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, 2001

[ ] 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

(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 July 31, 2001

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

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PART II. OTHER INFORMATION

INTERACTIVE GROUP, INC.
BALANCE SHEETS

ASSETS	6/30/2001 Unaudited	9/30/2000
Current Assets		
Cash	$ 993	$ 1,952
Accounts receivable	0	1,280
Inventories	11,886	12,222
Prepaid expenses and other assets	150	628
Land, building and improvements held for sale	44,952	0
Total current assets	57,981	16,082
Property and Equipment, at cost		
Land, building and improvements, less accumulated depreciation of $58,744 at September 30, 2000	0	48,472
Equipment, less accumulated depreciation of $11,019 and $10,424 at June 30, 2001 and September 30, 2000	0	595
	0	49,067
Total assets	$ 57,981	$ 65,149
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Note payable, related party	$ 500,000	$ 500,000
Current maturities of long-term debt	26,000	24,000
Accounts payable	11,495	63,076
Accounts payable, related parties	155,776	97,605
Accrued expenses	65,102	57,823
Accrued expenses, related parties	508,636	412,798
Total current liabilities	1,267,009	1,155,302
Long-term Debt, less current maturities	34,500	39,000
Stockholders' Deficit		
Series A preferred stock, 2,000,000 and 113,901 shares issued at June 30, 2001 and September 30, 2000, liquidation preference of outstanding shares at June 30, 2001 of $300,000	2,000	114
Series B preferred stock, 2,000,000 shares issued at September 30, 2000	0	2,000
Common stock, 5,276,039 and 5,062,138 shares issued at June 30, 2001 and September 30, 2000	5,276	5,062
Additional paid-in capital	8,054,967	8,044,567
Accumulated deficit	(9,305,771)	(9,180,896)
Total stockholders' deficit	(1,243,528)	(1,129,153)
Total liabilities and stockholders' deficit	$ 57,981	$ 65,149

See Notes to Financial Statements.

INTERACTIVE GROUP, INC.
STATEMENTS OF OPERATIONS
Nine and Three Months Ended June 30, 2001 and 2000
(Unaudited)

	Nine months ended June 30, 2001	Nine months ended June 30, 2000	Three months ended June 30, 2001	Three months ended June 30, 2000
Net sales	$ 8,592	$ 16,442	$ 3,297	$ 4,827
Cost of goods sold	336	720	150	210
Gross profit	8,256	15,722	3,147	4,617
Operating expenses				
Selling	19,913	37,433	6,676	11,519
General and administrative	64,745	59,869	11,989	16,266
	84,658	97,302	18,665	27,785
Operating (loss)	(76,402)	(81,580)	(15,518)	(23,168)
Nonoperating income (expense):				
Write off of accounts payable	52,921	0	18,263	0
Interest expense	(102,959)	(92,803)	(35,418)	(34,790)
Other income, net	1,565	2,027	25	407
	(48,473)	(90,776)	(17,130)	(34,383)
(Loss) before income taxes	(124,875)	(172,356)	(32,648)	(57,551)
Income tax expense (benefit)	0	0	0	0
Net (loss)	$ (124,875)	$(172,356)	$(32,648)	$(57,551)
Loss per common share	$ (0.02)	$ (0.03)	$ (0.01)	$ (0.01)

See Notes to Financial Statements.

INTERACTIVE GROUP, INC.
STATEMENT OF STOCKHOLDERS' DEFICIT
Nine months ended June 30, 2001
(Unaudited)

	Series A Preferred Stock	Series B Preferred Stock	Additional Common Stock	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	0	0	100	10,400	0	10,500
Conversion of Series A Preferred stock to common stock	(114)	0	114	0	0	0
Conversion of Series B Preferred stock to Series A Preferred stock	2,000	(2,000)	0	0	0	0
Net loss	0	0	0	0	(124,875)	(124,875)
Balance, June0, 2001	$ 2,000	$ 0	$ 5,276	$8,054,967	$ (9,305,771)	$(1,243,528)

See Notes to Financial Statements.

