SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: December 31, 2001

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

For the transition period from ------------- to -------------

Commission file number: 000-21898

INTERACTIVE GROUP, INC.
(Exact name of small business issuer as specified in its charter)

South Dakota	46-0408024
(state or other jurisdiction of incorporation or organization)	(IRS Employer ID No)

204 N. Main, Humboldt, SD 57035
(Address of principal executive offices)

(605) 363-5117
Issuer's telephone number

N/A
(Former name, former address and former fiscal year, if changed since last report)

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 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 .X. . No . . .

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes . . . No . . .

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 5,276,039 shares at February 7, 2002

Transitional Small Business Disclosure Format (Check one): Yes No X

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INTERACTIVE GROUP, INC.

BALANCE SHEETS

ASSETS	12/31/2001 Unaudited	9/30/2001
Current Assets		
Cash	$ 2,007	$ 271
Accounts receivable	1,352	640
Inventories	5,865	5,925
Land, building and improvements held for sale	38,395	38,395
Prepaid expenses and other assets	578	628
Total current assets	48,197	45,859
Equipment, less accumulated deprecation of $10,610 and $10,573 at December 31, 2001 and September 30, 2001	409	446
	409	446
Total assets	$ 48,606	$ 46,305
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Notes payable, related party	$ 500,000	$ 500,000
Current maturities of long-term debt	26,000	26,000
Accounts payable	7,614	8,789
Accounts payable, related parties	200,836	171,238
Accrued expenses	70,471	67,777
Accrued expenses, related parties	579,409	543,975
Total current liabilities	1,384,330	1,317,779
Long-term debt, less current maturities	32,000	33,000
Stockholders' Deficit		
Series A preferred stock, $.001 par value; authorized 2,000,000 shares; issued and outstanding 2,000,000 shares; liquidation preference of outstanding shares at December 31, 2001 of $300,000	2,000	2,000
Common stock, $.001 par value; authorized 50,000,000 shares; issued and outstanding 5,276,039 shares	5,276	5,276
Additional paid-in capital	8,054,967	8,054,967
Accumulated deficit	(9,429,967)	(9,366,717)
Total stockholders' deficit	(1,367,724)	(1,304,474)
Total liabilities and stockholders' deficit	$ 48,606	$ 46,305

See Notes to Financial Statements.

INTERACTIVE GROUP, INC.

STATEMENTS OF OPERATIONS
Three Months Ended December 31, 2001 and 2000
(Unaudited)

	2001	2000
Net sales	$ 1,352	$ 5,200
Cost of goods sold	60	180
Gross profit	1,292	5,020
Operating expenses		
Selling	3,413	4,938
General and administrative	23,624	35,437
	27,037	40,375
Operating (loss)	(25,745)	(35,355)
Nonoperating income (expense):		
Write off of accounts payable	0	27,247
Interest expense	(38,019)	(33,198)
Other income, net	514	468
	(37,505)	(5,483)
(Loss) before income taxes	(63,250)	(40,838)
Income tax expense (benefit)	0	0
Net (loss)	($63,250)	($40,838)
Loss per common share	($0.01)	($0.01)

See Notes to Financial Statements.

INTERACTIVE GROUP, INC.

STATEMENT OF STOCKHOLDERS' DEFICIT
Three months ended December 31, 2001
(Unaudited)

	Series A Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total
Balance, September 30, 2001	$ 2,000	$ 5,276	$ 8,054,967	($9,366,717)	($1,304,474)
Net (loss)	-	-	-	(63,250)	(63,250)
Balance, December 31, 2001	$ 2,000	$ 5,276	$ 8,054,967	($9,429,967)	($1,367,724)

See Notes to Financial Statements.

INTERACTIVE GROUP, INC.

