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ISA INTERNATIONALE INC
Form 10-Q
May 20, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2010

Commission File Number: 001-16423

ISA INTERNATIONALE INC.
(Name of small business registrant in its charter)

Delaware 41-1925647
(State of incorporation) (I.R.S. Employer Identification No.)

2564 Rice Street, St. Paul, MN 55113
(Mailing address of principal executive offices) (Zip Code)

(Issuer's telephone number) (651) 484-9850

Securities registered under Section 12(g) of the Exchange Act:

Title of each class	Name of each exchange on which registered
-----	-----
Common Stock	OTC Bulletin Board

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Sec.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer ☐ Accelerated filer ☐
Non-accelerated filer ☐ Smaller Reporting Company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ☐ No ☒

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State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

On May 19, 2010 there were 23,999,612 shares of the Registrant's common stock, par value \$.0001 per share and 1,251,000 shares of Convertible Preferred Stock, par value \$.0001 per share issued and outstanding. The Convertible Preferred Stock would upon conversion at the option of the holder require the issuance of an additional 12,510,000 shares of common stock.

Transitional Small Business Disclosure Format (check one). Yes ☐ No ☒

ISA INTERNATIONALE INC. FORM 10-Q

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

These condensed consolidated financial statements have been prepared by ISA Internationale Inc. (the Company) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted in accordance with such SEC rules and regulations. In the opinion of management, the accompanying statements contain all adjustments necessary to present fairly the financial position of the Company as of March 31, 2010, and its results of operations, stockholders' equity, and its cash flows for the six month period ended March 31, 2010. The results for these interim periods are not necessarily indicative of the results for the entire year. The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto as a part of the Company's annual report on Form 10-K filed on January 13, 2010.

ISA INTERNATIONALE INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2010 (Unaudited)	September 30, 2009 (Audited)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 34,307	\$ 17,545
Trade receivables	1,081	920
Prepaid expenses	329	723
Contract sale receivable	31,538	-
	-----	-----
Total current assets	67,255	19,188
Fixed Assets		
Office equipment and Property at cost less depreciation	52,336	24,813
	-----	-----
Total fixed assets	52,336	24,813
Other Assets:		
Finance contract receivables, net of collections	287,410	314,423
Notes receivable - non current portion	-	7,600
Deposits - Long term (See note 3)	5,000	5,000
Other assets	10	30
	-----	-----
Total Other Assets	292,420	327,054
	-----	-----
Total Assets	\$ 412,012	\$ 371,055

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	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable - trade and taxes	141,670	117,404
Credit lines payable	16,541	7,932
Notes payable-other	11,132	-
Convertible notes payable - related party	532	812
	-----	-----
Total current liabilities	169,875	126,148
Long Term Liabilities		
Notes payable-other - Long term portion	31,916	-
	-----	-----
Total Liabilities	\$ 201,791	\$ 126,148
	-----	-----
Stockholders' equity:		
Preferred 12% cumulative convertible stock, par value \$.0001		
30,000,000 shares authorized, 1,251,000 shares		
issued and outstanding at March 31, 2010 , 916,000		
shares issued and outstanding at September 30, 2009	125	92
Preferred ISA Acceptance Corporation, par value \$25		
50,000 shares authorized, 22,400 shares issued and		
outstanding at March 31, 2010 and at September 30, 2009	560,000	560,000
Common stock, \$.0001 par value,		
300,000,000 shares authorized; 23,999,612 shares		
issued and outstanding at March 31, 2010		
and at September 30, 2009	2,400	2,400
Additional paid-in capital	10,146,669	9,809,451
Accumulated deficit	(9,961,474)	(9,589,536)
Treasury stock	(537,500)	(537,500)
	-----	-----
Total stockholders' equity	210,221	244,907
	-----	-----
Total liabilities and stockholders' equity	\$ 412,012	\$ 371,055
	=====	=====

The accompanying notes are an integral part of these condensed consolidated financial statements.

ISA INTERNATIONALE INC. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009	Six Months Ended March 31, 2010	Six Months Ended March 31, 2009
	-----	-----	-----	-----
Operating revenue:				
Financing income	81,058	-	95,083	-
Other collection fees	4,715	-	12,834	-
	-----	-----	-----	-----
Total operating revenue	85,773	-	107,917	-
Operating expenses:				
Portfolio collection costs	113,651	30,677	203,518	59,025
General and administrative	97,708	85,312	207,955	190,754
	-----	-----	-----	-----

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Operating expenses	(211,359)	(115,989)	(411,473)	(249,779)
	-----	-----	-----	-----
Operating loss	(125,586)	(115,989)	(303,556)	(249,779)
Other expenses				
Interest (expense)	(3,914)	(22,313)	(8,395)	(40,892)
	-----	-----	-----	-----
Net loss from operations	(129,500)	138,303)	(311,951)	(290,666)
	-----	-----	-----	-----
Net loss	(129,500)	(138,303)	(311,951)	(290,666)
	=====	=====	=====	=====
Dividends to preferred shareholders	(32,282)	(18,050)	(59,988)	(36,500)
Net loss attributable to common shareholders	(161,782)	(156,352)	(371,938)	(327,166)
Basic loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
	=====	=====	=====	=====
Weighted average common Shares outstanding:				
Basic	23,999,612	23,999,612	23,999,612	23,999,612
	=====	=====	=====	=====
Dividends per share of common stock	none	none	none	none
Dividends per share of preferred stock	\$0.05	\$0.05	\$0.06	\$0.06
	=====	=====	=====	=====

The accompanying notes are an integral part of these condensed consolidated financial statements.

