. and the American National Standards Institute dated September 20, 1996
10.24(4)	ISO 14000 Marketing and Promotion Agreement between Reality Interactive, Inc. and the Global Environment and Technology Foundation dated September 6, 1996
10.25(4)	Distribution Agreement between Reality Interactive, Inc. and Futuremedia PLC dated July 12, 1996
10.26(5)	Sublease Agreement between Reality Interactive, Inc. and IVI Publishing, Inc., dated September 17, 1996
10.27(5)	Distribution Agreement between Reality Interactive, Inc. and Lasermedia (Deutschland) GMBH, dated October 9, 1996
10.28(5)	Amendment No. 2, dated December 9, 1996, to Master Equipment Lease Agreement, dated July 1995, each between the Reality Interactive, Inc. and Carlton Financial Corporation
10.29(5)	Irrevocable Letter of Credit, dated December 9, 1996, from BankWindsor in favor of Carlton Financial Corp.
10.30(6)	Master Distribution Agreement between Reality Interactive, Inc. and Interactive Media Communications, dated February 24, 1997
10.31(6)	Multinational Copyright Exploitation Agreement between Reality Interactive, Inc. and the International Organization for Standardization, dated February 17, 1997
10.32(6)	Multinational Copyright Exploitation Agreement between Reality Interactive, Inc. and the International Organization for Standardization, dated February 17, 1997
10.33(7)	Asset Purchase Agreement between Reality Interactive, Inc. and VirtualFund.com, Inc., dated June 18, 1999
10.34(7)	Credit Agreement between Reality Interactive, Inc. and VirtualFund.com, Inc., dated May 28, 1999
10.35(7)	Form of Demand Note between Reality Interactive, Inc. and VirtualFund, Inc., dated May 28, 1999
10.36(7)	Security Agreement between Reality Interactive, Inc. and VirtualFund, Inc., dated May 28, 1999
23.1	Consent of Lund Koehler Cox & Arkema LLP
27.1	Financial Data Schedule for the Year Ended December 31, 1999
99.1	Cautionary Statement

(1) Incorporated by reference to Amendment No. 2 to the Company's Registration Statement on Form SB-2 (File No. 333-01508C), as filed with the Securities and Exchange Commission on April 9, 1996.

(2) Incorporated by reference to the Company's Form 10-QSB for the quarter ended March 31, 1996.

(3) Incorporated by reference to the Company's Form 10-QSB for the quarter ended June 30, 1996.

(4) Incorporated by reference to the Company's Form 10-QSB for the quarter ended September 30, 1996.

(5) Incorporated by reference to the Company's Form 10-KSB for the year ended December 31, 1996.

(6) Incorporated by reference to the Company's Form 10-QSB for the quarter ended March 31, 1997.

(7) Incorporated by reference to the Company's Proxy Statement filed June 28, 1999.

(b) Reports on Form 8-K

A report dated January 11, 1999 on Form 8-K was filed regarding a change in the Company's auditor for the year ended December 31, 1998.

An initial report dated September 1, 1999, and an amended report dated October 29, 1999 on Form 8-K was filed regarding the sale of certain intellectual property assets and furniture, fixtures and equipment.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REALITY INTERACTIVE, INC.

Dated: March 30, 2000

By /S/ Paul J. Wendorff

Paul J. Wendorff
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/S/ Paul J. Wendorff Paul J. Wendorff	Chairman, Chief Executive Officer, President and Director (Principal Executive Officer)	March 30, 2000

EXHIBIT INDEX

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Reality Interactive, Inc.:

We have audited the accompanying balance sheets of Reality Interactive, Inc. as of December 31, 1998 and 1999, and the related statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reality Interactive, Inc. as of December 31, 1998 and 1999, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that Reality Interactive, Inc. will continue as a going concern. As discussed in Note 1 to the financial statements, Reality Interactive, Inc. has suffered recurring losses from operations and has a significant accumulated deficit that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The 1999 financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Minneapolis, Minnesota
March 6, 2000

