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: March 31, 2000

[ ] 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 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 No .X

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: 5,062,138 shares at May 8, 2000

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

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Item 1. Financial Statements (unaudited)

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INTERACTIVE INC.
BALANCE SHEETS

ASSETS	3/31/2000 Unaudited	9/30/1999
Current Assets		
Cash	$ 760	$ 124
Accounts receivable	1,540	11,300
Inventories	13,806	14,295
Prepaid expenses and other assets	752	627
Total current assets	16,858	26,346
Property and Equipment, at cost		
Building and improvements	107,216	107,216
Equipment	11,019	10,277
	118,235	117,493
Less accumulated depreciation	65,669	61,546
	52,566	55,947
Total assets	$ 69,424	$ 82,293
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Notes payable, related party	$ 500,000	$ 500,000
Current maturities of long-term debt	25,000	22,000
Accounts payable	153,253	154,520
Accounts payable, related parties	55,474	14,625
Accrued expenses	51,504	47,076
Accrued expenses, related parties	351,598	297,172
Total current liabilities	1,136,829	1,035,393
Long-term Debt, less current maturities	39,000	43,000
Stockholders' Deficit		
Series A preferred stock, $.001 par value; authorized 5,000,000 shares; issued and outstanding 113,901 shares: total liquidation preference of outstanding shares $172,069	114	114
Series B preferred stock, $.001 par value; authorized 2,000,000 shares; issued and oustanding 2,000,000 shares; total liquidation preference of outstanding shares $300,000	2,000	2,000
Common stock, $.001 par value; authorized 10,000,000 shares; 5,062,138 and 4,912,138 issued and outstanding at March 31, 2000 and September 30, 1999	5,062	4,912
Additional paid-in capital	8,044,567	8,040,217
Accumulated deficit	(9,158,148)	(9,043,343)
Total stockholders' deficit	(1,106,405)	(996,100)
Total liabilities and stockholders' deficit	$ 69,424	$ 82,293

See Notes to Financial Statements.

INTERACTIVE INC.
STATEMENTS OF OPERATIONS
Six and Three Months Ended March 31, 2000 and 1999
(Unaudited)

	Six months ended March 31, 2000	Six months ended March 31, 1999	Three months ended March 31, 2000	Three months ended March 31, 1999
Net sales	$ 11,615	$ 17,040	$ 6,600	$ 8,342
Cost of goods sold	510	945	246	237
Gross profit	11,105	16,095	6,354	8,105
Operating expenses				
Selling	25,914	26,328	12,200	12,019
General and administrative	43,603	15,448	19,651	6,501
	69,517	41,776	31,851	18,520
Operating (loss)	(58,412)	(25,681)	(25,497)	(10,415)
Nonoperating income (expense):				
Interest expense	(58,013)	(15,865)	(29,229)	(5,612)
Other income	1,620	715	634	383
	(56,393)	(15,150)	(28,595)	(5,229)
(Loss) before income taxes	(114,805)	(40,831)	(54,092)	(15,644)
Income tax expenses	-	-	-	-
Net (loss)	$(114,805)	$(40,831)	$(54,092)	$(15,644)
Loss per common share	$ (0.02)	$ (0.01)	$ (0.01)	$ 0.00

See Notes to Financial Statements

INTERACTIVE INC.
STATEMENT OF STOCKHOLDERS' DEFICIT
Six months ended March 31, 2000
(Unaudited)

	Series A Preferred Stock	Series B Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total
Balance, September 30, 1999	$ 114	$ 2,000	$4,912	$8,040,217	$(9,043,343)	$ (996,100)
Issuance of common stock for satisfaction of accounts payable			150	4,350		4,500
Net loss					(114,805)	(114,805)
Balance, March 31, 2000	$ 114	$ 2,000	$5,062	$8,044,567	$(9,158,148)	$(1,106,405)

INTERACTIVE INC.
STATEMENTS OF CASH FLOWS
Six Months Ended March 31, 2000 and 1999
(Unaudited)

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	$(114,805)	$(40,831)
Adjustments to reconcile net (loss) to net cash provided by operating activities:		
Depreciation	4,123	3,386
Issuance of common stock for services	-	48
Change in assets and liabilities:		
Decrease in accounts receivable	9,760	2,005
Decrease in inventories	489	462
(Increase) decrease in prepaid expenses and other assets	(125)	415
Increase in accounts payable	44,082	17,649
Increase in accrued expenses	58,854	18,123
Net cash provided by operating activities	2,378	1,257
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for equipment	(742)	0
Net cash (used in) investing activities	(742)	0
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(1,000)	0
Net cash (used in) financing activities	(1,000)	0
Net increase in cash	636	1,257
CASH		
Beginning	124	1,018
Ending	$ 760	$ 2,275
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	$ 80	$ 0
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Issuance of common stock for satisfaction of accounts payable	$ 4,500	$ 94,148

See Notes to Financial Statements.

INTERACTIVE INC.
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 six months ended March 31, 2000, are not necessarily indicative of the results expected for the entire year.

NOTE 2. INCOME TAXES

Deferred taxes are provided on a 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 March 31, 2000, the Company has for tax reporting purposes approximately $15,000 in unused research and development credits and a net operating loss carryforward of approximately $7,569,000 available to be offset against future federal taxable income or income tax liabilities. These carryforwards expire in varying amounts in years ending September 30, 2000 through 2020. 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 six and three months ended March 31, 2000 and 1999. 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 six month and three month periods ended March 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, 221,620 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. 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 six month and three month periods ended March 31, 1999, because to do so would have been antidilutive are as follows: 146,117 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 six and three months ended March 31, 2000 are 4,980,345 and 5,048,551 respectively and for the six and three months ended March 31, 1999 are 3,275,580 and 3,214,976 respectively.