ISA INTERNATIONALE INC. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended March 31, 2010	Six Months Ended March 31, 2009
	-----	-----
Cash flows from operating activities:		
Net loss	\$ (311,951)	(290,666)
Adjustments to reconcile net loss from operations to cash flow used in operating activities:		
Depreciation and amortization	3,525	568
Reduction of debt receivable purchase price due to gross collections received	27,013	82,400
Interest contributed to capital	2,252	10,471
Changes in operating assets and liabilities:		
Trade receivables	(161)	176
Prepaid expenses and deposits	395	-

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Accounts payable and accrued expenses	24,265	6,872
Interest accrued-Notes Payable other	-	3,211
	-----	-----
Cash used in operating activities	(254,662)	(186,947)
Cash flows from investing activities:		
Purchase of office equipment	(12,522)	-
Debt receivables purchased	(31,538)	-
Purchase of automobile	(18,505)	-
	-----	-----
Cash provided by investing activities	(62,565)	-
Cash flows from financing activities:		
Proceeds from bank lines of credit	18,028	13,015
Payments for bank lines of credit	(9,419)	-
Proceeds from convertible notes payable - related party	(280)	125,453
Proceeds from notes payable - related party	43,048	70,287
Proceeds from issuance of Preferred Stock	335,000	-
Preferred stock dividend	(59,988)	(36,500)
Proceeds from Notes Receivable	7,600	-
	-----	-----
Cash provided by financing activities	333,989	172,255
	-----	-----
Increase (decrease) in cash and cash equivalents	16,762	(14,692)
Cash at beginning of period	17,545	26,311
	-----	-----
Cash and cash equivalents at end of period	\$ 34,307	11,619
	=====	=====
Non-cash investing in financing transactions:		
Additional paid in capital to related party for indemnification agreement	2,252	10,471
Accrued Preferred stock dividend expense	(59,988)	(36,500)
Proceeds from issuance of ISAT Convertible Preferred stock to related party	335,000	-
	-----	-----
Total non-cash transactions	277,266	(26,029)
	=====	=====

The accompanying notes are an integral part of these condensed consolidated financial statements.

ISA INTERNATIONALE INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1 NATURE OF BUSINESS AND SIGNIFICANT EVENTS

Nature of Business

ISA Internationale Inc. (the Company or ISAI) was incorporated on June 2, 1989, under the laws of the State of Delaware under a former name and became a reporting publicly held corporation on November 15, 1999. On May 8, 1998, Internationale Shopping Alliance Incorporated (Internationale), a Minnesota corporation, was merged with the Company, a Delaware corporation, pursuant to a merger agreement dated April 23, 1998. Upon consummation of the merger, Internationale became a wholly owned subsidiary of the Company. During 2000, the Company sold its International Strategic Assets, Inc. subsidiary and

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discontinued the operations of its ShoptropolisTV.com subsidiary. Since then, reorganization specialists, Doubletree Capital Partners LLC, has internally reorganized the Company's financial affairs and changed its direction to focus on the financial services industry.

These condensed consolidated financial statements include the parent Company, ISA Internationale, Inc., its wholly owned subsidiary, ISA Financial Services, Inc. (formerly ISA Acquisition Corporation), and its wholly owned subsidiary, ISA Acceptance Corporation. The companies resumed operations in September 2005 as a result of a distressed consumer debt purchase agreement which commenced on May 18, 2005, and currently operate as debt collection companies.

In the opinion of management, the condensed consolidated financial statements include all normal recurring adjustments necessary for a fair presentation of the balance sheet of the Company at March 31, 2010 and the results of its operations and cash flows for the six months ended March 31, 2010 and 2009. Results of operations reported for interim periods are not necessarily indicative of results for the entire year and should be read in conjunction with the prior year 10-K.

Critical Accounting Policies

The Company utilizes the cost recovery method under guidance provided by FASB ASC 310 to determine income recognized on finance receivables. The Company has determined we cannot reasonably estimate the timing of the cash flows from our portfolio receivables collections to effectively utilize the interest method of revenue recognition under FASB ASC 310

Under the cost recovery method of revenue recognition, the Company does not recognize revenue until our original investment cost in the portfolio has been recovered by gross collections less write-offs and impairments. No revenue has been reported by the Company since we began collecting on our own portfolios in 2005 because we have not yet fully recovered our investment at cost. Currently our accounting procedure is to reduce the carrying inventory asset value by the gross amount collected before fees and other collection costs are subtracted. Once the portfolio is fully amortized we will begin to report revenue. We will continue to obtain and use appropriate input data including monthly collection data and liquidation rates to evaluate our performance and project future cash flows from our portfolios of receivables.

In the event cash collections are inadequate to amortize the carrying balance and the resulting estimated remaining fair market value of the remaining portfolio debt receivables were to be less than the carrying value, an impairment charge would need to be taken with a corresponding write off of the "impaired" or deficient receivable carrying value with a corresponding charge to profit and loss of the Company at that time.

The Company believes the remaining portfolio debt receivable carrying costs of \$287,410 will be recovered by the Company from future gross collections to be received in the next 60 months commencing from April 1, 2010 and forward or sale of the portfolios. The Company cannot guarantee all of the remaining receivable costs can be recovered due to the aging and future write-offs of the receivables.

