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, 2000

Commission File Number: 0-27862

REALITY INTERACTIVE, INC.

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

Suite 121
7887 Fuller Road
Eden Prairie, MN 55344
(612) 253-4713

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, 2000 totaled $0.

As of February 29, 2001, 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 $511,555, based on the closing bid price of $0.125 on February 28, 2001 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, sold substantially all of its assets and terminated all of its employees. Management of the Company believes this action was necessary in light of the Company's liquidity needs and lack of short-term revenue opportunities.

The Company is not currently conducting business. Since April 30, 1999, the Company has been exploring potential uses of its public shell. Until a suitable acquisition candidate can be found for the public shell, 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 $15,445,930.

The Company's Common Stock is currently traded on the Over the Counter Bulletin Board under the symbol "RINT". The Company is not required to deliver an annual report to its shareholders and will not deliver an annual report to the shareholders.

You may read and copy any materials filed with the Securities and Exchange Commission ("SEC") by the Company at the SEC's Public Reference Room located at 450 Fifth Street N.W., Washington, D.C. 20549, or by logging on to the SEC's website (http://www.sec.gov), which contains reports, proxy and information statements and other information regarding the Company filed electronically. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

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 currently leased on a month-to-month basis.

ITEM 3. LEGAL PROCEEDINGS

NONE.

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

NONE.

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. Shares of the Company's Common Stock are held by approximately 95 shareholders. 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, 2000		
QUARTER	HIGH	LOW	QUARTER	HIGH	LOW
First	$0.43	$0.09	First	$0.31	$0.09
Second	$0.34	$0.09	Second	$0.15	$0.03
Third	$0.75	$0.10	Third	$0.13	$0.06
Fourth	$0.35	$0.06	Fourth	$0.13	$0.03

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, 2000 and 1999.

RESULTS OF OPERATIONS

REVENUES. Revenues were $254,199 for 1999, compared to revenues of $0 for 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 $129,773 for 1999, compared to $0 for 2000. The decrease in cost of revenues was due to the Company's decision to cease business operations effective April 30, 1999.

OPERATING EXPENSES. The Company's operating expenses for 1999 were $816,422, compared to operating expenses of $52,413 for 2000. Operating expenses for 2000 relate primarily to costs incurred to maintain a small administrative office in addition to the costs related to maintaining a fully reporting status with the Securities and Exchange Commission.

The Company expects that it will continue to incur general and administrative expenses for the year 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 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. During 2000, the Company received $13,105 in connection with the sale of one of its Internet domain names.

INTEREST INCOME. The Company's interest income was $7,290 for 1999, compared to interest income of $578 for 2000. For each year, interest 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 $599,706 for 1999, compared to a net loss of $38,730 for 2000. Since the Company has ceased business operations, it does not expect to incur additional substantial losses in 2001, 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 $40,986 as of December 31, 1999, compared to $7,620 as of December 31, 2000. This decrease in cash was due primarily to the net loss from operations for the year ended December 31, 2000.

The Company expects that its current cash balance will allow it to meet its minimal operating expenditures through May 31, 2001. The Company's ability to fund future operations is dependent on the Company's identifying a suitable acquisition candidate and acquiring a going concern.

ITEM 7. FINANCIAL STATEMENTS

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

Virchow, Krause & Company LLP is a successor entity to the Company's accountants formerly named Lund Koehler Cox and Arkema LLP.

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 *	47	Chairman of the Board, President and Chief Executive Officer

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* Is currently fulfilling the duties of the above noted offices as a noncompensated employee.

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

During the fiscal year ended December 31, 2000, there were no Board of Directors meetings. The Board of Directors and its committees also act from time to time by written consent in lieu of meetings. The Company currently does not have an audit, compensation or nominating committee.

EXECUTIVE OFFICERS

Name	Age	Offices
Paul J. Wendorff	47	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.

Based solely on a review of the copies of such Section 16(a) reports filed by the Company's directors, executive officers and greater than 10% shareholders and written representations from such reporting persons that no other reports were required to be filed, the Company believes that all Section 16(a) filing requirements were met in a timely manner for the fiscal year ending December 31, 2000.

AUDIT COMMITTEE REPORT

The Company currently does not have a standing audit committee.

AUDIT FEES

Audit fees billed or expected to be billed to the Company by Virchow, Krause & Company, LLP for the audit of the Company's financial statements for the fiscal year ended December 31, 2000 and for reviews of the Company's financial statements included in the Company's quarterly reports on Form 10-QSB for the last fiscal year totaled $5,500.