INTERACTIVE GROUP, INC.
STATEMENTS OF CASH FLOWS
Nine Months Ended June 30, 2001 and 2000
(Unaudited)

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	$(124,875)	$ (172,356)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Depreciation	4,115	6,190
Change in assets and liabilities:		
Decrease in accounts receivable	1,280	9,744
Decrease in inventories	336	699
Decrease in prepaid expenses and other assets	478	172
Increase (decrease) in accounts payable	(51,581)	2,419
Increase in accrued expenses	103,117	94,144
Net cash (used in) operating activities	(67,130)	(58,988)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	0	(742)
Net cash (used in) investing activities	0	(742)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from related party	68,671	61,652
Principal payments on long-term debt	(2,500)	(1,500)
Net cash provided by financing activities	66,171	60,152
Net increase (decrease) in cash	(959)	422
CASH		
Beginning	1,952	124
Ending	$ 993	$ 546
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	$ 0	$ 80
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Issuance of common stock for satisfaction of accounts payable	$ 10,500	$ 4,500

See Notes to Financial Statements.

INTERACTIVE GROUP, 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 nine months ended June 30, 2001, 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, 2001, the Company has for tax reporting purposes approximately $15,000 in unused research and development credits and a net operating loss carryforward of approximately $7,702,000 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 2021. 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, 2001 and 2000. 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. 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 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. 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, 2001 are 5,276,039 and 5,276,039 respectively and for the nine and three months ended June 30, 2000 are 5,007,411 and 5,062,138 respectively.

NOTE 4. NOTES PAYABLE

At June 30, 2001 and September 30, 2000, 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 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.

NOTE 5. MANAGEMENT'S PLANS

The Company has sustained operating losses for several years and its current liabilities exceeded current assets at June 30, 2001. 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 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.

NOTE 6. CAPITAL STOCK AND REINCORPORATION

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 (5,162,138 total shares) were automatically converted on a one-for-one basis into shares of the common stock of InterActive Group, Inc., and each share of the Company's series A preferred stock (113,901 total shares) was converted automatically into one share of the common stock of InterActive Group, Inc. In addition, all outstanding options and warrants to purchase shares of the Company's common stock (83,834 shares issuable upon the exercise of options and 1,000,000 shares issuable upon the exercise of stock warrants) were converted into options or warrants, as the case may be, to purchase the same number of shares of the common stock of InterActive Group, Inc., 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 series A preferred stock (2,000,000 total shares) of InterActive Group, Inc. having the same rights, preferences, privileges and restrictions as the Company's outstanding series B preferred stock formerly had.

Capital stock consists of the following at June 30, 2001:

Series A convertible preferred stock, voting, $.001 par value, authorized 2,000,000 shares; issued and outstanding 2,000,000 shares, liquidation preference of outstanding shares at June 30, 2001 of $300,000	$2,000
Common stock, voting, $.001 par value, authorized 50,000,000 shares; issued and outstanding 5,276,039 shares	5,276

Capital stock consisted of the following at September 30, 2000:

Series A preferred stock, voting, $.001 par value; authorized 5,000,000 shares; issued and outstanding 113,901 shares	$ 114
Series B preferred stock, voting, $.001 par value; authorized 2,000,000 shares; issued and outstanding 2,000,000 shares	2,000
Common stock, voting, $.001 par value, authorized 10,000,000 shares; issued and outstanding 5,062,138 shares	5,062

The authorized capital stock of InterActive Group, Inc. consists of 50,000,000 shares of common stock, $.001 par value, and 10,000,000 shares of preferred Stock, $.001 par value. The Board of Directors of InterActive Group, Inc. is authorized, subject to the limitations prescribed by law and the provisions of its certificate of incorporation, to provide for the issuance of preferred stock in series and to establish the number of shares to be included in each series, and to fix the designation, powers, preferences and rights of the shares of each series and the qualifications, limitations and restrictions thereof.

