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, 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 July 31, 2000

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

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INTERACTIVE INC.
BALANCE SHEETS

ASSETS	6/30/2000 Unaudited	9/30/1999
Current Assets		
Cash	$ 546	$ 124
Accounts receivable	1,556	11,300
Inventories	13,596	14,295
Prepaid expenses and other assets	455	627
Total current assets	16,153	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	67,736	61,546
	50,499	55,947
Total assets	$ 66,652	$ 82,293
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Notes payable, related party	$ 500,000	$ 500,000
Current maturities of long-term debt	23,000	22,000
Accounts payable	155,440	154,520
Accounts payable, related parties	73,276	14,625
Accrued expenses	53,987	47,076
Accrued expenses, related parties	384,405	297,172
Total current liabilities	1,190,108	1,035,393
Long-Term Debt, less current maturities	40,500	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 shares issued and outstanding at June 30, 2000 and September 30, 1999	5,062	4,912
Additional paid-in capital	8,044,567	8,040,217
Accumulated deficit	(9,215,699)	(9,043,343)
Total stockholders' deficit	(1,163,956)	(996,100)
Total liabilities and stockholders' deficit	$ 66,652	$ 82,293

See Notes to Financial Statements.

INTERACTIVE INC.
STATEMENTS OF OPERATIONS
Nine and Three Months Ended June 30, 2000 and 1999
(Unaudited)

	Nine months ended June 30, 2000	Nine months ended June 30, 1999	Three months ended June 30, 2000	Three months ended June 30, 1999
Net sales	$ 16,442	$ 26,103	$ 4,827	$ 9,063
Cost of goods sold	720	1,861	210	916
Gross profit	15,722	24,242	4,617	8,147
Operating expenses:				
Selling	37,433	29,367	11,519	3,039
General and administrative	59,869	34,066	16,266	18,618
	97,302	63,433	27,785	21,657
Operating (loss)	(81,580)	(39,191)	(23,168)	(13,510)
Nonoperating income (expense):				
Write off of accounts payable	-	52,898	-	52,898
Other income	2,027	839	407	124
Debt conversion expense	-	(260,560)	-	(260,560)
Interest expense	(92,803)	(78,816)	(34,790)	(62,951)
	(90,776)	(285,639)	(34,383)	(270,489)
(Loss) before income taxes	(172,356)	(324,830)	(57,551)	(283,999)
Income tax expenses	-	-	-	-
(Loss) before extraordinary income	(172,356)	(324,830)	(57,551)	(283,999)
Extraordinary income, gain on settlement of liabilities	-	961,462	-	961,462
Net income (loss)	$(172,356)	$ 636,632	$ (57,551)	$ 677,463
Earnings (loss) per common share				
(Loss) before extraordinary income	$ (0.03)	$ (0.09)	$ (0.01)	$ (0.07)
Extraordinary income	-	0.27	-	0.23
Net income (loss)	$ (0.03)	$ 0.18	$ (0.01)	$ 0.16

See Notes to Financial Statements

INTERACTIVE INC.
STATEMENT OF STOCKHOLDERS' DEFICIT
Nine months ended June 30, 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					(172,356)	(172,356)
Balance, June 30, 2000	$ 114	$ 2,000	$5,062	$8,044,567	$(9,215,699)	$(1,163,956)

See Notes to Financial Statements.

INTERACTIVE INC.
STATEMENTS OF CASH FLOWS
Nine Months Ended June 30, 2000 and 1999
(Unaudited)

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$(172,356)	$ 636,632
Adjustments to reconcile net income (loss) to net cash (used in) operating activities:		
Depreciation	6,190	6,650
Issuance of common stock for services	-	330
Gain on settlement of Company liabilities	-	(961,462)
Debt conversion expense settled by issuance of stock	-	260,560
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	9,744	(279)
Decrease in inventories	699	2,069
Decrease in prepaid expenses and other assets	172	622
Increase (decrease) in accounts payable	2,419	(62,478)
Increase in accrued expenses	94,144	82,669
Net cash (used in) operating activities	(58,988)	(34,687)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for equipment	(742)	-
Net cash (used in) investing activities	(742)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from TPR	61,652	-
Net borrowings on related party notes payable	-	35,820
Principal payments on long-term borrowings	(1,500)	(1,000)
Net cash provided by (used in) financing activities	60,152	34,820
Net increase in cash	422	133
CASH		
Beginning	124	1,018
Ending	$ 546	$ 1,151
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	$ 80	$ 106
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Issuance of common stock for satisfaction of liabilities:		
Accounts payable - related parties	$ -	$ 303,450
Accounts payable	4,500	882,435
Accrued expenses, other than interest - related parties	-	32,516
Notes payable and long-term debt - related parties	-	41,000
Notes payable and long-term debt	-	245,435
Accrued interest on notes payable and long-term debt	-	64,920
Issuance of Series B preferred stock for satisfaction of Company liabilities:		
Notes payable and long-term debt - related parties	-	252,824
Accrued interest on notes payable and long-term debt - related parties	-	75,940

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, 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 June 30, 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 $7,626,000 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 and income taxes.