FINANCIAL INFORMATION SYSTEMS DESIGN AND IMPLEMENTATION FEES

NONE.

ALL OTHER FEES

Fees billed or expected to be billed to the Company by Virchow, Krause & Company, LLP for all other non-audit services, including tax-relates services provided during the last fiscal year totaled $3,000.

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth the compensation awarded to or earned in fiscal years 1998, 1999 and 2000 by the Company's Chief Executive Officer. No other executive officer of the Company earned salary and bonus in excess of $100,000 during 2000.

SUMMARY COMPENSATION TABLE

		Annual Compensation		Long-Term Compensation
Name	Fiscal Year	Salary (1)	Bonus	Options (2)
Paul J. Wendorff	2000	$ 0	0	0
President and Chief Executive Officer	1999	48,442	0	0
	1998	129,938	0	100,000

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(1) The compensation to Mr. Wendorff for fiscal year 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 indicated presented have expired.

OPTION GRANTS IN LAST FISCAL YEAR

No options were granted to the executive officer named in the Summary Compensation Table above during fiscal year 2000.

OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END VALUES

No options were exercised by the executive officer named in the Summary Compensation Table above during fiscal year 2000. The executive officer named in the Summary Compensation Table does not hold any options to purchase shares of the Company's Common Stock.

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.

	Beneficial Ownership (1)	
Name and Address of Beneficial Owner	Shares	Percent
Paul J. Wendorff	584,964	12.5
President and Chief Executive Officer		
The Perkins Opportunity Fund(2) 730 E. Lake Street Wayzata, Minnesota 55391	250,000	5.3
All directors and executive officers as a group (1 person)	584,964	12.5

(1) Shares of Common Stock subject to options or warrants currently exercisable or exercisable within 60 days of February 28, 2001 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) The Perkins Opportunity Fund does not have any voting or dispositive power over such shares. Perkins Capital Management, Inc. serves as investment advisor to The Perkins Opportunity Fund and as advisor, holds sole voting and dispositive power over the shares.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In fiscal 2000, the Company engaged the services of Knowledge Integrators, Inc. to assist the Company in identifying and evaluating potential acquisition candidates. The Company expects to issue 1,030,500 shares of Common Stock to Knowledge Integrators, Inc., as payment in full for services rendered. Knowledge Integrators, Inc. is 100% owned by Paul J. Wendorff, who is a director and the President and Chief Executive Officer of the Company.

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 Virchow, Krause & Company, LLP
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 Preliminary Proxy Statement filed June 28, 1999.

(b) Reports on Form 8-K

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: March 30, 2001

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, 2001

EXHIBIT INDEX

Exhibit No.	Description
23.1	Consent of Virchow, Krause & Company, LLP
99.1	Cautionary Statement

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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, 2000 and 1999, and the related statements of operations, stockholders' equity (deficit) 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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 2000 financial statements do not include any adjustments that might result from the outcome of this uncertainty.

VIRCHOW, KRAUSE & COMPANY, LLP

Minneapolis, Minnesota
March 23, 2001

REALITY INTERACTIVE, INC.
BALANCE SHEETS

	DECEMBER 31, 2000	DECEMBER 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,620	$ 40,986
Other current assets	895	2,921
Total current assets	8,515	43,907
	$ 8,515	$ 43,907
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 13,026	$ 9,688
Accrued liabilities	7,953	7,953
Total current liabilities	20,979	17,641
Commitments (Note 5)		
Stockholders' equity (deficit):		
Common stock, $.01 par value, 25,000,000 shares authorized, 4,677,407 shares issued and outstanding	46,774	46,774
Additional paid-in capital	15,386,692	15,386,692
Accumulated deficit	(15,445,930)	(15,407,200)
Total stockholders' equity (deficit)	(12,464)	26,266
	$ 8,515	$ 43,907

See accompanying notes to the financial statements.

REALITY INTERACTIVE, INC.
STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31, 2000	YEAR ENDED DECEMBER 31, 1999
Product revenues	$ 0	$ 112,033
Service revenues	0	142,166
Total revenues	0	254,199
Cost of product revenues	0	21,749
Cost of service revenues	0	108,024
Total cost of revenues	0	129,773
Gross profit	0	124,426
Operating expenses:		
Sales and marketing	0	99,285
Research and development	0	103,456
General and administrative	52,413	613,681
Total operating expenses	52,413	816,422
Loss from operations	(52,413)	(691,996)
Gain on sale of intellectual property	13,105	85,000
Interest income	578	7,290
Total other income	13,683	92,290
Net loss	$ (38,730)	$ (599,706)
Basic and diluted loss per share:	$ (0.01)	$ (0.13)
Weighted average common shares outstanding	4,677,407	4,677,407

See accompanying notes to the financial statements.

