

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

FORM 10-KSB\A-1

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

For the Fiscal Year Ended December 31, 1998

Commission File Number: 0-27862

REALITY INTERACTIVE, INC.

MINNESOTA
State of Incorporation

41-1781991
I.R.S. Employer Identification Number

Suite 115
6121 Baker Road
Minnetonka, MN 55345
(612) 253-4700

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 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, 1998 totaled \$744,221.

As of February 26, 1999, the Company had 4,677,407 shares of Common Stock outstanding. The aggregate market value of the 2,826,282 shares of Common Stock held by non-affiliates of the Company was \$310,891, based on the closing bid price on February 26, 1999 on the Over The Counter Bulletin Board.

Transitional small business disclosure format: Yes No
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PART III

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

This Amendment to the Annual Report on Form 10-KSB may contain 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, doubt as to the Company's ability to continue as a going concern, the uncertainty in growth of the Company's revenues; 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," contained within the Annual Report on Form 10-KSB for the year ended December 31, 1998.

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 *	45	Chairman of the Board, President and Chief Executive Officer
Ronald E. Eibensteiner (1)		
James A. Bernards (2)		

* Denotes the only member of the Compensation and Audit Committees.

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.

(1) Resigned as a member of the Board of Directors in July 1998.

(2) Resigned as a member of the Board of Directors in May 1998.

MEETINGS OF THE BOARD OF DIRECTORS AND CERTAIN COMMITTEES

During the fiscal year ended December 31, 1998, the Board of Directors met two times. All of the incumbent directors attended at least 75% of the meetings of the Board of Directors and meetings of the committees on which they served. 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 1998.

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 1998.

Outside directors did not receive compensation during 1998 for serving on the Board of Directors. Directors who are also employees of the Company do not receive any additional compensation for serving on the Board of Directors.

EXECUTIVE OFFICERS

Name	Age	Offices
----	---	-----
Paul J. Wendorff	45	President, Chief Executive Officer
Wesley W. Winnekins	37	Chief Financial Officer, Vice President of Operations
Andrew R. Keith	42	Vice President of Marketing
Bruce W. Fischer	53	Director of Product Management

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

WESLEY W. WINNEKINS, a certified public accountant, has served as the Company's Chief Financial Officer since June 1995. From June 1993 to May 1995, he was the Director of Operations/Controller at Ruth Stricker's Fitness Unlimited, Inc. From November 1991 to June 1993, he served as the Accounting Manager for Fourth Shift Corporation, and from September 1990 to October 1991, he served as the Corporate Controller for Authorware, Inc. From June 1985 to September 1987, he served as an auditor for Arthur Andersen & Co.

ANDREW R. KEITH has served as the Company's Director of Marketing since May 1995. From October 1992 to April 1995, he served as National Marketing Manager for Ideal Learning/Lifetouch Inc. ("Lifetouch"). From May 1992 to October 1992, he was a principal and co-founder of Mediapros Ltd., a company subsequently acquired by Lifetouch, and from December 1989 to April 1992, he was Product Marketing Manager for Authorware, Inc. From September 1984 to November 1989, he was Manager of Marketing Communications for Crossfield News Publishing Systems.

BRUCE W. FISCHER has served as the Company's Director of Business Development since June 1994. From December 1989 to June 1994, he served as a marketing Product Manager for Fourth Shift Corporation. From September 1987 to December 1989, he was a manager at Options Group, Inc., and from January 1981 to September 1987, he was Senior Industry Consultant for Management Science America.

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, 1998.

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth the compensation awarded to or earned in fiscal years 1996, 1997 and 1998 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

Name	Fiscal Year	Annual Compensation		Long-Term Compensation
		Salary (1)	Bonus	Options (2)
Paul J. Wendorff	1998	\$129,938	--	100,000
President and Chief Executive Officer	1997	125,000	--	105,000
	1996	115,333	\$15,000	75,000

(1) The current annual salary of Mr. Wendorff is \$121,500.

