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, 1999

[ ] 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: 5,012,138 shares at January 19, 2000

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

INTERACTIVE INC.
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PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

INTERACTIVE INC.

BALANCE SHEETS

ASSETS	12/31/1999 Unaudited	09/30/1999
Current Assets		
Cash	$ 126	$ 124
Accounts receivable	1,059	11,300
Inventories	14,051	14,295
Prepaid expenses and other assets	691	627
Total current assets	15,927	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	63,602	61,546
	54,633	55,947
Total assets	$ 70,560	$ 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	155,333	154,520
Accounts payable, related parties	31,178	14,625
Accrued expenses	49,188	47,076
Accrued expenses, related parties	324,174	297,172
Total current liabilities	1,084,873	1,035,393
Long-term Debt, less current maturities	39,500	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; 5,012,138 and 4,912,138 issued and outstanding at December 31, 1999 and September 30, 1999	5,012	4,912
Additional paid-in capital	8,043,117	8,040,217
Accumulated deficit	(9,104,056)	(9,043,343)
Total stockholders' deficit	(1,053,813)	(996,100)
Total liabilities and stockholders' deficit	$ 70,560	$ 82,293

See Notes to Financial Statements.

INTERACTIVE INC.

STATEMENTS OF OPERATIONS
Three Months Ended December 31, 1999 and 1998
(Unaudited)

	1999	1998
Net sales	$ 5,015	$ 8,609
Cost of goods sold	264	708
Gross profit	4,751	7,901
Operating expenses		
Selling	13,714	14,310
General and administrative	23,952	8,929
	37,666	23,239
Operating (loss)	(32,915)	(15,338)
Nonoperating income (expense):		
Interest expense	(28,784)	(10,253)
Other income	986	332
Nonoperating (expense):	(27,798)	(9,921)
Net (loss)	$(60,712)	$(25,259)
Loss per common share	$ (0.01)	$ (0.01)

See Notes to Financial Statements

INTERACTIVE INC.

STATEMENT OF STOCKHOLDERS' EQUITY
Three months ended December 31, 1999
(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 services			100	2,900		3,000
Net loss					(60,713)	(60,713)
Balance, December 31, 1999	$ 114	$ 2,000	$ 5,012	$ 8,043,117	$ (9,104,056)	$(1,053,813)

See Notes to Financial Statements.

INTERACTIVE INC.

STATEMENTS OF CASH FLOWS
Three Months Ended December 31, 1999 and 1998
(Unaudited)

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	$(60,713)	$(25,259)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Depreciation	2,056	1,769
Issuance of common stock for services	3,000	-
Change in assets and liabilities:		
Decrease in receivables	10,241	2,261
Decrease in inventories	244	225
Decrease (increase) in prepaid expenses and other assets	(64)	208
Increase in accounts payable	813	4,689
Increase in accounts payable, related parties	16,553	-
Increase in accrued expenses	29,114	10,640
Net cash provided by (used in) operating activities	1,244	(5,467)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for equipment	(742)	0
Net cash (used in) investing activities	(742)	0
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan payable, related party	-	5,383
Principal payments on long term debt	(500)	-
Net cash provided by (used in) financing activities	(500)	5,383
Net increase (decrease) in cash	2	(84)
CASH		
Beginning	124	1,018
Ending	$ 126	$ 934
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	$ 272	$ -

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 three months ended December 31, 1999, 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 December 31, 1999, the Company has for tax reporting purposes approximately $15,000 in unused research and development credits and a net operating loss carryforward of approximately $7,514,000 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 three months ended December 31, 1999 and 1998. Securities that could potentially dilute basic earnings per share in the future that were not included in the computation of diluted earnings per share, at December 31, 1999 and 1998, 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 (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, 1999 and 1998 are 4,931,493 and 3,214,976 respectively.

NOTE 4. NOTES PAYABLE

At December 31, 1999, the Company has 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. 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. The note to TPR bears interest at a variable rate of interest (compounded at 13.6% as of December 31, 1999).

NOTE 5. 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.

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, 1999 and 1998 were $5,000 and $8,600, respectively. The Company's decrease in sales is attributable mainly to less demand for its SoundXchange Model K.

Gross Profit. The gross margin for the three months ended December 31, 1999 was approximately 95%, up from a gross margin of 92% for the three months ended December 31, 1998.

Sales and marketing expenses. Sales and marketing expenses for the three months ended December 31, 1999 and 1998 were $14,000 and $14,000, respectively.

Research and development. There were no research and development expenses for the three months ended December 31, 1999 and 1998.

General and administrative. General and administrative expenses for the three months ended December 31, 1999 and 1998 were $24,000 and $9,000, respectively. The increase from the previous year is 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 December 31, 1999 and 1998 were $2,000 and $2,000, respectively.

Nonoperating income (expense). Nonoperating income (expense) for the three months ended December 31, 1999 and 1998 were ($28,000) and ($10,000) respectively. The increase in nonoperating expense is mainly due to increased interest accruals.

Net Loss. The Company suffered a net loss for the three months ended December 31, 1999 of $61,000 or $0.01 per share on 4,931,493 weighted average shares outstanding compared to a net loss for the three months ended December 31, 1998 of $25,000 or $0.01 per share on 3,214,976 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 December 31, 1999. 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 entry into multimedia markets. In addition, the Company plans to increase revenue generated through varying methods of Internet sales. The Company expects to finance its entry into these 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. 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.

As of the date of the filing of this 10QSB, the Company has not experienced any year 2000 problems. The Company's management does not believe that there will be any material effects on the Company's business, results of operations or financial condition. The Company operates on a stand-alone PC, which the manufacturer has represented to be year 2000 compliant and the SoundXchange product manufactured by the Company does not require software; therefore, Company management believes the risk of the year 2000 affecting these products is remote.

PART II OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES

During the quarter ended December 31, 1999, a director of the Company was compensated for his services as CEO through the issuance of 100,000 shares of restricted common stock. As a result of the issuance of this stock, $100 was included in common stock and $2,900 was included in additional paid-in-capital in the accompanying financial statements.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

The Company has at December 31, 1999 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 bears interest at the rate of 15% and has accrued interest of $25,968.

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: February 4, 2000

INTERACTIVE INC.

/s/ Robert Stahl

Robert Stahl
President

/s/ Gerard L. Kappenman

Gerard L. Kappenman
Secretary

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OCT-01-1999
DEC-31-1999
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