On June 30, 2008, the Company purchased an additional \$141,696 of distressed debt portfolio receivables. On July 28, 2008, the Company purchased an

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additional \$230,864 distressed debt receivables and both are included in finance contract receivables on our balance sheet at the net amount including deductions for collections, write-offs, and buybacks.

The agreements to purchase the aforementioned receivables include general representations and warranties from the sellers covering account holder death and accounts settled or disputed prior to sale. The representation and warranty period permitting the return of these accounts from the Company to the seller is typically 90 to 180 days. Any funds received from the seller of debt receivables as a return of purchase price are referred to as buybacks. Buyback funds are simply applied against the debt receivable inventory balance. They are not included in the Company's cash collections from operations nor are they included in the Company's cash collections applied to revenue.

Gains on sale of debt receivables, representing the difference between sales price and the unamortized value of the debt receivables, are recognized when debt receivables are sold.

Changes in company owned portfolio debt receivables for the quarter ended March 31, 2010:

Balance at beginning of period, December 31, 2009	\$ 297,563
Acquisition of debt receivables	25,008
Sale of debt receivables	(23,057)
Cash collections applied to principal	(12,104)

Balance at the end of the period, March 31, 2010	\$ 287,410
	=====
Estimated Remaining Collections ("ERC") (Unaudited)	* \$ 448,750.

The Estimated Remaining Collection refers to the sum of all future projected cash collections from acquired portfolios. ERC is not a balance sheet item, however, it is provided for informational purposes. Under FASB ASC 310 guidance, debt security impairment is recognized only if the fair market value of the debt has declined below its amortizable costs. Currently, no additional amortizable costs are below fair market value.

For our company owned portfolios revenue will be recognized based on FASB ASC 310, if management is reasonably comfortable with expected cash flows. In the event expected cash flows cannot be reasonably estimated, the Company will continue to use the "Recovery Method" under which revenues are only recognized after the initial investment has been recovered.

There was revenue recognized on debt receivables in the amount of \$31,727 for the three months ended March 31, 2010, which consists of the following amounts. During the quarter ended March 31, 2010, the Company purchased a debt portfolio for \$25,007 with face value of \$1,007,000. The company received gross collections in the amount of \$44,698 during the quarter on that portfolio. Prior to March 31, 2010, the seller of the portfolio recalled the remaining uncollected portion of the purchased portfolio and agreed to repay to the Company \$23,556 of the original cost which represents the cost to the Company on accounts not collected upon. As a result the Company received \$23,556 in settlement monies to return the remaining uncollected portfolio to the seller. The Company has recorded income from the portfolio in the amount of \$43,247 after recovery of its original cost.

Note 2 LIQUIDITY AND GOING CONCERN MATTERS

The Company has incurred losses since its inception and, as a result, has an accumulated deficit of \$9,961,474 at March 31, 2010. The net loss for the six month period ended March 31, 2010 from operating activities was \$311,951 compared to a net loss of \$290,666 for the same period last year. The Company issued \$355,000 in Convertible Preferred Stock to convert loans payable to a related party to finance continuing operations for the six month period. As of March 31, 2010, the Company had a principal balance due of \$25,458 in Notes payable to finance portfolio purchases to a related party and \$17,590 in a bank note payable. The Company issued \$335,000 in face value Preferred Stock in a subsidiary to a related party investor to redeem the Notes payable plus accrued interest and additional capital contribution. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern depends upon successfully restructuring its debt, obtaining sufficient financing to maintain adequate liquidity and provide for capital expansion until such time as operations produce positive cash flow. The Company has been in reorganization and at the present time is continuing to establish itself in the debt collection business within the financial services industry. However, there can be no assurance these actions will be successful.

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which assumes continuity of operations and realization of assets and liabilities in the ordinary course of business. The condensed consolidated financial statements do not include any adjustments that might result if the Company was forced to discontinue its operations.

Note 3 BASIS OF PRESENTATION

These financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents:

For purposes of the Statements of Cash Flows, the Company considers liquid investments with an original maturity of three months or less to be cash equivalents.

Management's Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Actual results may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

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Fair Value of Financial Instruments:

The carrying amounts of financial instruments including other current assets, accounts payable and other current liabilities including accounts payable and notes payable approximated fair value because of the immediate short-term maturity of these instruments.

Income Taxes:

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of deferred taxes related primarily to differences between the basis of certain assets and liabilities for financial and tax reporting and net operating loss carry-forwards. Deferred taxes represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

The income tax benefit consists of taxes currently refundable due to net operating loss carry back provisions less the effects of accelerated depreciation for the federal government. 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 the entire deferred tax asset will not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment. The Company has incurred significant net operating losses since its inception but has not reflected any benefit of such net operating loss carry-forwards in the accompanying financial statements.

Earnings (Loss) Per Share:

The Company reports earnings (loss) per share in accordance with FASB Accounting Standards Codification Topic 260 (ASC 260-10), "Earnings Per Share". This statement requires dual presentation of basic and diluted earnings (loss) per share with a reconciliation of the numerator and denominator of the loss per share computations. Basic earnings per share amounts are based on the weighted average shares of common shares outstanding. If applicable, diluted earnings per share assumes the conversion, exercise or issuance of all common stock instruments such as options, warrants and convertible securities, determined by the treasury stock method, unless the effect is to reduce a loss or increase earnings per share. Accordingly, this presentation has been adopted for the period presented. There were no adjustments required for the period presented in the computation of diluted earnings per share.

