

REALITY INTERACTIVE INC  
Form 10QSB  
May 13, 2004

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SECURITIES AND EXCHANGE COMMISSION  
Washington D.C. 20549

## FORM 10-QSB

Quarterly Report Under Section 13 or 15 (d)  
Of the Securities Exchange Act of 1934

For Quarter Ended: **March 31, 2004**

Commission File Number: 0-27862

### **REALITY INTERACTIVE, INC.**

(Exact name of registrant as specified in its charter)

<b><u>NEVADA</u></b>	<b>80-0028196</b>
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

**378 North Main, #124; Layton, UT 84041**

(Address of principal executive offices)

Registrant's telephone number including area code: **(801) 497-9075**

N/A

Former Address, if changed since last report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or 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.

Yes  No

7,946,262

(Number of shares of common stock the registrant had  
outstanding as of May 5, 2004)

**PART 1**

**ITEM 1 - FINANCIAL STATEMENTS**

The condensed financial statements included herein have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission.

In the opinion of the Company, all adjustments, consisting of only normal recurring adjustments, necessary to present fairly the financial position of the Company as of March 31, 2004 and the results of its operations and changes in its financial position from December 31, 2003 through March 31, 2004 have been made. The results of its operations for such interim period is not necessarily indicative of the results to be expected for the entire year.

**Reality Interactive, Inc.**

Balance Sheet

	<b>Assets</b>	
	March 31, <u>2004</u>	December 31, <u>2003</u>
	(Unaudited)	
<u>Assets</u>		
Cash	<u>\$ 265</u>	\$
Total Current Assets	\$ 265	\$ =
		-

**Liabilities and Stockholders' Equity**

Current Liabilities

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Accounts Payable	\$ 31,948	\$ 39,090
Interest Payable	31,295	30,020
Note Payable	<u>265,205</u>	<u>250,965</u>
Total Current Liabilities	328,448	320,075
<u>Stockholders' Equity (Deficit)</u>		
Preferred Stock, 5,000,000 Shares Authorized, \$.001 Par Value, Zero Shares Issued and Outstanding		
	-	-
Common Stock 100,000,000 Shares Authorized, \$.001 Par Value, 276,262 Shares Issued and Outstanding		
	276	276
Capital in Excess of Par Value	15,736,750	15,736,750
Retained Deficit	<u>(16,065,209)</u>	<u>(16,057,101)</u>
Total Stockholders' Equity (Deficit)	<u>(328,183)</u>	<u>(320,075)</u>
Total Liabilities & Stockholders' Equity (Deficit)	\$ 265	\$ -

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**Reality Interactive, Inc.**

Statement of Operations

(Unaudited)

For the Three Months Ended March 31,

	<u>2004</u>	<u>2003</u>
<u>Revenue</u>	\$ -	\$ -
<u>Expenses</u>		
General & Administrative	6,834	50,024
Total Operating Expenses	<u>6,834</u>	<u>50,024</u>
Total Operating Income (Loss)	(6,834)	(50,024)
<u>Other Income (Expenses)</u>		

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Interest Expense	<u>1,274</u>	=
Total Other Income (Expenses)	<u>1,274</u>	=
Net Income (Loss) - Before Taxes	(8,108)	(50,024)
Taxes	=	=
Net Income (Loss)	\$ (8,108)	\$ (50,024)
Loss per Common Share	\$ (0.03)	\$ (0.00)
Weighted Average Outstanding Shares	276,262	10,058,260

**Reality Interactive, Inc.**

Statement of Cash Flows

(Unaudited)

For the Three Months Ended

March 31, 2004                      March 31, 2003

Cash Flows from Operating Activities

Net Income (Loss)	\$ (8,108)	\$ (50,024)
Net Cash Provided (Used) by Operating Activities;		
Common Stock Issued for Services Rendered	-	
Changes in Operating Assets & Liabilities;		
Increase (Decrease) in Accounts Payable	7,098	50,000
Increase (Decrease) in Interest Payable	<u>1,275</u>	=
Net Cash (Used) by Operating Activities	265	(24)

Cash Flows from Investing Activities

Net Cash Provided by Investing Activities	=	=
	-	-

Cash Flows from Financing Activities

Proceeds From Sale of Stock	-	-
Increase (Decrease) in Notes Payable	=	=
Net Cash Provided by Financing Activities	=	=
Increase (Decrease) in Cash	265	(24)
Cash, Beginning of Year	-	<u>81</u>
Cash, End of Year	\$ 265	\$ 57

Supplemental Cash Disclosure

Interest	\$ -	\$-
Taxes	-	-
<u>Non-Cash Investing and Financing Activities:</u>		
Accounts Payable Settled in Exchange for		
Convertible Notes	14,240	-

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### Reality Interactive, Inc.

#### Notes to the Financial Statements

March 31, 2004

#### NOTE 1 - INTERIM FINANCIAL STATEMENTS

Management has elected to omit substantially all of the disclosures for the interim financial statements ended March 31, 2004 since there have been no material changes (other than indicated in other footnotes) and has made all the necessary adjustments to present accurate financial statements for the three months presented.

The financial statements for the three months ended March 31, 2004 were prepared from the books and records of the company without audit. Management believes that all adjustments have been made to the financial statements to make a fair presentation of the financial condition of the company as of March 31, 2004. The results of the three months are not indicative of a full year of operation for the Company.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2003 audited financial statements. The results of operations for the periods ended March 31, 2004 and 2003 are not necessarily indicative of the operating results for the full year.

#### NOTE 2 - SUBSEQUENT EVENTS

Subsequent to March 31, 2004, 25,000 common shares were canceled. The Company's president was issued 7,000,000 common shares for services rendered valued at \$7,000. A total of 695,000 common shares were issued for conversion of \$230,000 in debt owed by the Company. As a result of these issuances and the cancellation of common stock the Company's outstanding shares changed from 276,262 at the beginning of the period to 7,946,262 at the date of this filing.