STATEMENTS OF CASH FLOWS
Three Months Ended December 31, 2001 and 2000
(Unaudited)

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	($63,250)	($40,838)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Depreciation	37	2,341
Change in assets and liabilities:		
(Increase) in receivables	(712)	(960)
Decrease in inventories	60	180
Decrease in prepaid expenses and other assets	50	200
(Decrease) in accounts payable	(1,175)	(12,327)
Increase in accrued expenses	38,128	32,519
Net cash (used in) operating activities	(26,862)	(18,885)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from related party	29,598	17,689
Principal payments on long term debt	(1,000)	(500)
Net cash provided by financing activities	28,598	17,189
Net increase (decrease) in cash	1,736	(1,696)
CASH		
Beginning	271	1,952
Ending	$ 2,007	$ 256
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	$ 0	$ 0
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Issuance of common stock for satisfaction of accounts payable	-	$ 10,500

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1. INTERIM FINANCIAL STATEMENTS

The financial information presented has been prepared from the books and records without audit but, in the opinion of management, includes all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the financial information for the periods presented. The results of operations for the three months ended December 31, 2001, are not necessarily indicative of the results expected for the entire year.

NOTE 2. INCOME TAXES

Deferred taxes are provided on an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

At December 31, 2001, the Company has for tax reporting purposes approximately $15,000 in unused research and development credits and a net operating loss carryforward of approximately $7,811,000 available to be offset against future federal taxable income or income tax liabilities. These carryforwards expire in varying amounts in years ending September 30, 2008 through 2021. The Company has recorded a full valuation allowance on the deferred tax assets due to lack of assurance that the tax benefits can be realized. Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that deductible temporary differences and carryforwards are expected to be available to reduce taxable income.

NOTE 3. LOSS PER COMMON AND COMMON EQUIVALENT SHARE

The loss per common and common equivalent share has been computed using the weighted average of the number of shares outstanding for the three months ended December 31, 2001 and 2000. Securities that could potentially dilute basic earnings per share in the future that were not included in the computation of diluted earnings per share for the three months ended December 31, 2001, because to do so would have been antidilutive, are as follows: 20,000,000 shares of common stock issuable upon the conversion of Series A preferred stock, 44,834 shares of common stock issuable upon the exercise of options, and 1,000,000 shares of common stock issuable upon the exercise of stock warrants. Securities that could potentially dilute basic earnings per share in the future that were not included in the computation of diluted earnings per share for the three months ended December 31, 2000, because to do so would have been antidilutive are as follows: 20,000,000 shares of common stock issuable upon the conversion of Series B preferred stock, 226,010 shares of common stock issuable upon the conversion of Series A preferred stock, 83,834 shares of common stock issuable upon the exercise of options, and 1,000,000 shares of common stock issuable upon the exercise of stock warrants. All references to (loss) per share in the financial statements are to basic (loss) per share. Diluted (loss) per share is the same as basic (loss) per share for all per share amounts presented. The weighted number of common and common equivalent shares outstanding for the three months ended December 31, 2001 and 2000 was 5,276,039 and 5,144,747, respectively.

NOTE 4. NOTES PAYABLE

At December 31, 2001 and September 30, 2001, the Company had a $500,000 note payable to Torrey Pines Research, Inc. (TPR), a related party, that is due on demand. The note was originally to a bank and was assumed by TPR on behalf of the Company as a result of its guarantee of the loan. The note to TPR bears interest at the rate of 13.6% and is secured by substantially all the assets of the Company. In connection with the assumption of the loan, TPR received 1,000,000 restricted common stock warrants that each represent the right to purchase one share of common stock at $.50. The warrants expire one year following satisfaction of the note.

NOTE 5. MANAGEMENT'S PLANS

The Company has sustained operating losses for several years and its current liabilities exceeded current assets at December 31, 2001. Continued operations of the Company are dependent upon the Company's ability to meet its existing debt requirements on a continuing basis. Management's plans in this regard are to increase its revenues by providing Internet consulting services with the assistance of TPR and generating cash through private investments or loans. There can be no assurance that TPR will provide such assistance or any other support to the Company.

