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

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1999

Commission file number: 0-27862

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

MINNESOTA	41-1781991
State or other jurisdiction of incorporation of organization	I.R.S. Employer Identification No.

SUITE 115 6121 BAKER ROAD MINNETONKA, MINNESOTA 55344	(612) 253-4700
Address of principal executive offices	Registrant's telephone number

Check whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. /X/ Yes / / No

At April 30, 1999, 4,677,407 shares of registrant's $.01 par value Common Stock were outstanding.

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

FORM 10-QSB INDEX

PART I - FINANCIAL INFORMATION

PART II - OTHER INFORMATION

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 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.

The Company is currently 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, 1999	December 31, 1998
ASSETS	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 28,704	$ 291,697
Restricted cash	111,000	111,000
Accounts receivable	54,671	231,525
Prepaid expenses and other current assets	26,133	40,299
Total current assets	220,508	674,521
Fixed assets, net	33,833	63,833
Other assets	0	9,356
Total assets	$ 254,341	$ 747,710
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 15,641	$ 38,733
Accrued liabilities	48,418	31,938
Bridge notes payable	70,631	0
Deferred revenue	0	49,495
Other current liabilities	0	1,572
Total current liabilities	134,690	121,738
Long-term liabilities	0	0
Total liabilities	134,690	121,738
Stockholders' equity:		
Common stock, $.01 par value, 25,000,000 shares authorized; 4,677,407 shares outstanding	46,774	46,774
Additional paid-in capital	15,386,692	15,386,692
Accumulated deficit during the development stage	(15,313,815)	(14,807,494)
Total stockholders' equity	119,651	625,972
Total liabilities and stockholders' equity	$ 254,341	$ 747,710

See accompanying notes to the financial statements.

REALITY INTERACTIVE, INC.
STATEMENT OF OPERATIONS
(UNAUDITED)

	Three months ended June 30, 1999	Three months ended June 30, 1998	Six months ended June 30, 1999	Six months ended June 30, 1998
Product revenues	$ 13,945	$ 87,215	$ 86,769	$ 218,910
Service revenues	138,595	114,696	139,395	227,340
Total revenues	152,540	201,911	226,164	446,250
Cost of product revenues	1,249	25,625	18,685	57,363
Cost of service revenues	108,024	91,542	108,024	184,143
Total cost of revenues	109,273	117,167	126,709	241,506
Gross profit	43,267	84,744	99,455	204,744
Operating expenses:				
Sales and marketing	31,189	168,061	99,284	323,312
Research and development	34,950	161,683	103,456	296,991
General and administrative	207,262	336,239	408,155	668,655
Total operating expenses	273,401	665,983	610,895	1,288,958
Operating loss	(230,134)	(581,239)	(511,440)	(1,084,214)
Interest income (expense), net	1,689	15,450	5,119	39,219
Net loss	$ (228,445)	$ (565,789)	$ (506,321)	$(1,044,995)
Basic and diluted earnings (loss) per share	$ (0.05)	$ (0.12)	$ (0.11)	$ (0.22)
Weighted average common shares outstanding	4,677,407	4,677,407	4,677,407	4,677,407

See accompanying notes to the financial statements.

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

	Six months ended June 30, 1999	Six months ended June 30, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (506,321)	$(1,044,995)
Reconciliation of net loss to net cash used by operating activities:		
Depreciation and amortization	30,000	33,117
Changes in assets and liabilities:		
Accounts receivable	176,854	159,965
Inventory	0	4,417
Prepaid expenses and other assets	23,522	(20,354)
Accounts payable	(23,092)	1,079
Accrued liabilities	16,480	(87,042)
Deferred revenue	(49,495)	(152,263)
Other current liabilities	(1,572)	(1,684)
Net cash used by operating activities	(333,624)	(1,107,760)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets, net of retirements	0	(5,087)
Purchases of short-term investments	0	(32,977)
Sale of short-term investments	0	1,563,522
Cash restricted for operating leases	0	(111,000)
Net cash used by investing activities	0	1,414,458
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bridge notes payable	70,631	0
Net cash provided (used) during period	(262,993)	306,698
CASH AND CASH EQUIVALENTS:		
Beginning of period	291,697	487,994
End of period	$ 28,704	$ 794,692

See accompanying notes to the financial statements.

REALITY INTERACTIVE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999
(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 industrial marketplace.

On April 27, 1999, the Company announced that it would cease current business operations effective April 30, 1999. At that time, all employees were terminated. 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 of its public shell. In the meantime, the Company intends to comply with all public company filing 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.

Because the Company has ceased business operations, operating results for the three and six months ended June 30, 1999 will not be indicative of the operating results for the year ending December 31, 1999. See Item 2. - - Management's Discussion and Analysis of Financial Condition and Results of Operations - Recent Developments.

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, 1998.

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, 1999 and 1998.

RESULTS OF OPERATIONS

REVENUES. Revenues were $152,540 for the second quarter of 1999, a 24% decrease from revenues of $201,911 for the second quarter of 1998. For the six month period ended June 30, 1999, revenues were $226,164, a 49% decrease from revenues of $446,250 for the comparable period of 1998. The revenue decrease was due primarily to fewer sales opportunities, longer than anticipated sales cycles for contract service opportunities and ceasing business operations on April 30, 1999.