REALITY INTERACTIVE, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
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
Net loss	-	-	-	(38,730)	(38,730)
Balance at December 31, 2000	4,677,407	$ 46,774	$ 15,386,692	$ (15,445,930)	$ (12,464)

See accompanying notes to the financial statements.

REALITY INTERACTIVE, INC.
STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 2000	1999
Cash flows from operating activities:		
Net loss	$ (38,730)	$(599,706)
Reconciliation of net loss to net cash used by operating activities:		
Depreciation and amortization	0	30,000
Gain on disposal of intellectual property	(13,105)	(85,000)
Loss on disposal of property and equipment	0	5,019
Changes in assets and liabilities:		
Accounts receivable	0	231,525
Other current assets	2,026	46,734
Accounts payable	3,338	(29,045)
Accrued liabilities	0	(23,985)
Deferred revenue	0	(49,495)
Other current liabilities	0	(1,572)
Net cash provided (used) by operating activities	(46,471)	(475,525)
Cash flows from investing activities:		
Proceeds from sale of fixed assets	0	28,814
Proceeds from sale of intellectual property	13,105	85,000
Cash restricted for operating leases	0	111,000
Net cash provided (used) by investing activities	13,105	224,814
Net cash used during year	(33,366)	(250,711)
Cash and cash equivalents:		
Beginning of year	40,986	291,697
End of year	$ 7,620	$ 40,986

See accompanying notes to the financial statements.

REALITY INTERACTIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 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 accounting principles generally accepted in the United States of America 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 were recognized upon shipment of the products. The Company has no significant obligations after shipment. Revenue derived from multimedia and Web-based development services was recognized on the percentage of completion method over the life of each project, which may range from three to nine months. Project costs included 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 were made in the period in which such losses are determinable. Revenue was reported net of reimbursable expenses.

INCOME TAXES
The Company utilizes the liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between the financial statement and income tax reporting bases of assets and liabilities.

NET LOSS PER SHARE
The Company accounts for 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 loss per share for entities with complex capital structures. Basic loss per share includes no dilution and is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted 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 loss per share calculation. For the years ended December 31, 2000 and 1999, 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.

4. INCOME TAXES

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

	DECEMBER 31, 2000	DECEMBER 31, 1999
Deferred tax assets:		
Net operating loss carryforwards	$ 6,150,000	$ 6,150,000
Other	50,000	50,000
Total deferred tax assets	6,200,000	6,200,000
Less valuation allowance	(6,200,000)	(6,200,000)
Net deferred tax assets	$ -	$ -

At December 31, 2000, the Company had net operating loss carryforwards of approximately $15,360,000 for income tax purposes. The net operating loss carryforwards expire in 2009 through 2020 if not previously utilized.

The Company has determined, based on the weight of available evidence at December 31, 2000, 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 month-to-month lease.

At December 31, 2000, future minimum lease payments under noncancelable operating leases were as follows:

YEAR ENDING DECEMBER 31,	OPERATING LEASES
2001	$ 2,492
2002	2,492
2003	831
Total future minimum lease payments	$ 5,815

Rent expense was approximately $13,419 and $145,593 for the years ended December 31, 2000 and 1999, respectively.

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, 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
Expired	(2,578,297)	$2.40-$8.00	4/10/00, 12/31/00
Outstanding at December 31, 2000	220,000	$6.90	4/10/01

The Company issued such warrants in connection with various financing transactions. 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, 2000, 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. At December 31, 2000, there were no options outstanding under this plan.

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, 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		

Granted	0
Canceled	0
Options outstanding at December 31, 2000	0
Exercisable at December 31, 2000	0

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:

	2000	1999
Net loss - as reported	$ (38,730)	$ (599,706)
Net loss - pro forma	$ (38,730)	$ (599,706)
Basic and diluted net loss per share - as reported	$ (0.01)	$ (0.13)
Basic and diluted net loss per share - pro forma	$ (0.01)	$ (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:

	2000	1999
Expected dividend level	0%	0%
Expected stock price volatility	0%	50%
Risk-free interest rate	0%	6.0%
Expected life of options	0 years	4 years

EXHIBIT 23.1

CONSENT OF VIRCHOW, KRAUSE & COMPANY, 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 23, 2001 appearing in this Form 10-KSB.

/S/ Virchow, Krause & Company, LLP
- -----------------------------------
Virchow, Krause & Company, LLP
Minneapolis, Minnesota
March 29, 2001

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.