#### **ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

## 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.

Since April 30, 1999, the Company has been exploring potential business opportunities to acquire or merge with. Until a suitable acquisition candidate can be found, the Company intends to comply with all SEC reporting requirements in order to maintain its status as a public company. On February 1, 2002, the Company acquired all of the issued and outstanding shares of Bright Europe Tech, Inc., and Faster Cash ATM, Inc. Due to market conditions in the United States and Eastern Europe which prevented planned capital raising, the Company rescinded the acquisitions during the second fiscal quarter of 2002.

Liquidity and Capital Resources. The Company has minimal assets and is currently in the process of looking for business opportunities to merge with or acquire. At minimum, the Company will need to raise additional capital through private funding to meet the financial needs of being a reporting company and to meet the obligations of the current accounts payable. In the past, the company has funded its operations from the sale of its products, the sale of common stock and loans from various sources. Subsequent to March 31, 2004, the Company has executed an agreement to merge a newly formed subsidiary with Natural Gas Systems, Inc. ("NGS"), which is a privately-held Delaware corporation as referenced in the Form 8-K filed April 2, 2004. The intended transaction has not closed as of the date of this filing.

Results of Operation. The Company reported a net loss of \$8,108 and \$50,024 for the quarters ended March 31, 2004, and March 31, 2003, respectively. The Company anticipates very little or no overhead from future operations until a successor business can be acquired or merged except for those expenses associated with being a public company.

Approximately \$14,240 in accounts payable were settled in exchange for convertible notes and are reflected in that portion of the Company's financial statements. The notes bear an interest rate of 10% and are due and payable upon demand. The debt is convertible into common shares of the Company at the greater of market price or par value at the time of conversion provided, however, such conversion may be made in amounts that do not result in the issuance of control to any one person.

Plan of Operations. The Company is currently in the process of looking for business opportunities to acquire or merge with. In seeking a business opportunity to merge with or acquire, management is reviewing various business plans. Management has not limited their review of plans or exploration of acquisitions to any particular industry or service sector. There is no guarantee that management will be successful in finding such an opportunity.

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## ITEM 3 - CONTROLS AND PROCEDURES.

(a) Evaluation of disclosure controls and procedures. The Company's principal executive officer and its principal financial officer, based on their evaluation of the Company's disclosure controls over financial reporting and procedures (as defined in Exchange Act Rules 13a-14 (c)) as of a date within 90 days prior to the filing of this Quarterly Report on Form 10QSB, have concluded that the Company's disclosure controls over financial reporting and procedures are adequate and effective for the purposes set forth in the definition in Exchange Act rules.

(b) Changes in internal controls over financial reporting. There were no significant changes in the Company's internal controls over financial reporting or in other factors that could significantly affect the Company's internal controls subsequent to the date of their evaluation.

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## PART II

### OTHER INFORMATION

Item 1. Legal Proceedings None

Item 2. Changes in Securities

Subsequent to March 31, 2004, 25,000 common shares were canceled. The Company's president was issued 7,000,000 common shares for services rendered valued at \$7,000. A total of 695,000 common shares were issued for conversion of \$230,000 in debt owed by the Company. These issuances were exempt from registration as a private issuer transaction pursuant to Section 4(2) of the Securities Act of 1933. As a result of these issuances and the cancellation of common stock the Company's outstanding shares changed from 276,262 at the beginning of the period to 7,946,262 at the date of this filing.

Item 3. Defaults Upon Senior Securities None

Item 4. Submission of Matters to a Vote of Security Holders None

Item 5. Other Information None

In February 2004, due to partner rotations now required by the PCAOB, Bierwolf, Nilson & Associates merged with the firm of Chisholm & Associates. The new name of the firm is Chisholm, Bierwolf & Nilson, LLC as referenced in the Form 8-K filed February 10, 2004.

Subsequent to March 31, 2004, the Company has executed an agreement to merge a newly formed subsidiary with Natural Gas Systems, Inc. ("NGS"), which is a privately-held Delaware corporation as referenced in the Form 8-K filed April 2, 2004. The intended transaction has not closed as of the date of this filing.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits. The following exhibits have been filed with this report.

31. Written Statement of Chief Executive Officer and Chief Financial Officer with respect to compliance with Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and Section 302 of the Sarbanes-Oxley Act of 2002.

32. Written Statement of Chief Executive Officer and Chief Financial Officer with respect to compliance with Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and pursuant to 18 U.S.C. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K. The Company filed the following reports on Form 8-K.

(1) Item 4. Changes in auditors filed February 10, 2004.

(2) Item 1. Changes in control of registrant filed April 2, 2004.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned authorized officer.

Dated , 2004 Reality Interactive, Inc.

By:

Dean Becker

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**Exhibit 31**

**SECTION 302 CERTIFICATION**

I, Dean Becker, being the sole officer and director certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Reality Interactive, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act



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Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 12a-15(f) and 15d-15(f)) for the registrant and have:

- a) Designed such disclosure controls and procedures or caused such controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this quarterly report is being prepared.
- b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluations; and
- c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls over financial reporting; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: , 2004 /s/

Dean Becker

Chief Executive Officer

And Principal Accounting Officer

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**Exhibit 32**

**CERTIFICATION PURSUANT TO**

**18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT BY**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

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In connection with the Quarterly Report of Reality Interactive, Inc., on Form 10-QSB for the period ending March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), the undersigned, Dean Becker, Chief Executive Officer and Principal Accounting Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

- (1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: , 2004

Dean Becker, Chief Executive Officer

And Principal Accounting Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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