/S/ LUND KOEHLER COX & ARKEMA LLP

REALITY INTERACTIVE, INC.
BALANCE SHEET

	DECEMBER 31, 1998	DECEMBER 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 291,697	$ 40,986
Accounts receivable	231,525	0
Prepaid expenses and other current assets	40,299	2,921
Total current assets	563,521	43,907
Fixed assets, net	63,833	0
Restricted cash	111,000	0
Other assets	9,356	0
Total assets	$ 747,710	$ 43,907
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 38,733	$ 9,688
Accrued liabilities	31,938	7,953
Deferred revenue	49,495	0
Other current liabilities	1,572	0
Total current liabilities	121,738	17,641
Commitments (Note 5)		
Stockholders' equity:		
Common stock, $.01 par value, 25,000,000 shares authorized 4,677,407 shares issued and outstanding at both dates	46,774	46,774
Additional paid-in capital	15,386,692	15,386,692
Accumulated deficit	(14,807,494)	(15,407,200)
Total stockholders' equity	625,972	26,266
Total liabilities and stockholders' equity	$ 747,710	$ 43,907

See accompanying notes to the financial statements.

REALITY INTERACTIVE, INC.
STATEMENT OF OPERATIONS

	YEAR ENDED DECEMBER 31, 1998	1999
Product revenues	$ 384,637	$ 112,033
Service revenues	359,584	142,166
Total revenues	744,221	254,199
Cost of product revenues	81,682	21,749
Cost of service revenues	265,061	108,024
Total cost of revenues	346,743	129,773
Gross profit	397,478	124,426
Operating expenses:		
Sales and marketing	493,908	99,285
Research and development	545,192	103,456
General and administrative	1,190,250	613,681
Total operating expenses	2,229,350	816,422
Operating loss	(1,831,872)	(691,996)
Gain on sale of intellectual property	0	85,000
Interest income	54,444	7,290
Net loss	$ (1,777,428)	$ (599,706)
Basic and Diluted Loss Per Share:	$ (0.38)	$ (0.13)
Weighted average common shares outstanding	4,677,407	4,677,407

See accompanying notes to the financial statements.

REALITY INTERACTIVE, INC.
STATEMENT OF STOCKHOLDERS' EQUITY

	NUMBER OF SHARES ISSUED	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY
Balance at December 31, 1997	4,677,407	46,774	15,386,692	(13,030,066)	2,403,400
Net loss	-	-	-	(1,777,428)	(1,777,428)
Balance at December 31, 1998	4,677,407	$ 46,774	$ 15,386,692	$ (14,807,494)	$ 625,972
Net loss	-	-	-	(599,706)	(599,706)
Balance at December 31, 1999	4,677,407	$ 46,774	$ 15,386,692	$ (15,407,200)	$ 26,266

See accompanying notes to the financial statements.

REALITY INTERACTIVE, INC.
STATEMENT OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 1998	1999
Cash flows from operating activities:		
Net loss	$ (1,777,428)	$ (599,706)
Reconciliation of net loss to net cash used by operating activities:		
Depreciation and amortization	63,115	30,000
Gain on disposal of intellectual property	0	(85,000)
Loss on disposal of property and equipment	0	5,019
Changes in assets and liabilities:		
Accounts receivable	179,391	231,525
Inventory	71,197	0
Prepaid expenses and other assets	22,552	46,734
Accounts payable	2,618	(29,045)
Accrued liabilities	(98,275)	(23,985)
Deferred revenue	(132,411)	(49,495)
Other current liabilities	(122)	(1,572)
Net cash provided (used) by operating activities	(1,669,363)	(475,525)
Cash flows from investing activities:		
Purchases of fixed assets	(4,977)	0
Proceeds from sale of fixed assets	0	28,814
Proceeds from sale of intellectual property	0	85,000
Purchases of short-term investments	(32,979)	0
Sales of short-term investments	1,563,522	0
Cash restricted for operating leases	(52,500)	111,000
Net cash provided (used) by investing activities	1,473,066	224,814
Net cash used during year	(196,297)	(250,711)
Cash and cash equivalents:		
Beginning of year	487,994	291,697
End of year	$ 291,697	$ 40,986

See accompanying notes to the financial statements.

