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: June 30, 2002

[ ] 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)

Delaware	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 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 August 10, 2002

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

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PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

INTERACTIVE GROUP, INC.

BALANCE SHEETS

ASSETS	6/30/2002 Unaudited	9/30/2001
Current Assets		
Cash	$ 56,781	$ 271
Accounts receivable	72	640
Inventories	12,336	5,925
Prepaid expenses and other assets	493	628
Land, building and improvements held for sale	-	38,395
Total current assets	69,682	45,859
Property and Equipment, at cost		
Land, building and improvements less accumulated depreciation of $70,119 at June 30, 2002	33,521	-
Equipment, less accumulated depreciation of $10,821 and $10,573 at June 30, 2002 and September 30, 2001	1,883	446
	35,404	446
Total assets	$ 105,086	$ 46,305
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Notes payable, related parties	$ 600,000	$ 500,000
Current maturities of long-term debt	6,000	26,000
Accounts payable	21,672	8,789
Accounts payable, related parties	225,179	171,238
Accrued expenses	28,398	67,777
Accrued expenses, related parties	660,797	543,975
Total current liabilities	1,542,046	1,317,779
Long-term Debt, less current maturities	29,000	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 at June 30, 2002 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	(9,528,203)	(9,366,717)
Total stockholders' deficit	(1,465,960)	(1,304,474)
Total liabilities and stockholders' deficit	$ 105,086	$ 46,305

See Notes to Financial Statements.

INTERACTIVE GROUP, INC.

STATEMENT OF STOCKHOLDERS' DEFICIT
Nine months ended June 30, 2002
(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	-	-	-	(161,486)	(161,486)
Balance, June 30, 2002	$ 2,000	$ 5,276	$ 8,054,967	$ (9,528,203)	$(1,465,960)

INTERACTIVE GROUP, INC.

STATEMENTS OF OPERATIONS
Nine and Three Months Ended June 30, 2002 and 2001
(Unaudited)

	Nine months ended June 30, 2002	Nine months ended June 30, 2001	Three months ended June 30, 2002	Three months ended June 30, 2001
Net sales	$ 2,177	$ 8,592	$ 270	$ 3,297
Cost of goods sold	84	336	9	150
Gross profit	2,093	8,256	261	3,147
Operating expenses				
Selling	30,392	19,913	19,622	6,676
General and administrative	68,744	64,745	29,510	11,989
	99,136	84,658	49,132	18,665
Operating (loss)	(97,043)	(76,402)	(48,871)	(15,518)
Nonoperating income (expense):				
Write off of accounts payable and debt, net	51,626	52,921	2,770	18,263
Interest expense	(117,142)	(102,959)	(42,151)	(35,418)
Other income, net	1,073	1,565	169	25
	(64,443)	(48,473)	(39,212)	(17,130)
(Loss) before income taxes	(161,486)	(124,875)	(88,083)	(32,648)
Income tax expense (benefit)	0	0	0	0
Net (loss)	$ (161,486)	$ (124,875)	$ (88,083)	$ (32,648)
Loss per common share	$ (0.03)	$ (0.02)	$ (0.02)	$ (0.01)

See Notes to Financial Statements.

INTERACTIVE GROUP, INC.

STATEMENTS OF CASH FLOWS
Nine Months Ended June 30, 2002 and 2001
(Unaudited)

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	$(161,486)	$(124,875)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Depreciation	5,112	4,115
Write off of accounts payable and debt, net	(51,626)	-
Change in assets and liabilities:		
Decrease in accounts receivable	568	1,280
Decrease (increase) in inventories	(6,411)	336
Decrease in prepaid expenses and other assets	135	478
Increase (decrease) in accounts payable	15,653	(51,581)
Increase in accrued expenses	106,299	103,117
Net cash (used in) operating activities	(91,756)	(67,130)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,675)	-
Net cash (used in) investing activities	(1,675)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from related party	53,941	68,671
Proceeds from related party loan	100,000	-
Principal payments on long-term debt	(4,000)	(2,500)
Net cash provided by financing activities	149,941	66,171
Net increase (decrease) in cash	56,510	(959)
CASH		
Beginning	271	1,952
Ending	$ 56,781	$ 993
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	$ -	$ -
Income tax	-	-
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Issuance of common stock for satisfaction of accounts payable	$ -	$ 10,500

See Notes to Financial Statements.