NOTE 6. CAPITAL STOCK AND REINCORPORATION

On January 19, 2001, InterActive Inc.'s shareholders approved a proposal to change InterActive Inc.'s state of incorporation from South Dakota to Delaware (the "Reincorporation"). The Reincorporation was consummated by merging InterActive Inc. into a wholly-owned Delaware subsidiary, InterActive Group, Inc. which was newly formed for this purpose. As a consequence of the Reincorporation, among other things, all of the previously outstanding shares of InterActive Inc.'s common stock at the Reincorporation date (5,162,138 total shares) were automatically converted on a one-for-one basis into shares of the common stock of the Company, and each share of InterActive Inc.'s series A preferred stock (113,901 total shares) was converted automatically into one share of the common stock of the Company. In addition, all outstanding options and warrants to purchase shares of InterActive Inc.'s common stock (83,834 shares issuable upon the exercise of options and 1,000,000 shares issuable upon the exercise of stock warrants) were converted into options or warrants, as the case may be, to purchase the same number of shares of the common stock of the Company, at the same price per share and on the same terms and conditions. InterActive Inc.'s outstanding series B preferred stock (2,000,000 total shares) was also converted automatically as a consequence of the Reincorporation into an equal number of shares of series A preferred stock of the Company having the same rights, preferences, privileges and restrictions as InterActive Inc.'s outstanding series B preferred stock formerly had.

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

RESULTS OF OPERATIONS

Revenue. Net sales for the three months ended December 31, 2001 and 2000 were $1,352 and $5,200, respectively. The Company's decrease in sales is attributable to less demand for its SoundXchange product.

Gross Profit. Gross profit decreased 74% to $1,292 for the three months ended December 31, 2001 from $5,200 for the three months ended December 31, 2000, as a result of the lower level of sales.

Selling expenses. Selling expenses for the three months ended December 31, 2001 and 2000 were $3,000 and $5,000, respectively. The decrease in selling expenses was primarily due to decreased emphasis on sales of the Company's SoundXchange products during the period.

General and administrative. General and administrative expenses for the three months ended December 31, 2001 and 2000 were $24,000 and $35,000, respectively. The decrease in the three month period ended December 31, 2001 from same period in the previous year is primarily due to an increased effort on the Company's behalf to decrease expenses.

Depreciation. Depreciation expense for the three months ended December 31, 2001 and 2000 was $37 and $2,000, respectively. The decrease in depreciation expense was mainly due to reclassifying land, building, and improvements as held for sale during fiscal year 2001 and the ceasing of depreciation on such assets at that time.

Nonoperating (expense). Nonoperating (expense) for the three months ended December 31, 2001 and 2000 was ($38,000) and ($5,000) respectively. The increase in nonoperating expense is mainly due to the decrease in the write off of accounts payable.

Net Loss. The Company suffered a net loss for the three months ended December 31, 2001 of $63,000 or $0.01 per share on 5,276,039 weighted average shares outstanding compared to a net loss for the three months ended December 31, 2000 of $41,000 or $0.01 per share on 5,144,747 weighted average shares outstanding. The increase in net loss compared to the same period in 2000 was primarily due to the write off of accounts payable recorded as income in 2000.

LIQUIDITY AND CAPITAL RESOURCES

The Company has sustained operating losses for several years and its current liabilities exceeded current assets at December 31, 2001. In addition, the Company has total stockholders' deficit of $1,367,724 as of December 31, 2001. Continued operations of the Company are dependent upon the Company's ability to meet its existing debt requirements on a continuing basis. Management's plans in this regard are to increase its revenues by providing Internet consulting services with the assistance of TPR and generating cash through private investments or loans. There can be no assurance that TPR will provide such assistance or any other support to the Company. The Company has several judgments against it and more had been threatened as a result of the Company's inability to pay its obligations to its unsecured creditors.

Management believes that the largest challenges that the Company will confront are in its attempt to achieve increases in revenues and profitability in the future. While the Company is optimistic about the possibility of its overcoming these challenges and achieving its goals, there can be no assurance that it will be able to achieve any or all of its objectives.

PART II OTHER INFORMATION

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

The Company has at December 31, 2001 a note in the amount of $20,000, which was due to an individual on November 30, 1995 and is collateralized by substantially all assets of the Company and subordinated to certain senior secured debt. The note bears interest at the rate of 15% and has accrued interest of $41,905 at December 31, 2001.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 10, 2002

INTERACTIVE GROUP, INC.

/s/ Robert Stahl

Robert Stahl
President, Secretary