REALITY INTERACTIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1999

1. ORGANIZATION AND STATUS

Reality Interactive, Inc. (the Company) was incorporated on May 24, 1994 for the purpose of developing technology-based knowledge solutions for the corporate marketplace.

On April 30, 1999, the Company ceased business operations and terminated all remaining employees. This action was necessary in light of the Company's liquidity needs and lack of revenue opportunities.

Since the Company ceased its business operations, it has sold a majority of its physical assets and intellectual property resulting in proceeds of $113,814. Currently, the Company is exploring potential uses of its public shell. While the Company pursues such opportunities, it intends to comply with all future SEC reporting requirements in order to maintain its status as a public company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents include highly liquid investments with original maturities of less than 90 days and are generally invested in money market funds and certificates of deposit. The Company maintains its cash in bank deposit accounts at various financial institutions with high credit quality. The balances, at times, may exceed federally insured limits.

REVENUE RECOGNITION
Revenue derived from product sales and licenses is recognized upon shipment of the products. The Company has no significant obligations after shipment. Revenue derived from multimedia and Web-based development services is recognized on the percentage of completion method over the life of each project, which may range from three to nine months. Project costs include all direct labor costs and other direct costs related to service performance, such as contract labor, supplies and equipment costs. The Company's use of the percentage of completion method of revenue recognition requires estimates of the degree of project completion. To the extent these estimates prove to be inaccurate, the revenues and gross profits, if any, reported during the periods where the project is ongoing may not accurately reflect the final results of the project. Provisions for any estimated losses on uncompleted contracts are made in the period in which such losses are determinable. Revenue is reported net of reimbursable expenses.

ACCOUNTS RECEIVABLE

The Company considered all accounts receivable to be fully collectible. Accordingly, no allowance for uncollectible accounts had been established. If accounts became uncollectible, they were charged to operations when that determination had been made. The Company extended unsecured credit to customers in the normal course of business.

FIXED ASSETS

Fixed assets were stated at cost. Accelerated depreciation methods are used for both book and tax purposes over the estimated useful life of the equipment ranging from three to seven years. Leasehold improvements were amortized over the lease term using the straight-line method.

INCOME TAXES

Income taxes are accounted for using the liability method under the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes."

NET LOSS PER SHARE

The Company accounts for earnings (loss) per share as required under Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (SFAS No. 128). SFAS No. 128 requires dual presentation of basic and diluted earnings (loss) per share for entities with complex capital structures. Basic earnings (loss) per share includes no dilution and is computed by dividing net earnings (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share reflects the potential dilution of securities that could share in the earnings of an entity and is similar to the former fully diluted earnings (loss) per share calculation. For the years ended December 31, 1999 and 1998, basic and diluted loss per share for the Company is the same because the inclusion of stock options and warrants as common stock equivalents would be antidilutive.

PRODUCT DEVELOPMENT AND RESEARCH

Expenditures for software development costs and research are expensed as incurred. Such costs are required to be expensed until the point that technological feasibility and proven marketability of the product is established. Costs otherwise capitalizable after technological feasibility is achieved are also generally expensed because they are insignificant.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts for all financial instruments approximate fair value. The carrying amounts for cash and cash equivalents, accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments.

DEFINED CONTRIBUTION PLAN

The Company has established a qualified 401(k) profit sharing plan which allows eligible employees to defer a portion of their salary. The Plan does not require any discretionary Company contributions. This Plan was terminated when the Company ceased its business operations on April 30, 1999.