(2) In 1996, Mr. Wendorff was granted an option to purchase 75,000 shares of Common Stock at an exercise price of \$4.54 per share. This option was canceled in March 1997 and, simultaneously, an option to purchase 75,000 shares of Common Stock at an exercise price of \$0.89 per share was granted to Mr. Wendorff. This option shall become 100% vested on the fifth anniversary of the date of grant, but may vest earlier if certain performance objectives are achieved. In addition, an option granted in 1995 to purchase 30,000 shares of Common Stock at an exercise price of \$1.98 per share was cancelled in December 1997 in connection with a Board of Director approved repricing of stock options. Simultaneously, an option to purchase 30,000 shares of Common Stock at an exercise price of \$1.00 per share was granted to Mr. Wendorff. This option shall vest in equal monthly installments during the four years following the date of grant. In February 1998, Mr. Wendorff was granted an option to purchase 100,000 shares of Common Stock at an exercise price of \$0.75 per share. This option shall become 100% vested on the fifth anniversary of the date of grant, but may vest earlier if certain performance objectives are achieved. As of December 31, 1998, none of the options associated with the achievement of certain performance objectives had vested.

The following table summarizes the options granted to the executive officer named in the Summary Compensation Table in 1998.

OPTION GRANTS IN 1998

Name	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees in Fiscal 1997	Exercise Price	Expiration Date
Paul J. Wendorff	100,000	56%	\$0.75	2/2/03

No options were exercised by the executive officer named in the Summary Compensation Table during fiscal year 1998.

The following table summarizes the number of unexercised options held by the executive officer named in the Summary Compensation Table as of December 31, 1998.

OPTION VALUES AT DECEMBER 31, 1998

Name	Number of Unexercised Options at End of Fiscal 1998		Value of Unexercised In-the-Money Options At End of Fiscal 1998 (1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Paul J. Wendorff	15,000	220,000	\$--	\$--

(1) Value is based on the difference between the closing price of the Company's Common Stock of \$0.09 on December 31, 1998 and the option exercise price per share multiplied by the number of shares subject to the option. No options were in-the-money as of December 31, 1998.

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	901,800	17.4%
Paul J. Wendorff (3)	599,964	12.8
The Perkins Opportunity Fund(4) 730 E. Lake Street Wayzata, Minnesota 55391	550,000	11.1
Ronald E. Eibensteiner(5) Suite 1860, Midwest Plaza 801 Nicolett Mall Minneapolis, Minnesota 55402	475,788	10.0
Brightstone Funds(6) 7200 Metro Blvd. Edina, Minnesota 55439	253,195	5.3
James A. Bernards(7)	--	--
All directors and executive officers as a group (4 persons)(8)	690,289	14.5

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- (1) Shares of Common Stock subject to options or warrants currently exercisable or exercisable within 60 days of February 26, 1999 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 502,650 shares of Common Stock subject to warrants. (3) Includes 15,000 shares of Common Stock subject to options.
 - (4) 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.
 - (5) Includes 375,600 shares of Common Stock and 100,188 shares of Common Stock subject to warrants owned by Wyncrest Capital, Inc., an investment fund controlled by Mr. Eibensteiner.
 - (6) Includes 111,111 shares of Common Stock held by Brightstone Fund V; 68,975 shares of Common Stock and 43,109 shares of Common Stock subject to warrants held by Brightstone Fund VI; and 30,000 shares of Common Stock subject to options held by Brightstone Capital, Ltd. Brightstone Capital, Ltd. is the general partner of Brightstone Fund V and Brightstone Fund VI.
 - (7) Excludes an aggregate of 253,195 shares held by Brightstone Capital, Ltd., Brightstone Fund V and Brightstone Fund VI. See Note 5 above. Mr. Bernards is the President of Brightstone Capital, Ltd. Mr. Bernards disclaims beneficial ownership of such shares.
 - (8) See Notes 2 through 7 above. Includes an additional 36,325 shares of Common Stock and 54,000 shares of Common Stock subject to options held by officers not listed in the above table.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

NONE.

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: April 29, 1999

By /s/ WESLEY W. WINNEKINS

Wesley W. Winnekins
Chief Financial 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)	April 29, 1999
/s/ Wesley W. Winnekins ----- Wesley W. Winnekins	Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	April 29, 1999