Fixed Assets:

Fixed assets are recorded at cost and include expenditures that substantially increase the productive lives of the existing assets. Maintenance and repair costs are expensed as incurred. Depreciation is provided using the straight-line method over management prescribed recovery periods. When a fixed asset is disposed of, its cost and related accumulated depreciation are removed from the accounts. The difference between un-depreciated cost and proceeds from disposition is recorded as a gain or loss.

Advertising Costs:

Advertising costs are expensed as incurred. There have been no advertising costs incurred during the periods covered by these financial statements.

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Long-Lived Assets:

In accordance with FASB ASC 360-10, "Property, Plant, and Equipment", the carrying value of long-lived assets is reviewed by management on a regular basis for the existence of facts or circumstances, both internally and externally, that may suggest impairment. Should there be impairment in the future; the Company will recognize the impairment loss as the difference between the carrying amount and fair value of the asset based on discounted expected consolidated future cash flows from the impaired assets.

Contra Account presentation: Reference should be made to note 6 in these notes to financial statements for additional information as to consolidated financial statement presentation at March 31, 2010 for certain defaulted convertible debenture notes payable and related accrued interest.

Stock Based Compensation: No shares of the Company's common stock were issued for consulting services and settlement expenses during the six months ended March 31, 2010. 160,000 additional shares of Convertible Preferred Stock were issued during the quarter to reduce the loans payable, accrued interest and dividends payable to the related party financing company.

Reclassification of Deposits: \$5,000 in Deposits to a vendor was reclassified to Other Assets- Long-Term in the quarter ended December 31, 2009 from being listed as a Current Asset on September 30, 2009.

Note 4 RECENT ACCOUNTING PRONOUNCEMENTS

NEW ACCOUNTING PRONOUNCEMENTS

NOTE 5 STOCK ISSUANCE:

Preferred Stock

As of March 31, 2010, 1,251,000 and 22,400 shares of Convertible Preferred Stock were issued and outstanding with a face value of \$1.00 and \$25 per share, respectively. 335,000 preferred shares were issued to Doubletree Capital Partners, Inc. (DCP) to secure debts and loans made to the Company during the six months ended March 31, 2010.

A subsidiary Company, ISA Acceptance Corporation, issued 22,400 shares of Preferred Stock, par value \$25, during the fourth quarter of 2009 to a related party investor valued at \$560,000 in exchange for promissory notes due the investor plus accrued interest. The loans were used to finance portfolio purchases.

On September 30, 2009, 306,000 preferred shares were issued to DCP for repayment of convertible/secured debt to a related party. The preferred shares are convertible at the rate of one preferred to ten common shares at the option of the holder.

The accumulated deficit for the six months ended March 31, 2010 was adjusted for a dividend distribution of \$59,988 on 12% Convertible Preferred Stock outstanding.

Common Stock

As of March 31, 2010, 23,999,612 shares of common stock were issued and outstanding. No additional shares were issued during the six months ended March 31, 2010.

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Stock Options

There were no stock options issued or exercised during the six months ended March 31, 2010. All outstanding stock options expired as of September 30, 2009.

Note 6 CONVERTIBLE DEBENTURES

The Company issued convertible debentures in a private placement between November 1999 and May 2000. These debentures were convertible at the option of the holder into common stock at \$1.50 per share and bear interest, which is payable quarterly beginning June 30, 2000 at 12%. The debentures had a term of three years and matured between November 2002 and May 2003. The issuance of these debentures included a beneficial conversion feature with intrinsic value resulting from the market price for common stock being greater than the option price. The beneficial conversion feature amounted to \$422,920, which was greater than the proceeds of the related debentures by \$25,000.

The amount of the beneficial conversion feature not exceeding the proceeds from the debentures was recognized as interest expense because the right to convert to common stock is vested upon issuance of the debentures. Accordingly, interest expense for the year ended December 31, 2000 included \$397,920 related to the beneficial conversion feature.

During 2003, the Company extended one previously defaulted \$50,000 convertible debenture to a future due date of March 31, 2006 with interest payable at that date. The interest rate was lowered to 6% per annum. The debenture is convertible into common shares of the Company at the rate of \$3.00 per share at the option of the holder. It is classified as a current liability and has been offset by a contra-indemnification receivable. It is very unlikely the debenture holders would convert their debentures into common stock.

As of March 31, 2010, the Company was in default on the terms of payment of quarterly interest on these debentures amounting to \$191,297. The currently due \$200,000 in convertible debentures principal and related interest has not been paid and is in default. It is the position of the Company this debt was sold to a related financial entity (DLC) and DLC is now responsible for the debt. The statute of limitations has expired on \$150,000 for two of the three defaulted debentures. The remaining defaulted debenture amounting to \$50,000 has a defaulted accrued interest payable of \$21,771 as described below in the Indemnification Agreement - Related Party.

Note 7 Indemnification Agreement - Related Party

On July 1, 2004, the Company approved the issuance of 1,200,000 common shares to an affiliated company, Doubletree Liquidation Corporation (DLC). DLC is a corporation owned 50% by the Company's President and 50% by an affiliated stockholder, whose ownership exceeds, beneficially, 5% of the Company's common stock. The affiliated company, DLC, has issued an indemnification guarantee to the Company wherein it will process, review, and guarantee payment for certain prior Company liabilities (both actual and contingent) that may arise during the four years from June 30, 2004. The Company deemed the value of the transaction to be \$368,045 based upon the consideration given to the Company in the indemnification agreement.