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 nine months ended June 30, 2002, 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 June 30, 2002, the Company has for tax reporting purposes approximately $15,000 in unused research and development credits and a net operating loss carryforward of approximately $8,038,000 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 2022. 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 nine and three months ended June 30, 2002 and 2001. 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 nine month and three month periods ended June 30, 2002, 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. In addition, the 3,800,000 stock options contingently issuable under the agreements with three independent sales consultants and any shares which may be issuable upon conversion of the Bluestem Capital Partners III Limited Partnership note payable described in Note 4, are not included in diluted earnings per share. 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 nine month and three month periods ended June 30, 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. 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 nine and three months ended June 30, 2002 and 2001were 5,276,039.

NOTE 4. NOTES PAYABLE

At June 30, 2002 and September 30, 2001, the Company had a $500,000 note payable to Old TPR, Inc. (TPR), a related party, that is due on demand. The note was originally to a bank and was assumed by TPR in a prior year 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.

During fiscal 2002, the Company has entered into an agreement with Bluestem Capital Partners III Limited Partnership (Bluestem), a related party. Under the terms of a subordinated convertible note, Bluestem loaned the Company the sum of $100,000 with interest to accrue at the rate of 10% per year. The note is payable April 20, 2003, unless previously converted. If the loan is converted, it would be converted into Company stock, at a number of shares to be agreed upon by the parties. Repayment of the loan is expressly subordinated to payment in full of any and all Senior Indebtedness (as defined in the convertible note) of the Company.

NOTE 5. RECLASSIFICATION

The Company reclassified land, building and improvements from being held for sale to being held and used during the quarter ending June 30, 2002, and adjusted the carrying amount of the related assets to their carrying amount before being classified as held for sale, adjusted for any depreciation expense that would have been recognized had the assets been continuously classified as held and used.

NOTE 6. MANAGEMENT'S PLANS

The Company has sustained operating losses for several years and its current liabilities exceeded current assets at June 30, 2002. 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 developing a security products division with the assistance of TPR Group (TPRG), a related party. In April 2002, the Company announced that it created a Carlsbad Security Products Division (CSPD). This division was formed to develop, market and sell networked monitoring and security systems. These systems incorporate third party security components, such as digital video recorders and video cameras, together with the Company's SoundXchange products and proprietary software. The Company has signed agreements with three independent sales consultants, which are expected to assist the Company in exchange for a total of 3,800,000 nonqualified stock options which are only exercisable upon the achievement of minimum gross margin performance criteria of the Company as defined in the respective stock option agreement with each independent sales consultant of the Company to build sales and support capabilities for InterActive's networked monitoring and security systems. The Company has recently begun marketing its two initial digital security systems, one targeted to POS (Point of Sale) markets and one targeted to markets requiring more sophisticated system integration of digital security products. The Company will also continue efforts to generate cash through private investments or loans.

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

RESULTS OF OPERATIONS

Revenue. Net sales were $270 and $2,177 for the three and nine months ended June 30, 2002 compared to $3,297 and $8,592 for the three and nine month period ended June 30, 2001. The Company's decrease in sales is attributable mainly to less emphasis on sales of its SoundXchange product.

Gross Profit. Gross profit decreased 92% to $261 for the three months ended June 30, 2002 from $3,147 for the three months ended June 30, 2001. Gross profit decreased 75% to $2,093 for the nine months ended June 30, 2002 from $8,256 for the nine months ended June 30, 2001. The decrease in the three and nine month period ended June 30, 2002 was due to less emphasis on the sale of the Company's SoundXchange product during the period.

Selling expenses. Selling expenses increased to $19,622 for the three months ended June 30, 2002 from $6,676 for the three months ended June 30, 2001. Selling expenses increased to $30,392 for the nine months ended June 30, 2002 from $19,913 for the nine months ended June 30, 2001. This increase was primarily due to the Company's efforts to begin selling digital security products. See also "Liquidity and Capital Resources" section below.

General and administrative. General and administrative expenses were $29,510 and $68,744 for the three and nine months ended June 30, 2002 and $11,989 and $64,745 for the three and nine months ended June 30, 2001. The increase from the previous periods is primarily due to increased costs in support of the Company's efforts to enter new markets.