NOTE 3. EARNINGS (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE

The earnings (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, 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 nine month and three month periods ended June 30, 2000, because to do so would have been antidilutive to the loss before extraordinary income 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 nine month and three month periods ended June 30, 1999, 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, 215,053 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 earnings (loss) per share in the financial statements are to basic earnings (loss) per share. Diluted earnings (loss) per share is the same as basic earnings (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, 2000 are 5,007,411 and 5,062,138 respectively and for the nine and three months ended June 30, 1999 are 3,568,160 and 4,209,569 respectively.

NOTE 4. SETTLEMENT OF LIABILITIES

In 1999 the Company issued 1,686,162 shares of common stock (of which 581,773 shares were issued to related parties, including shareholders) to settle certain accrued expenses, accounts payable, notes payable and long-term debt totaling $1,569,756 (of which $575,162 was payable to related parties, including shareholders). The common stock issued to nonrelated party creditors to settle liabilities was recorded at fair value. The difference between the fair value of the common stock issued and the carrying amount of the liabilities settled was recognized as a gain on restructuring of liabilities and classified as an extraordinary item. The common stock issued to related parties was recorded at the carrying amount of the liabilities and no gain was recognized on common stock issued to related parties. Included in the above amount was $296,298 of accounts payable due to Torrey Pines Research, Inc. and its affiliates (TPR) a related party, which was settled through the issuance of 296,298 shares of common stock.

Under the terms of an agreement between the Company and TPR in connection with the debt restructuring described above, TPR agreed to pay in cash on behalf of the Company certain operating and other expenses of the Company up to $50,000, and also forgive $213,500 of debt and $75,940 of related accrued interest, all of which was secured by a first lien on all of the Company's assets, in exchange for 2,000,000 shares of Series B preferred stock. At September 30, 1998, the Company also had a $4,000 loan from TPR. During 1999, the Company received an additional $35,324 from TPR and issued 2,000,000 shares of Series B preferred stock (convertible to 20,000,000 shares of common stock) to TPR in settlement of the above amounts due. The Company recorded the settlement of these obligations at the fair value of the equivalent common shares issued (assumed for these purposes to be 3 cents per share, an aggregate of $600,000). The estimated fair value of the stock issued in excess of debt and accrued interest forgiven and cash advanced, which excess totaled $260,560, is reflected in the statement of operations as debt conversion expense.

NOTE 5. NOTES PAYABLE

At June 30, 2000 and September 30, 1999, the Company had a $500,000 note payable to 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 June 30, 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 6. OTHER STOCK MATTERS

Series A preferred stock: The series A preferred stock has a liquidation 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 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 7. CONTINUATION OF OPERATIONS

The Company has sustained operating losses for several years and its current liabilities exceeded current assets at June 30, 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 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 $4,827 and $16,442 for the three and nine months ended June 30, 2000 compared to $9,063 and $26,103 for the three and nine month period ended June 30, 1999. The Company's decrease in sales is attributable mainly to less demand for its SoundXchange Model K.

Gross Profit. Gross profit decreased 43% to $4,617 for the three months ended June 30, 2000 from $8,147 for the three months ended June 30, 1999. Gross profit decreased 35% to $15,722 from $24,242 for the nine months ended June 30, 2000.

Selling expenses. Selling expenses increased to $11,519 for the three months ended June 30, 2000 from $3,039 for the three months ended June 30, 1999. Selling expenses increased to $37,433 for the nine months ended June 30, 2000 from $29,367 for the nine months ended June 30,1999. The main reason for the increase in selling expenses was due to more emphasis put on sales than in 1999 when the Company's primary focus was to restructure its debt.

General and administrative. General and administrative expenses were $16,266 and $59,869 for the three and nine months ended June 30, 2000 and were $18,618 and $34,066 for the three and nine months ended June 30, 1999. The changes 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 June 30, 2000 and 1999 was $2,067 and $2,030 respectively. Depreciation expense for the nine months ended June 30, 2000 and 1999 was $6,190 and $6,650 respectively.

Nonoperating (expense). Nonoperating (expense) for the three months ended June 30, 2000 and June 30, 1999 was ($34,383) and ($270,489) respectively. Nonoperating (expense) for the nine months ended June 30, 2000 and 1999 was ($90,776) and ($285,639) respectively. The decrease in nonoperating expense is mainly due to debt conversion expense in 1999.

Net Gain (Loss). Net income (loss) for the three months ended June 30, 2000 was ($57,551) or ($0.01) per share on 5,062,138 weighted average shares outstanding compared to a net gain for the three months ended June 30, 1999 of $677,463 or $0.16 per share on 4,209,569 weighted average shares outstanding. Net loss for the nine months ended June 30, 2000 was ($172,356) or ($0.03) per share on 5,007,411 weighted average shares outstanding compared to a net gain for the nine months ended June 30, 1999 of $636,632 or $0.18 per share on 3,568,160 weighted average shares outstanding. The increase in losses in 2000 was due largely to an extraordinary gain realized on settlement of liabilities in 1999.

LIQUIDITY AND CAPITAL RESOURCES

The Company has sustained operating losses for several years and its current liabilities exceeded current assets at June 30, 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 does not believe that it will be able to achieve increases in revenues and profitability during fiscal 2000. The Company is optimistic about the possibility of its overcoming these challenges and achieving its goals during fiscal 2001.

PART II. OTHER INFORMATION

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

The Company has at June 30, 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 $30,126.

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: August 10, 2000

INTERACTIVE INC.

/s/ Robert Stahl

Robert Stahl
President

/s/ Gerard L. Kappenman

Gerard L. Kappenman
Secretary

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