The four years of the agreement have expired, however DLC endeavored to finalize and bring to a conclusion, the payment of prior operation's liabilities. As the remaining liabilities are paid or resolved, the Company will receive such notification of the resolution and may be allowed to reduce

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the carrying value of the indemnification receivable. The remaining unpaid liabilities can be summarized as one defaulted convertible debenture totaling \$50,000. This note is included on the books of the Company along with the

related accrued interest payable in the amount of \$21,771, offset by the contra-indemnification receivable account. The following is a summary of the presentation of these liabilities in the Balance Sheet at March 31, 2010:

Description of debt indemnification:	Current	Long-term
Defaulted convertible debentures payable	\$ 50,000	\$ --
Defaulted accrued interest payable	21,771	--
Less, contra-indemnification receivable	(71,771)	--
Balances per Balance Sheet, at		
March 31, 2010:	\$ --	\$ --
	=====	=====

The Company believes that beyond the \$71,771 referred to above, there will be no additional charge or exposure for past liabilities, contingent or otherwise, to the Company and if any do occur, they will be the responsibility of DLC in accordance with their guarantee to the Company as enumerated in the Indemnification Agreement.

Note 8 CREDIT LINES PAYABLE

During the quarter ended March 31, 2010, the Company borrowed \$18,028 on its available bank credit lines of \$20,000 and paid back \$9,419. The total balance due at March 31, 2010 and September 30, 2009 was \$16,541 and \$7,932, respectively. The interest rate is 12.0% per annum and the lines are payable on demand and unsecured. The lines are personally guaranteed by the Company's President.

Note 9 RELATED PARTY TRANSACTIONS

Convertible or Secured Notes Payable

Two additional notes were incurred in the second quarter. One is a bank note for \$18,125 to finance an automobile purchase and the second note was to a related party in the amount of \$25,007 for financing a new portfolio purchase of credit card receivables. The monthly payments required by this loan agreement have not yet been made in accordance with the terms. Net cash flow for the six months ended March 31, 2010, a total net amount of \$43,048 in funds was loaned to the Company by a related investor loaned 25,458 and also guaranteed a bank loan with a net balance due of 17,590. An entity owned by one of the Company's stockholders loaned \$70,287 for the same six month period last year to finance receivable purchases. Purchases of fixed assets and portfolios, and higher collection costs due to expanded collection operations contributed to the additional capital loan requirements.

As of March 31, 2010 and September 30, 2009, the secured loans totaled \$532 and \$812, respectively and are payable on demand to the financial company, bear interest at the rate of 12% per annum, and are secured by the Company's debt receivable assets for collateral purposes, but are not convertible into common stock of the Company. Interest expense on these notes for the six months ended March 31, 2010 and 2009 amounted to \$4,106 and \$18,579, respectively. The Company issued a 12% short-term secured promissory note for \$532 with the Company's debt receivable assets pledged as collateral on March 31, 2010.

Note 10 SUBSEQUENT EVENTS

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The Company has determined there were no subsequent events warranting additional disclosure or recognition in the financial statements.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Forward Looking Statements

The information herein contains certain "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. Investors are cautioned that all forward looking statements involve risks and uncertainties, including, without limitation, the ability of the Company to continue its present business strategy which will require it to obtain significant additional working capital, changes in costs of doing business, identifying and establishing a means of generating revenues at appropriate margins to achieve profitability, changes in governmental regulations and labor and employee benefits and costs, and general economic and market conditions. Such risks and uncertainties may cause the Company's actual results, levels of activity, performance or achievement to be materially different from those future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements.

Although the Company believes that the assumptions and expectations reflected in these forward looking statements are reasonable, any of the assumptions and expectations could prove inaccurate or not be achieved, and accordingly there can be no assurance the forward looking statements included in this Form 10-Q will prove to be accurate. In view of the significant uncertainties inherent in these forward-looking statements, their inclusion herein should not be regarded as any representation by the Company or any other person that the objectives, plans, and projected business results of the Company will be achieved. Generally, such forward looking statements can be identified by terminology such as "may," "could," "anticipate," "expect," "will," "believes," "intends," "estimates," "plans," or other comparable terminology.

Company History and Overview

ISA Internationale, Inc ("ISAI") was incorporated in Delaware in 1989 under a former name, and was inactive operationally for some time prior to its May 1998 recapitalization through an acquisition with ShoptropolisTV.com, Inc. (f/k/a Internationale Shopping Alliance Inc.), which was a wholly owned subsidiary of ISAI. Shoptropolis was engaged in the development of a multimedia home shopping network generating direct retail sales of varied products from TV viewers and internet shoppers. This subsidiary was acquired when the former shareholders of this subsidiary acquired 89% of the outstanding common stock of ISAI through a stock exchange. ISAI issued 11,772,600 shares of its common stock in exchange for all of the outstanding common stock of ShoptropolisTV.com, Inc.

This merger was effected as a reverse merger for financial statement and operational purposes. Accordingly, ISA regards its inception as being the incorporation of ShoptropolisTV.com, Inc. on October 7, 1997. ISAI sold ShoptropolisTV.com, Inc. on March 29, 2001. In January 1999, the Company redeemed and cancelled 1,650,000 shares held by three of the founding shareholders. No consideration was paid to the founding shareholders for the redemption.

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ISAI incorporated its precious metals subsidiary, International Strategic Assets, Inc., as a Minnesota corporation in March 1999. Its business was direct sales via outbound telemarketing of precious metals consisting mainly of gold and silver coins and bars. ISAI sold International Strategic Assets, Inc. on May 19, 2000 to an individual who was an officer and director of ISAI.

