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, 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 .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: 5,162,138 shares at February 13, 2001

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

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INTERACTIVE INC.

BALANCE SHEETS

ASSETS	12/31/2000 Unaudited	9/30/2000
Current Assets		
Cash	$ 256	$ 1,952
Accounts receivable	2,240	1,280
Inventories	12,042	12,222
Prepaid expenses and other assets	428	628
Total current assets	14,966	16,082
Property and Equipment, at cost		
Land, building and improvements	107,216	107,216
Equipment	11,019	11,019
	118,235	118,235
Less accumulated depreciation	71,509	69,168
	46,726	49,067
Total assets	$ 61,692	$ 65,149
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Notes payable, related party	$ 500,000	$ 500,000
Current maturities of long-term debt	25,000	24,000
Accounts payable	50,749	63,076
Accounts payable, related parties	104,794	97,605
Accrued expenses	59,799	57,823
Accrued expenses, related parties	443,341	412,798
Total current liabilities	1,183,683	1,155,302
Long-Term Debt, less current maturities	37,500	39,000
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; 5,162,138 and 5,062,138 issued and outstanding at December 31, 2000 and September 30, 2000	5,162	5,062
Additional paid-in capital	8,054,967	8,044,567
Accumulated deficit	(9,221,734)	(9,180,896)
Total stockholders' deficit	(1,159,491)	(1,129,153)
Total liabilities and stockholders' deficit	$ 61,692	$ 65,149

See Notes to Financial Statements.

INTERACTIVE INC.

STATEMENTS OF OPERATIONS
Three Months Ended December 31, 2000 and 1999
(Unaudited)

	2000	1999
Net sales	$ 5,200	$ 5,015
Cost of goods sold	180	264
Gross profit	5,020	4,751
Operating expenses		
Selling	4,938	13,714
General and administrative	35,437	23,952
	40,375	37,666
Operating (loss)	(35,355)	(32,915)
Nonoperating income (expense):		
Write off of accounts payable	27,247	0
Interest expense	(33,198)	(28,784)
Other income, net	468	986
(Loss) before income taxes	(5,483)	(27,798)
Income tax expense	0	0
Net (loss)	$(40,838)	$(60,713)
Loss per common share	$ (0.01)	$ (0.01)

See Notes to Financial Statements

INTERACTIVE INC.

STATEMENT OF STOCKHOLDERS' DEFICIT
Three months ended December 31, 2000
(Unaudited)

	Series A Preferred Stock	Series B Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total
Balance, September 30, 2000	$ 114	$ 2,000	$ 5,062	$ 8,044,567	$ (9,180,896)	$(1,129,153)
Issuance of common stock for satisfaction of accounts payable			100	10,400		10,500
Net loss					(40,838)	(40,838)
Balance, December 31, 2000	$ 114	$ 2,000	$ 5,162	$ 8,054,967	$ (9,221,734)	$(1,159,491)

See Notes to Financial Statements.

INTERACTIVE INC.

STATEMENTS OF CASH FLOWS
Three Months Ended December 31, 2000 and 1999
(Unaudited)

	2000	0 1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	$(40,838)	$(60,713)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Depreciation	2,341	2,056
Issuance of common stock for services	0	3,000
Changes in working capital components:		
(Increase) decrease in receivables	(960)	10,241
Decrease in inventories	180	244
Decrease (increase) in prepaid expenses and other assets	200	(64)
Increase (decrease) in accounts payable	(12,327)	813
Increase in accrued expenses	32,519	29,114
Net cash (used in) operating activities	(18,885)	(15,309)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	0	(742)
Net cash investing activities	0	(742)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from related party	17,689	16,553
Principal payments on long term debt	(500)	(500)
Net cash provided by (used in) financing activities	17,189	16,053
Net increase (decrease) in cash	(1,696)	2
CASH		
Beginning	1,952	124
Ending	$ 256	$ 126
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	$ 0	$ 272
Cash payments for income tax	0	0
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Issuance of common stock for satisfaction of accounts payable	$ 10,500	$ 0

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, 2000, 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, 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 $7,618,000 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 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, 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, at December 31, 2000 and 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, 226,010 and 219,442 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, 2000 and 1999 are 5,144,747 and 4,931,493 respectively.

NOTE 4. NOTES PAYABLE

At December 31, 2000, 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, 2000).

NOTE 5. OTHER STOCK MATTERS

At December 31, 2000, shares of two series of the Company's authorized preferred stock were issued and were outstanding, Series A preferred stock and series B preferred stock.

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. Such stock is entitled to vote, casting one vote for each share into which it is convertible. 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.

See Note 6 below for a description of the effect of the Reincorporation of the Company on these preferred shares.

NOTE 6. SUBSEQUENT EVENT.

On January 19, 2001, the Company's shareholders approved a proposal to change the Company's state of incorporation from South Dakota to Delaware (the "Reincorporation"). The Reincorporation was consummated by merging the Company 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 the Company's common stock were automatically converted on a one-for-one basis into shares of the common stock of InterActive Delaware, and each share of the Company's series A preferred stock was converted automatically into one share of the common stock of InterActive Delaware. In addition, all outstanding options and warrants to purchase shares of the Company's common stock were converted into options or warrants, as the case may be, to purchase the same number of shares of the common stock of InterActive Delaware, at the same price per share and on the same terms and conditions. The Company's outstanding series B preferred stock was also converted automatically as a consequence of the Reincorporation into an equal number of shares of the series A preferred stock of InterActive Delaware having the same rights, preferences, privileges and restrictions as the Company's outstanding series B preferred stock currently has.

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, 2000 and 1999 were $5,000.

Gross Profit. The gross margins for the three months ended December 31, 2000 and 1999, were approximately 97% and 95%, respectively.

Selling expenses. Selling expenses for the three months ended December 31, 2000 and 1999 were $5,000 and $14,000, 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, 2000 and 1999 were $35,000 and $24,000, respectively. The increase was primarily due to the Company's decision to reincorporate in Delaware and associated costs.

Depreciation. Depreciation expense for the three months ended December 31, 2000 and 1999 was $2,000.

Nonoperating (expense). Nonoperating (expense) for the three months ended December 31, 2000 and 1999 was ($5,000) and ($28,000) respectively. The decrease in nonoperating expense is mainly due to a write off of certain accounts payable.

Net Loss. The Company suffered 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 compared to 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.

LIQUIDITY AND CAPITAL RESOURCES

The Company has sustained operating losses for several years and its current liabilities exceeded current assets at December 31, 2000. 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 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.

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

At December 31, 2000, the Company had outstanding 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 subordinated to certain senior secured debt. The note bears interest at the rate of 15% and has accrued interest of $33,332 at December 31,2000.

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 12, 2001 INTERACTIVE INC.

/s/ Robert Stahl

Robert Stahl
President

/s/ Gerard L. Kappenman

Gerard L. Kappenman
Secretary