3. FIXED ASSETS

Fixed assets consist of the following at:

	DECEMBER 31, 1998	DECEMBER 31, 1999
Computer equipment	$ 332,938	$ 0
Office equipment and furniture	120,065	0
	453,003	0
Less accumulated depreciation and amortization	(389,170)	0
	$ 63,833	$ 0

4. INCOME TAXES

Significant components of the Company's deferred tax assets are as follows:

	DECEMBER 31, 1998	DECEMBER 31, 1999
Deferred tax assets:		
Net operating loss carryforwards	$ 5,978,000	$ 6,150,000
Other	50,000	50,000
Total deferred tax assets	6,028,000	6,200,000
Less valuation allowance	(6,028,000)	(6,200,000)
Net deferred tax assets	$ -	$ -

At December 31, 1999, the Company had net operating loss carryforwards of approximately $15,300,000 for income tax purposes. The net operating loss carryforwards expire in 2009 through 2019 if not previously utilized.

The Company has determined, based on the weight of available evidence at December 31, 1999, that it is more likely than not the Company's deferred tax assets will not be realized. Accordingly, a valuation allowance has been established for the tax benefits of these items. Future utilization of the available net operating loss carryforwards may be limited under Internal Revenue Code Section 382 due to future significant changes in ownership.

5. COMMITMENTS

LEASES
The Company leases office space and equipment under various operating lease agreements, the last of which expires in 2003. The Company's office space is secured by a 3 month renewable lease, which can be canceled by the Company by giving an advanced 90 day written notice.

At December 31, 1999, future minimum lease payments under noncancelable operating leases were as follows:

YEAR ENDING DECEMBER 31,	OPERATING LEASES
2000	$ 2,492
2001	2,492
2002	2,492
2003	831
Total future minimum lease payments	$ 8,307

Rent expense was approximately $440,070 and $145,593 for the years ended December 31, 1998 and 1999, respectively.

LETTERS OF CREDIT
The Company had an outstanding letter of credit with a bank as security for an operating lease of office space. The Company was required to maintain a commensurate amount of cash as collateral at the bank which issued the letter of credit. This amount is reflected as restricted cash at December 31, 1998.

SIGNIFICANT CUSTOMERS
Product and service revenues from clients that individually exceed 10% of the Company's total revenues included three clients at 26%, 20% and 12% for the year ended December 31, 1998. Accounts receivable from two of these customers represented approximately 26% and 23% of total accounts receivable at December 31, 1998.

6. STOCKHOLDERS' EQUITY

COMMON STOCK ISSUED
The holders of Common Stock are entitled to one vote for each share on all matters submitted to a vote of stockholders. Holders of Common Stock have no preemptive, subscription or conversion rights and there are no redemption or sinking fund provisions applicable thereto. The outstanding shares of Common Stock are fully paid and nonassessable.

WARRANTS

A summary of the Company's warrant activity is as follows:

	NUMBER	EXERCISE PRICE	EXPIRATION
Outstanding at December 31, 1997	3,365,922	$2.40-$8.00	1998-2001
Expired	(7,625)	$3.00	12/31/98
Outstanding at December 31, 1998	3,358,297	$2.40-$8.00	1999-2001
Expired	(560,000)	$4.31	1/19/99
Outstanding at December 31, 1999	2,798,297	$2.40-$8.00	2000-2001

Such warrants were issued in connection with various financing transactions by the Company. The holders of these warrants are not entitled to vote, receive dividends or exercise any other rights until such warrants have been duly exercised and payment of the purchase price has been made.

STOCK OPTIONS

At December 31, 1999, the Company had 700,000 shares of common stock reserved under its 1994 Stock Incentive Plan. The plan provides for grants of incentive and nonqualified stock options to officers, employees and independent contractors. Furthermore, the Company may grant nonqualified options outside of this plan. These stock options generally vest evenly over a three to four year period and are exercisable over periods up to five years from date of grant. In addition, the Company had 400,000 shares of common stock reserved under its 1996 Directors' Stock Option Plan. This plan provides for annual grants of options to purchase 10,000 shares of Common Stock per director per year and vests six months from the date of grant.