Between December 2000 and through May 2005, the Company was operationally dormant and was actively reorganizing its financial affairs and actively seeking merger or acquisition candidates offering growth and profit potential for its shareholders.

On May 11, 2005, the Company, through its wholly owned subsidiary, ISA Acquisition Corporation, purchased \$36,097,726 of portfolio debt receivables and commenced operations in the troubled debt collection business. Upon a detailed examination of the individual debts and accounts purchased, the Company determined that it should receive replacement debt receivables from the Seller companies due to substitutions and replacement debt considered to be non-collectible, as determined by the Company prior to September 30, 2005. Accordingly, the Company was given and did receive additional consumer debt receivables considered to be replacement debt in the additional net amount of \$7,635,274 bringing the total consumer debt receivable purchase to \$43,733,000 as of September 30, 2005.

The substituted debts, as revised, amount to a larger face value of debt purchased but have the same computed fair market value due to different categories of debts received as well as different ages of the debts. For the most part, the new and revised group of debts received in accordance with the original purchase agreement is now considered to be older in age and of slightly less individual value. The Company, through its third party collection agent, has evaluated this overall debt purchase for its current fair market value, future collectability and net estimated net realizable value in comparison to the original purchase price paid in the amount of \$1,094,900 with the issuance of 1,250,000 of the Company's restricted common shares of stock.

In 2009 and 2010, the Company, through its subsidiary companies, further developed its in-house capabilities to collect debt portfolios in addition to using third party agents. Our staff includes Scott Larson, as a consultant with ISA Financial Services, Inc., a full time attorney, an office administrator and sixteen collectors in collection operations. We have added 8 collectors as employees in the last three months. Mr. Larson has now assumed the lead role in the management of ISAI's two subsidiaries.

Currently, the Company considers itself to be operational but still in a period of financial and structural reorganization. After successful completion of its reorganization efforts, ISAI plans to pursue strategic alternatives that may include the purchase of a business or acquisition by another entity.

At March 31, 2010, the current carrying value of the Company's original purchased debt receivables, net after gross collections from date of original purchase and impairment write downs, is \$287,410. The Company believes this carrying value on its Balance Sheet is a fair carrying value and the amount will be realized from the gross collections received after incurring direct collection costs and third party collection fees.

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Results of Operations for the six months ended March 31, 2010 and 2009.

Sales and Gross Profit

The Company recorded \$95,083 in Third Party collection fee revenue and portfolio collection of our own inventory of debt receivables using the cost recovery method of revenue recognition income for the six months ended March 31, 2010. The Company, in addition to its in-house staff, uses third party collection companies and outside legal firms to assist in the collection efforts on the purchased debt receivables. Net collection receipts from the debt portfolios in the amount of \$53,856 were collected in the six months ended March 31, 2010. This amount has been recorded as a reduction of the purchase price carrying value of the purchased debt receivables up to the inventory cost of the receivable. Any funds received over the inventory cost are booked as revenue. Collection fee revenue from third party contracts was \$33,056 for the six months ended March 31, 2010. \$12,834 was collected for Service income and other fees. Additionally, we booked a net amount of \$8,171 for post dated collections (negotiated promises to pay within the next year) including a reserve for potential uncollectable accounts. The Company believes the net cash flows received from collections on the current inventory of debt receivables will not be sufficient to sustain Company operations in the future. Efforts are being expended to purchase additional debt portfolio receivables for future additional revenues.

Operating Expenses

Operating expenses included collection costs, general and administrative expenses. Other expenses include interest expenses related to short term financing notes, convertible debenture notes and convertible notes payable. Direct collection costs incurred during the two quarters were \$203,518 compared to \$59,025 for the six months ended March 31, 2009 due to expanded operations and employment in our collection operations. General and administrative expenses were \$207,955 for the six months ended March 31, 2010 compared to \$190,754 for six months ended March 31, 2010 due to increased office space rental. Interest expense for the six months ended March 31, 2010 totaled \$8,395 compared to \$40,892 for the six month period ended March 31, 2009 due to reduction in debenture interest accrued and conversion of short term debt to Preferred Stock which pays a dividend.

Additional expenses are being incurred for interest, office, telephone, consulting, and legal and professional expenses relating to the Company's efforts in the growth and development of its direct collection business operations.

Two additional notes were incurred in the second quarter. One is a bank note for \$18,125 to finance an automobile purchase and the second note was to a related party in the amount of \$25,007 for financing a new portfolio purchase of credit card receivables.

Liquidity and Capital Resources

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As of March 31, 2010, the Company had total assets of \$412,012 consisting of \$34,307 in cash, \$1,081 in trade receivables, \$329 in prepaid insurance expense, \$31,538 for a contract sale receivable, \$52,336 in office equipment, furniture, and vehicles net of depreciation, \$287,410 in finance contracts receivables net of collections, and \$5,000 in long-term deposits. It had \$169,875 in current liabilities consisting of \$141,670 in accounts payable and accrued expenses, \$11,132 in notes payable other, \$532 in convertible notes payable related party, and bank credit lines payable totaled \$16,541.

The Company's current capital resources are not sufficient to supports its development and operations. Additional capital will be necessary to support future growth of the Company as well as general and administrative and interest expenditures. The Company will continue its complete reorganization of financial affairs and obligations as well as support its expanded operational in-house collection agency activities required now and as a result of additional debt receivable purchases in 2008 and future debt purchases.