NOTE 4. NOTES PAYABLE

At March 31, 2000 and September 30, 1999, 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 a variable rate of interest (compounded at 13.6% as of March 31, 2000) 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. OTHER STOCK MATTERS

Series A preferred stock: The series A preferred stock has a liquidation
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preference before common stock ($1.35 to $1.80 per share). Such stock is nonvoting, has no dividend provisions, and is convertible into common stock on a share for share basis with antidilution provisions if additional common stock were to be issued at less than the preferred stock's liquidation preference.

Series B preferred stock: The series B preferred stock has a liquidation
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preference before common stock of $.15 per share. The stock is voting for the same number of shares in which it is entitled to be converted. The stock is convertible into common stock on a ten to one share basis with a provision for this conversion ratio to be adjusted if certain events occur.

NOTE 6. CONTINUATION OF OPERATIONS

The Company has sustained operating losses for several years and its current liabilities exceeded current assets at March 31, 2000 and September 30, 1999. Continued operations of the Company are dependent upon the Company's ability to meet its debt requirements on a continuing basis and its ability to generate profitable future operations. Management is formulating plans in this regard The Company expects to finance its entry into new markets primarily through providing consulting services with the assistance of TPR Group and its affiliates (TPR), related parties, 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.

Substantially all of the Company's accounts payable are several years past due. The company does not anticipate making any payments on these obligations in the near term. The Company has several judgments against it and several more threatened as a result of its inability to pay its obligations to its unsecured creditors.

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

RESULTS OF OPERATIONS

Revenue. Net sales were $6,600 and $11,615 for the three and six months ended March 31, 2000 compared to $8,342 and $17,040 for the three and six month period ended March 31, 1999. The Company's decrease in sales is attributable mainly to less demand for its SoundXchange Model K.

Gross Profit. Gross profit decreased 22% to $6,354 for the three months ended March 31, 2000 from $8,105 for the three months ended March 31, 1999. Gross profit decreased 31% to $11,105 from $16,095 for the six months ended March 31, 2000.

Selling expenses. Selling expenses increased to $12,200 for the three months ended March 31, 2000 from $12,019 for the three months ended March 31, 1999. Selling expenses decreased to $25,914 for the six months ended March 31, 2000 from $26,328 for the six months ended March 31,1999.

General and administrative. General and administrative expenses increased to $19,651 and $43,603 for the three and six months ended March 31, 2000 from $6,501 and $15,448 for the three and six months ended March 31, 1999. The increases from the previous year are primarily due to expenses associated with the Company's fiscal year end audit for the year ending September 30, 1999.

Depreciation. Depreciation expense for the three months ended March 31,2000 and 1999 were $2,066 and 1,590 respectively. Depreciation expense for the six months ended March 31, 2000 and 1999 were $4,123 and $3,386 respectively.

Nonoperating (expense). Nonoperating (expense) for the three months ended March 31, 2000 and March 31, 1999 were ($28,595) and ($5,229) respectively. Nonoperating (expense) for the six months ended March 31, 2000 and 1999 were ($56,393) and ($15,510) respectively. The increase in nonoperating expense is mainly due to increased interest accruals.

Net Loss. Net loss for the three months ended March 31, 2000 of was $54,092 or ($0.01) per share on 5,048,551 weighted average shares outstanding compared to a net loss for the three months ended March 31, 1999 of $15,644 or ($0.00) per share on 3,214,976 weighted average shares outstanding. Net loss for the six months ended March 31, 2000 was $114,805 or ($0.02) per share on 4,980,345 weighted average shares outstanding compared to a net loss for the six months ended March 31, 1999 of $40,831 or ($0.01) per share on 3,275,580 weighted average shares outstanding. The increase in losses was due largely to expenses associated with the Company's year-end audit at September 30, 1999 and an increase in interest accruals.

LIQUIDITY AND CAPITAL RESOURCES

The Company has sustained operating losses for several years and its current liabilities exceeded current assets at March 31, 2000. Continued operations of the Company are dependent upon the Company's ability to meet its existing debt requirements on a continuing basis and its ability to generate profitable future operations during fiscal year 2000. Management is formulating plans in this regard which are expected to include providing 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 threatened as a result of its inability to pay its obligations to its unsecured creditors.

Management believes that the largest challenges that the Company will confront during 2000 are in its attempt to achieve increases in revenues and profitability during fiscal 2000. 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 for fiscal 2000.

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES

During the quarter ended March 31, 2000, 50,000 shares of restricted common stock were issued in satisfaction of accounts payable. As a result of the issuance of this stock, $50 was included in common stock and $1,450 was included in additional paid-in-capital in the accompanying financial statements.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

The Company has at March 31, 2000 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. The note is subordinated to certain other senior secured notes. The note bears interest at the rate of 15% and has accrued interest of $28,314.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

Financial Data Schedule

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: May 10, 2000

INTERACTIVE INC.

/s/ Robert Stahl

Robert Stahl
President

/s/ Gerard L. Kappenman

Gerard L. Kappenman
Secretary

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