In addition, the Board of Directors of InterActive Group, Inc. has authorized the creation of one series of preferred stock to be designated as "Series A Convertible Preferred Stock." As a part of the Reincorporation, 2,000,000 shares of Series A convertible preferred stock were outstanding as of June 30, 2001 and are convertible into 20,000,000 shares of common stock, with such conversion rate subject to adjustment from time to time in accordance with the "Certificate of Determination of Series A Convertible Preferred Stock of InterActive Group, Inc." In addition, 600,000 shares of Series B Preferred Stock of InterActive Group, Inc. have been reserved for future issuance to TPR in connection with an agreement with TPR (agreement continued in full force and effect from InterActive Inc.) in which TPR would exchange $500,000 of debt plus accrued interest owing from the Company for 600,000 shares of preferred stock if certain conditions in the agreement are satisfied.

In addition to stock options previously granted by the Company, the Board of Directors of InterActive Group, Inc. has adopted a 2000 Stock Option Plan pursuant to which options to purchase up to 3,000,000 shares of the common stock of InterActive Group, Inc. may be granted. No options had been granted pursuant to this plan as of June 30, 2001.

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

RESULTS OF OPERATIONS

Revenue. Net sales were $3,297 and $8,592 for the three and nine months ended June 30, 2001 compared to $4,827 and $16,442 for the three and nine month period ended June 30, 2000. The Company's decrease in sales is attributable mainly to less demand for its SoundXchange Model K.

Gross Profit. Gross profit decreased 32% to $3,147 for the three months ended June 30, 2001 from $4,617 for the three months ended June 30, 2000. Gross profit decreased 47% to $8,256 from $15,722 for the nine months ended June 30, 2000.

Selling expenses. Selling expenses decreased to $6,676 for the three months ended June 30, 2001 from $11,519 for the three months ended June 30, 2000. Selling expenses decreased to $19,913 for the nine months ended June 30, 2001 from $37,433 for the nine months ended June 30, 2000. 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 were $11,989 and $64,745 for the three and nine months ended June 30, 2001 and $16,266 and $59,869 for the three and nine months ended June 30, 2000. The decrease for the three month period from the previous year is mainly attributable to expenses incurred in 2000 for building maintenance. The increase in the nine month period from the previous year is primarily due to expenses associated with the Company's Reincorporation in Delaware.

Depreciation. Depreciation expense for the three months ended June 30, 2001 and 2000 was $0 and $2,067, respectively. Depreciation expense for the nine months ended June 30, 2001 and 2000 was $4,115 and $6,190, respectively. The decrease in depreciation expense was due to reclassifying the building asset to current assets during the quarter ended March 31, 2001.

Nonoperating (expense). Nonoperating (expense) for the three months ended June 30, 2001 and 2000 was ($17,130) and ($34,383), respectively. Nonoperating (expense) for the nine months ended June 30, 2001 and 2000 was ($48,473) and ($90,776), respectively. The decrease in nonoperating expense is mainly due to a write off of certain accounts payable.

Net Loss. Net loss for the three months ended June 30, 2001 was $32,648 or ($0.01) per share compared to a net loss for the three months ended June 30, 2000 of $57,551 or ($0.01) per share. Net loss for the nine months ended June 30, 2001 was $124,875 or ($0.02) per share compared to a net loss for the nine months ended June 30, 2000 of $172,356 or ($0.03) per share. The decrease in losses was due largely to a write off of certain accounts payable which is included in non-operating income.

LIQUIDITY AND CAPITAL RESOURCES

The Company has sustained operating losses for several years and its current liabilities exceeded current assets at June 30, 2001. 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 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 were threatened as a result of its inability to pay its obligations to its unsecured creditors.

The Company is committed to a plan to sell its building facility if a reasonable offer were to be made by an outside party. To date, no such offer has been tendered.

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

The Company has at June 30, 2001 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 $37,808 at June 30, 2001.

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: July 30, 2001

INTERACTIVE INC.

/s/ Robert Stahl

Robert Stahl
President and Secretary