The Company is currently seeking additional sources of debt or equity financing to replace the financing agreement consummated in November 2000 with Doubletree Capital Partners, Inc. Until the reorganization process is fully completed and sources of capital needs are determined and defined, the Company cannot provide assurances as to its future viability or its ability to prevent the possibility of a bankruptcy filing petition either voluntary or involuntary by creditors of the Company.

As a result of the Company's history of operating losses and its need for significant additional capital, the reports of the Company's independent auditors' on the Company's Form 10-K submission for the year ended September 30, 2009, should be read including explanatory paragraphs concerning the Company's ability to continue as a going concern.

Income Tax Benefit

The Company has an income tax benefit from net operating losses, which is available to offset any future operating profits. This benefit has not been recorded in the accompanying financial statements because of the uncertainty of future profits. The ability to utilize the net operating losses may be limited due to ownership changes.

Impact of Inflation

The Company believes that inflation has not had any material effect on its development or operations since its inception in 1997. Furthermore, the Company has no way of knowing if inflation will have any material effect for the foreseeable future. The Company forecasts a more challenging economic environment for its operations in 2010 due to a recessionary economy that is slowly recovering but still has relatively high unemployment in the work force making it difficult for millions to meet their credit obligations.

Prior Business Ventures

With respect to the business strategy of developing and launching a multimedia home shopping network, ISAI had only a very limited operating history on which to base an evaluation of its business and prospects. The Board of Directors decided in December 2000 to sell the Shoptropolis subsidiary and cease development of the home shopping network. All efforts of the Company at the present time have been directed to a complete reorganization of all of its affairs. Therefore, the Company's prospects for new business ventures must be considered in light of the many risks, expenses and difficulties encountered

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frequently by companies in reorganization. Such major risks include, but are not limited to, an evolving business model and the overall effective management of future growth. To address the many startup risks and difficulties the Company has encountered, it must in the future have the ability to successfully execute any of its operational and marketing strategies that it may develop in any new business venture.

There would be no assurance the Company would be successful in addressing the many risks and difficulties it could encounter and the failure to do so would continue to have a material adverse effect on the Company's business, prospects, financial condition and results of any operations it pursues or tries to develop, pending successful reorganization of its financial affairs. There can be no assurance that ISAI can find and attract new capital for any new business ventures and if successful in finding sufficient capital, that it can successfully grow and manage the business or new business venture into a profitable and successful operation. No assurance can be given on any of these developments. The Company will continue to complete its financial reorganization, attempt to develop a successful business in the debt collection business and endeavor to find suitable candidates for merger or acquisition.

History of Losses and Anticipated Further Losses

The Company has generated only limited revenues to date and has an accumulated deficit as of March 31, 2010 of \$9,961,474. Further, the Company expects to continue to incur losses until it generates revenues at appropriate margins to achieve profitability. There can be no assurance the Company will ever generate revenues or that it will achieve profitability or that its future operations will prove commercially successful or that it will establish any means of generating revenues at appropriate margins to achieve profitability.

Need for Additional Financing

The Company's current capital resources are not sufficient to support the Company's anticipated day-to-day operations. As such, the Company must obtain significant additional new capital to support the Company's anticipated day-to-day operations and fully settle the debt incurred by ISAI during its past operations until it establishes a means of generating revenues at appropriate margins to achieve profitability. The Company currently has an agreement with Doubletree Capital Partners, Inc. (hereinafter referred to as the financial company or DCP) to loan the Company, at the financial company's sole discretion, funds to meet its day-to-day operational expense and settle certain debt incurred by ISAI. The financial company is owned by two individuals, one of which is ISAI's current President, CEO and Chairman of the Board of Directors.

The financial company has commenced its best efforts to help the Company resolve, consolidate, and reorganize the Company's present debt structure and contractual liabilities. There is no assurance the financial company will provide the Company any additional capital. Additional financing is contemplated by the Company, but such financing is not guaranteed and is contingent upon pending successful settlement of the Company's problems with various creditors. There is no assurance the Company will be able to obtain additional capital and the necessary additional financing will be available when needed by the Company on terms acceptable to the Company. If the Company is unable to obtain financing sufficient to meet its operating and development needs, the Company will be unable to develop and implement a new business strategy or continue its operations. As a result of the Company's history of operating losses and need for significant additional capital, the Form 10-K

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reports of the Company and notes to consolidated financial statements for the fiscal year ended September 30, 2009, includes an explanatory paragraph concerning the Company's ability to continue as a going concern.

Reliance on Key Personnel

The Company's future success will be dependent upon the ability to attract and retain executive officers, board members, and certain other key persons. The inability to attract such individuals or the loss of services of one or more of such persons would have a material adverse effect on ISAI's ability to implement its current plans or continue its operations. There can be no assurance the Company will be able to attract and retain qualified personnel as needed for its business.

Control By Existing Management

Three principal shareholders, Doubletree Capital Partners, Inc. (DCP), Doubletree Liquidation Corporation and Bernard L. Brodkorb, beneficially own approximately 88.57%, respectively of the Company's outstanding common stock at March 31, 2010. DCP's and Mr. Brodkorb's beneficial ownership includes common stock that can be converted from preferred stock owned by the one principal shareholder as well as similar conversion of convertible loans and related interest due. Brodkorb is a 50% owner of DCP and his beneficial shares represented 100% of DCP's interest. DCP and Brodkorb accordingly have complete control of the business and future development, including the ability to manage all operations, establish all corporate policies, appoint future executive officers, determine management salaries and other compensation, and elect all members of the Board of Directors of ISAI.