COST OF REVENUES. Cost of revenues were $109,273 for the second quarter of 1999, compared to $117,167 for the second quarter of 1998. For the six month period ended June 30, 1999, cost of revenues were $126,709, compared to cost of revenues of $241,506 for the same period of 1998. The decrease in cost of revenues was due to the decrease in revenues.

OPERATING EXPENSES. The Company's operating expenses for the second quarter of 1999 were $273,401, a 60% decrease from operating expenses of $665,983 in the second quarter of 1998. For the six month period ended June 30, 1999, operating expenses were $610,895, a 53% decrease from operating expenses of $1,288,958 for the same period of 1998. This decrease in operating expenses between 1999 and 1998 was due primarily to expense reductions and ceasing business operations on April 30, 1999.

(a) SALES AND MARKETING. Sales and marketing expenses were $31,189 for the second quarter of 1999 compared to $168,061 for the second quarter of 1998, a 81% decrease. For the six-month period ended June 30, 1999, sales and marketing expenses were $99,284, a 69% decrease from sales and marketing expenses of $323,312 for the same period of 1998. This decrease was due primarily to lower staffing, travel and general selling expenses, along with cutbacks in direct marketing initiatives such as tradeshow and marketing literature expenses.

(b) RESEARCH AND DEVELOPMENT. Research and development expenses were $34,950 for the second quarter of 1999 compared to $161,683 for the second quarter of 1998, a 78% decrease. For the six month period ended June 30, 1999, research and development expenses were $103,456, a 65% decrease from research and development expenses of $296,991 for the same period of 1998. This decrease was primarily attributed to a decrease in development staff as the Company moved from a product development to a contracted service business model the beginning of 1998. Development costs associated with contracted services are deferred until related service revenues are recognized, at which time, such costs are expensed as cost of revenues.

(c) GENERAL AND ADMINISTRATIVE. General and administrative expenses were $207,262 for the second quarter of 1999 compared to $336,239 for the second quarter of 1998, a 38% decrease. For the six month period ended June 30, 1999, general and administrative expenses were $408,155, a 39% decrease from general and administrative expenses of $668,655 for the same period of 1998. This decrease was due primarily to a decrease in headcount and lower expenses for rent, travel, equipment leases and administrative operating costs due to an overall drop in Company personnel.

OTHER INCOME (EXPENSE). The Company's net other income was $1,689 for the second quarter of 1999, compared to net other income of $15,450 for the second quarter of 1998. For the six month period ended June 30, 1999, net other income was $5,119, compared to net other income of $39,219 for the same period of 1998. Net other income consists entirely of interest earned on cash and cash equivalents. The decrease between periods is attributed to a decrease in cash reserves.

NET LOSS. Net loss was $228,455 for the second quarter of 1999, compared to a net loss of $565,789 for the second quarter of 1998. For the six-month period ended June 30, 1999, net loss was $506,321, compared to a net loss of $1,044,995 for the same period of 1998. Since the Company has ceased its business operations, the Company does not expect to incur additional losses in 1999, except for activities relating to the shut down of operations and costs relating to SEC public filing requirements. See "--Recent Developments."

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents were $28,704 as of June 30, 1999, compared to $291,697 as of December 31, 1998. This decrease in cash and cash equivalents was due primarily to the net loss from operations for the quarter.

As of June 30, 1999, the Company had outstanding a letter of credit from a bank totaling $111,000. The letter of credit secures an operating lease of office space for its business premises. The Company is required to maintain at the bank a cash amount equal to the letter of credit until such letter of credit expires on July 15, 1999. At that time, the Company will be able to use such cash to pay expenses associated with the wind-down of its business operations.

RECENT DEVELOPMENTS

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.

The Company is currently exploring potential uses of its public shell. In the meantime, however, the Company is executing a plan to sell its assets. See "Item 4. Submission of Matters to a Vote of Security Holders." With respect to maintaining its status as a public company, the Company intends to comply with all future SEC and other filing requirements associated with being a public company.

IMPACT OF THE YEAR 2000 ISSUE

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Some computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. All of the software produced by the Company has been analyzed and the Company is not aware of any potential for date recognition problems in its products. The Company also uses off-the-shelf software ("Administrative Software") produced by third parties for use in administrative functions such as word processing, billing and record keeping. The vendors of the Company's Administrative Software products have indicated that such products are Year 2000 compliant. In the event that any of these programs are susceptible to date recognition problems, this could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process critical business transactions. In the event that the Company experiences Year 2000 problems, the Company believes the cost to remedy such problems will be immaterial.

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 will be 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.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

EXHIBIT NO.	DESCRIPTION
27.1	Financial Data Schedules
99.1	Cautionary Statement

(b) REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the quarter ended June 30, 1999

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 13, 1999 By /s/ Paul J. Wendorff

Paul J. Wendorff
Its Chief Executive Officer

Dated: August 13, 1999 By /s/ Wesley W. Winnekins

Wesley W. Winnekins
Its Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
27.1	Financial Data Schedules
99.1	Cautionary Statement

6-MOS
DEC-31-1999
JUN-30-1999
28,704
0
54,671
0
0
220,508
453,004
419,171
254,341
134,690
0
0
0
46,774
72,877
254,341
226,164
231,283
126,709
126,709
610,895
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0
(506,321)
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(506,321)
0
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0
(506,321)
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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 as of 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.