Depreciation. Depreciation expense for the three months ended June 30, 2002 and 2001 was $5,011 and $0, respectively. Depreciation expense for the nine months ended June 30, 2002 and 2001 was $5,112 and $4,115, respectively. The increase in depreciation expense was mainly due to reclassifying land, building, and improvements from being held for sale to being held and used during the quarter ending June 30, 2002 and adjusting the carrying amount of the related assets to their carrying amount before being classified as held for sale, adjusted for any depreciation expense that would have been recognized had the assets been continuously classified as held and used.

Nonoperating (expense). Nonoperating (expense) for the three months ended June 30, 2002 and June 30, 2001 was ($39,212) and ($17,130), respectively. Nonoperating (expense) for the nine months ended June 30, 2002 and 2001 was ($64,443) and ($48,473), respectively. The increase in nonoperating expense is mainly due to an increase in interest expense to the Company as a result of the additional related party loan.

Net Loss. Net loss for the three months ended June 30, 2002 was $80,583 or $0.02 per share compared to a net loss for the three months ended June 30, 2001 of $32,648 or ($0.01) per share. Net loss for the nine months ended June 30, 2002 was $153,986 or ($0.03) per share compared to a net loss for the nine months ended June 30, 2001 of $124,875 or ($0.02) per share. The increase in losses was due largely to increase in expense associated with the Company's effort to develop and market its new digital security related products.

LIQUIDITY AND CAPITAL RESOURCES

The Company has sustained operating losses for several years and its current liabilities exceeded current assets at June 30, 2002. 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 developing a security products division with the assistance of TPRG. In April 2002, the Company announced that it created Carlsbad Security Products Division. This division was formed to develop, market and sell networked monitoring and security systems. These systems incorporate third party security components, such as digital video recorders and video cameras, together with the Company's SoundXchange products and proprietary software. The Company has signed agreements with three independent sales consultants, which are expected to assist the Company, in exchange for a total of 3,800,000 nonqualified stock options which are only exercisable upon the achievement of minimum gross margin performance criteria of the Company as defined in the respective stock option agreement with each independent sales consultant of the Company to build sales and support capabilities for InterActive's networked monitoring and security systems. The Company has begun marketing its two initial digital security systems, one targeted to POS (Point of Sale) markets and one targeted to markets requiring more sophisticated system integration of digital security products. The Company will also continue efforts to generate cash through private investments or loans.

During fiscal 2002, the Company has entered into an agreement with Bluestem, a related party. Under the terms of a subordinated convertible note, Bluestem loaned the Company the sum of $100,000 with interest to accrue at the rate of 10% per year. The note is payable April 20, 2003, unless previously converted. If the loan is converted, it would be converted into Company stock, at a number of shares to be agreed upon by the parties. Repayment of the loan is expressly subordinated to payment in full of any and all Senior Indebtedness (as defined in the convertible note) of the Company. The Company is in process of negotiating with related parties for future financing for the Company, There can be no assurance that these negotiations will be successful.

The Company has approximately $9,000 in past due accounts payable with judgments against these amounts. The Company is in the process of negotiating to try to resolve these debts and corresponding judgments.

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 6.EXHIBITS AND REPORTS ON FORM 8-K

a. EXHIBIT 99.1 PRINCIPAL OFFICERS CERTIFICATION

b. NO REPORTS ON FORM 8-K HAVE BEEN FILED DURING THE QUARTER FOR WHICH THIS REPORT IS FILED

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: August 15, 2002

INTERACTIVE INC.

/s/ Robert Stahl

Robert Stahl
President and Secretary

EXHIBIT 99.1

Certification pursuant to 18 U. S. C. Section 1350
as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10QSB of InterActive Group, Inc. (the Company) for the quarterly period ending June 30, 2002, each of the following hereby certifies, in Accordance with U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of the Company, that, to his knowledge the 10QSB Report fully complies with Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operation of the Company.

/s/ Robert J. Stahl
- --------------------
Robert J. Stahl
President, Secretary
August 15, 2002

/s/ William Hanson
- -------------------
William Hanson
Vice President
August 15, 2002

This certification accompanies this Report Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the SarbanesOxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Act of 1934, as amended.