Effects of Trading in the Over-the-Counter Market

The Company's common stock is traded in the over-the-counter market on the OTC Electronic Bulletin Board and its stock symbol is ISAT. Consequently, the liquidity of the Company's common stock may be impaired, not only in the number of shares that may be bought and sold, but also through delays in the timing of transactions, and coverage by security analysts and the news media may also be reduced. As a result, prices for shares of the Company's common stock may be lower than might otherwise prevail if the Company's common stock were traded on a national securities exchange or listed on the NASDAQ Stock Market. Further, the recent adoption of new eligibility standards and rules for broker dealers who make a market in shares listed on the OTC Electronic Bulletin Board may limit the number of brokers willing to make a market in the Company's common stock.

Limited Market for Securities

There is a limited trading market for the Company's common stock, which is not listed on any national stock exchange or the NASDAQ stock market. The Company's securities are subject to the "penny stock rules" adopted pursuant to Section 15(g) of the Securities Exchange Act of 1934, which applies to non-NASDAQ companies whose common stock trades at less than \$5 per share or has tangible net worth of less than \$2,000,000. These "penny stock rules" require, among other things, that brokers who sell covered "penny stock" to persons other than "established customers" complete certain documentation, make suitability inquiries of investors and provide investors with certain information concerning trading in the security, including a risk disclosure document and quote information under certain circumstances.

Many brokers have decided not to trade "penny stock" because of the

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requirements of the "penny stock rules" and, as a result, the numbers of broker-dealers willing to act as market makers in such securities are limited. There can be no assurance that an established trading market will develop, the current market will be maintained or a liquid market for the Company's common stock will be available in the future.

Liquidity and Going Concern Matters

The Company has incurred losses since its inception and, as a result, has an accumulated deficit of \$9,961,474 at March 31, 2010. The net loss for the six month period ended March 31, 2010 was \$371,938. The Company currently owes \$141,670 for trade accounts payable and tax liabilities and \$532 for a convertible note payable to a related third party investment company. Bank credit lines as of March 31, 2010 had a balance due of \$16,541. Long Term liabilities amounting to \$31,916 include two notes incurred in the second quarter. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern depends upon successfully restructuring its debt, obtaining sufficient financing to maintain adequate liquidity and provide for capital expansion until such time as operations produce positive cash flow.

The accompanying financial statements have been prepared on a going concern basis, which assumes continuity of operations and realization of assets and liabilities in the ordinary course of business. The financial statements do not include any adjustments that might result if the Company was forced to discontinue its operations. The Company's current plans are to complete its reorganization efforts and expand its direct collection operations. There can be no assurance these actions will be successful.

The Company is in default under the terms of its obligation to make quarterly interest payments on convertible 12% debentures issued between September 1999 and June 2000. These debentures now in default classified as current liabilities totaled \$50,000 in principal and \$21,771 in accrued interest as of March 31, 2010. No interest or principal payments were ever made by the Company on the remaining debentures.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This item is not required for smaller reporting companies.

ITEM 4T. CONTROLS AND PROCEDURES

4.1 Evaluation of Controls and Procedures

The Company's management, under the supervision and with the participation of the Registrant's President, has evaluated the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Rule 13(a)-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act"). This evaluation was done as of the end of the period covered by this quarterly report. Based on that evaluation, the President, CEO, and CFO has concluded that our current disclosure controls and procedures are effective in gathering, analyzing, and disclosing information required to be disclosed by the Company under the Exchange Act as of the end of the period covered by this quarterly report.

4.2 Changes in Internal Controls

There have been no significant changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934) that have occurred during the three month

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period covered by this quarterly report ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Neither has there been any significant change in internal control over financial reporting subsequent to the date of this report.

As a smaller reporting company with a fiscal year end of September 30, the Company must first begin to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404") for the fiscal year ended September 30, 2010. During fiscal years 2006 through 2009 management has reviewed and evaluated the effectiveness, and where necessary, enhanced the Company's internal controls over financial reporting. The Company may engage a third party consultant to assist it with the improvement of such internal controls over financial reporting. This review and any enhancements, if necessary, will likely involve significant time and expense by the Company and its independent auditors. The Company believes the Company's risk of control failure is low due to the financial expertise of its President and the small size of operations. The Company will begin work with independent consultants to comply with the requirement of auditor attestation of our internal controls due with our fiscal year 2010 annual report.

Part II. OTHER INFORMATION

ITEM 1. Legal Proceedings

During the three months ending March 31, 2010, the Company was not sued in or a plaintiff in any new legal matters except in the ordinary course of its operational business to collect purchased debt receivables.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

None during the quarter ended March 31, 2010.

ITEM 3. Defaults Upon Senior Securities

The defaults previously present on the Convertible Debentures as of December 31, 2003 continue as of March 31, 2010, after partial conversions into common stock of the Company. These defaults arose because the Company has missed payment of quarterly interest payments since June 2000. The remaining defaults consist of short-term convertible debt principal amounting to \$50,000. The accrued interest liability due on these notes combined amounting to \$21,771 as of March 31, 2010 has been assumed by an indemnification agreement with a related investment party. (see note 7 in the notes to financial statements).

ITEM 4. Submission of Matters to a Vote of Security Holders

None

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ITEM 5. Other Information

None

ITEM 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

EX-31.1 Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

EX-32.1 Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Form 8-K reports filed during quarter:

none

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ISA INTERNATIONALE INC.

/s/ Bernard L. Brodkorb

By: Bernard L. Brodkorb

President, Chief Executive Officer, and Chief Financial Officer

Date: May 20, 2010

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