



## FORM 10-QSB INDEX

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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.

On April 30, 1999, the Company ceased business operations. Management of the Company believes this action was necessary in light of the Company's liquidity needs and lack of 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 - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

REALITY INTERACTIVE, INC.  
BALANCE SHEET

	June 30, 2001 ----- (Unaudited)	December 31, 2000 -----
ASSETS		
Cash and cash equivalents.....	\$ 404	\$ 7,620
Other current assets.....	895	895
	-----	-----
Total assets.....	\$ 1,299 =====	\$ 8,515 =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 43,748	\$ 13,026
Accrued liabilities.....	0	7,953
	-----	-----
Total current liabilities.....	43,748	20,979
	-----	-----
Stockholders' equity:		
Common stock, \$.01 par value, 25,000,000 shares authorized; 5,824,907 and 4,677,407 shares outstanding, respectively.....	58,249	46,774
Additional paid-in capital.....	15,473,767	15,386,692
Accumulated deficit.....	(15,574,465)	(15,445,930)
	-----	-----
Total stockholders' equity.....	(42,449)	(12,464)
	-----	-----
Total liabilities and stockholders' equity.....	\$ 1,299 =====	\$ 8,515 =====

See accompanying notes to the financial statements.

REALITY INTERACTIVE, INC.  
STATEMENT OF OPERATIONS  
(UNAUDITED)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues.....	\$ 0	\$ 0	\$ 0	\$ 0
Cost of revenues.....	0	0	0	0
Gross profit.....	0	0	0	0
Operating expenses:				
Sales and marketing.....	0	0	0	0
Research and development.....	0	0	0	0
General and administrative.....	124,060	15,291	128,553	32,300
Total operating expenses.....	124,060	15,291	128,553	32,300
Operating loss.....	(124,060)	(15,291)	(128,553)	(32,300)
Gain on sale of domain name.....	0	7,130	0	13,105
Interest income.....	0	180	18	376
Net loss.....	\$(124,060)	\$ (7,981)	\$(128,535)	\$ (18,819)
Basic and diluted earnings (loss) per share....	\$ (0.02)	\$ (0.00)	\$ (0.02)	\$ (0.00)
Weighted average common shares outstanding....	5,531,657	4,677,407	5,104,532	4,677,407

See accompanying notes to the financial statements.

REALITY INTERACTIVE, INC.  
STATEMENT OF CASH FLOWS  
(UNAUDITED)

	Six months ended June 30,	
	2001	2000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss.....	\$ (128,535)	\$ (18,819)
Reconciliation of net loss to net cash used by operating activities:		
Common stock issued for services received.....	98,550	0
Changes in assets and liabilities:		
Other current assets.....	0	2,026
Accounts payable.....	30,722	(1,228)
Accrued liabilities.....	(7,953)	0
Net cash used by operating activities.....	(7,216)	(18,021)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
	0	0
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
	0	0
Net cash provided (used) during period.....	(7,216)	(18,021)
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of period.....	7,620	40,986
End of period.....	\$ 404	\$ 22,965

See accompanying notes to the financial statements.

REALITY INTERACTIVE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001  
(UNAUDITED)

NOTE 1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

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. 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.

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, including the 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 all adjustments necessary for a fair presentation of the results of operations for the interim periods presented.

Operating results for the three and six months ended June 30, 2001 are not necessarily indicative of the operating results to be expected for the year ending December 31, 2001.

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 Report on Form 10-KSB for the year ended December 31, 2000.

NOTE 2. CHANGES IN EQUITY

On April 24, 2001, the Company issued 1,030,500 shares of common stock to Knowledge Integrators, Inc. as payment for consulting services provided to the Company. Knowledge Integrators, Inc. is 100% owned by Paul J. Wendorff, who is also the Company's Chief Executive Officer and a Director. In addition, on April 24, 2001, the Company issued 117,000 shares of common stock to Wesley W. Winnekins as payment for consulting services provided to the Company. Wesley W. Winnekins is currently a Director of the Company. The value of the services provided by Knowledge Integrators, Inc. and Wesley W. Winnekins was \$98,550.

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 for the three and six months ended June 30, 2001 and 2000.

RESULTS OF OPERATIONS

**REVENUES.** Revenues were \$0 for the second quarter of 2001 compared to \$0 for the second quarter of 2000. For the six-month period ended June 30, 2001, revenues were \$0 compared to \$0 for the comparable period of 2000. This decrease was due to the Company's decision to cease its business operations effective April 30, 1999.

**COST OF REVENUES.** Cost of revenues were \$0 for the second quarter of 2001 compared to \$0 for the second quarter of 2000. For the six-month period ended June 30, 2001, cost of revenues were \$0 compared to \$0 for the comparable period of 2000. This decrease was due to the Company's decision to cease its business operations effective April 30, 1999.

**OPERATING EXPENSES.** Operating expenses were \$124,060 for the second quarter of 2001 compared to \$15,291 for the second quarter of 2000. For the six-month period ended June 30, 2001, operating expenses were \$128,553 compared to \$32,300 for the comparable period of 2000. Expenses incurred during the three and six months ended June 30, 2001 were entirely for general and administrative purposes, including rent for a small office, professional fees, consulting services and miscellaneous office expenses.

The Company expects that it will continue to incur general and administrative expenses for the remainder of 2001 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 DOMAIN NAME.** During the second quarter of 2000, the Company received a final payment of \$7,130 in connection with the sale of one of its Internet domain names. Including the initial payment of \$5,975 received during the first quarter of 2000, the Company has received total proceeds of \$13,105.

**INTEREST INCOME.** Interest income was \$0 for the second quarter of 2001 compared to interest income of \$180 for the second quarter of 2000. For the six month period ended June 30, 2001, interest income was \$18, compared to interest income of \$376 for the same period of 2000. The decrease between periods is attributed to declining cash reserves.

**NET LOSS.** Net loss was \$124,060 for the second quarter of 2001 compared to a net loss of \$7,981 for the second quarter of 2000. For the six-month period ended June 30, 2001, net loss was \$128,535 compared to a net loss of \$18,819 for the same period of 2000. 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 \$404 as of June 30, 2001, compared to \$7,620 as of December 31, 2000. This decrease in cash and cash equivalents was due primarily to the net cash used for operating activities for the six-months ended June 30, 2001.

Currently, the Company does not have the cash resources to pay the outstanding balances owed to its creditors. The Company has made arrangements with its creditors to extend the Company's credit while it continues to pursue merger candidates for its public shell. In connection with the Company's pursuit of merger candidates, the Company will attempt to obtain a working capital loan from a merger candidate so that the Company's creditors can be paid. There can be no assurance that the Company will be successful in securing a merger candidate or, if one is secured, that such merger candidate will agree to provide a working capital loan to the Company. If the Company is unable to obtain a merger candidate, or is unable to obtain a merger candidate in a time period agreeable to the Company's creditors, then the Company may attempt to pay its creditors by issuing the Company's equity securities. If the Company's creditors do not agree to accept the Company's equity securities as payment for outstanding balances, then 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.



## PART II - OTHER INFORMATION

## ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

## (a) Exhibits

## EXHIBIT NO. DESCRIPTION

99.1 Cautionary Statement

## (b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended June 30, 2001

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: August 14, 2001

By /s/ Paul J. Wendorff

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Paul J. Wendorff  
Chief Executive Officer

EXHIBIT INDEX

Exhibit No.	Description	Page No.
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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 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.