The Board of Directors establishes all terms and conditions of each grant. Stock options are granted at or above fair market value as determined by the Board of Directors at each grant date.

Option transactions under these plans are summarized as follows:

STOCK INCENTIVE PLAN	OPTIONS OUTSTANDING	EXERCISE PRICE PER SHARE	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
Options outstanding at December 31, 1997	483,100	$0.45 - $4.44	$0.90
Granted	180,000	$0.75	$0.75
Canceled	(75,600)	$0.50 - $4.44	$0.81
Options outstanding at December 31, 1998	587,500	$0.45 - $1.00	$0.87
Granted	0		
Canceled	(587,500)	$0.45 - $1.00	$0.87
Options outstanding at December 31, 1999	0		
Exercisable at December 31, 1999	0		

DIRECTOR'S STOCK OPTION PLAN	OPTIONS OUTSTANDING	EXERCISE PRICE PER SHARE	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
Options outstanding at December 31, 1997	20,000	$1.13	$1.13
Granted	10,000	$0.25	$0.25
Canceled	(30,000)	$0.25 - $1.13	$0.83
Options outstanding at December 31, 1998	0		
Granted	0		
Canceled	0		
Options outstanding at December 31, 1999	0		

The estimated weighted average grant-date fair value of stock options granted during 1998 was $0.75 per option.

The Company adopted SFAS No. 123, "Accounting for Stock-Based Compensation." As allowed by SFAS No. 123, the Company applies APB Opinion No. 25 and related interpretations in accounting for its stock option plans and, accordingly, does not recognize compensation expense related thereto. If the Company had elected to recognize compensation expense based on the fair value of the options granted at grant date as prescribed by SFAS No. 123, net loss and net loss per share would have been increased to the pro forma amounts indicated in the following table:

	1998	1999
Net loss - as reported	$ (1,777,428)	$ (599,706)
Net loss - pro forma	$ (1,821,136)	$ (599,706)
Basic and Diluted net loss per share - as reported	$ (0.38)	$ (0.13)
Basic and Diluted net loss per share - pro forma	$ (0.39)	$ (0.13)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	1998	1999
Expected dividend level	0%	0%
Expected stock price volatility	50%	50%
Risk-free interest rate	5.4%	6.0%
Expected life of options	4 years	4 years

EXHIBIT 23.1

CONSENT OF LUND KOEHLER COX & ARKEMA LLP

CONSENT OF INDEPENDENT ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-05027) of Reality Interactive, Inc. of our report dated March 6, 2000 appearing in this Form 10-KSB.

/S/ Lund Koehler Cox and Arkema LLP
- -----------------------------------
Lund Koehler Cox and Arkema LLP
Minneapolis, Minnesota
March 29, 2000

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EXHIBIT 99.1

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 matter, 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 may cause actual results to differ materially from those in such forward-looking statement or statements:

DISCONTINUATION OF CURRENT OPERATIONS. The Company ceased its business operations effective April 30, 1999. Management of the Company believes this action was necessary in light of the Company's current liquidity needs and lack of short-term revenue opportunities. The Company is currently exploring potential uses for the Company in its current form as an inoperative public company. In the meantime, the Company intends to comply with all SEC filing requirements in order to maintain the Company's good standing under the Securities Exchange Act of 1934, as amended. In the event the Company is unable to find a suitable acquisition or merger candidate or other suitable use for the Company in the near future, the Company will be liquidated and its remaining assets will be distributed to its creditors in satisfaction of its then-current obligations and, if any assets remain thereafter, to its shareholders. There can be no assurance that any such candidate or other suitable use for the Company or its assets will be found.