ISA INTERNATIONALE INC
Form 10-Q
May 23, 2011

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, 2011

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 [X]

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 [X] 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 [X]

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

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

On May 23, 2011 there were 23,999,612 shares of the Registrant's common stock, par value $.0001 per share and 1,781,000 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 17,810,000 shares of common stock.

Transitional Small Business Disclosure Format (check one). Yes [] No [X]

ISA INTERNATIONALE INC.
FORM 10-Q

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

These 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, 2011, and its results of operations, stockholders' equity, and its cash flows for the six month period ended March 31, 2011. 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 18, 2011. Reference should further be made to Note 10 to these consolidated financial statements for information on corrections to prior period reports for the year ended September 30, 2010 and for the quarter ended December 31, 2010.

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ISA INTERNATIONALE INC.
CONSOLIDATED BALANCE SHEETS

	March 31,2011 (Unaudited)	September 30, 2010 (Unaudited)(1)
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 52,716	$ 41,512
Trade Receivables	963	532
Prepaid expenses	4,500	4,500
Total current assets	58,179	46,544

Fixed Assets		
Fixed assets at cost less depreciation	46,592	50,161
Total fixed assets	46,592	50,161
Other Assets:		
Finance contract receivables, net of collections	247,935	268,389
Deposits - Long term	5,000	5,000
Total other assets	252,935	273,389
Total assets	$ 357,706	$ 370,094
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable - trade and taxes	$ 146,270	$ 168,320
Credit lines payable	18,202	18,447
Notes payable other - current portion	3,462	3,379
Notes payable related party - current portion	33,542	23,311
Convertible notes payable - related party	790	339
Total current liabilities	202,266	213,796
Long Term Liabilities		
Notes payable other - long term portion	10,837	12,589
Notes payable - related party long term portion	48,833	54,676
Total liabilities	261,936	281,061
Stockholders' equity:		
Preferred 12% cumulative convertible stock, par value $.0001 30,000,000 shares authorized, 1,781,000 shares issued and outstanding at March 31, 2011 , 1,489,000 shares issued and outstanding at September 30, 2010	178	149
Preferred ISA Acceptance Corporation, par value $25 50,000 shares authorized, 22,400 shares issued and outstanding at March 31, 2011 and at September 30, 2010	560,000	560,000
Common stock, $.0001 par value, 300,000,000 shares authorized; 23,999,612 shares issued and outstanding at March 31, 2011 and at September 30, 2010	2,400	2,400
Additional paid-in capital	10,679,616	10,386,150
Accumulated deficit	(10,608,924)	(10,322,165)
Treasury stock	(537,500)	(537,500)
Total stockholders' equity	95,770	89,033
Total liabilities and stockholders' equity	$ 357,706	$ 370,094

The accompanying notes are an integral part of these consolidated financial statements.
(1) Refer to note 10 about corrections for the year ended September 30, 2010.

ISA INTERNATIONALE INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	3 Months Ended		6 Months Ended	
	March 31,	March 31,	March 31,	March 31,

	2011	2010	2011	2010
Operating revenue:				
Financing income	$ 191	$ 81,058	$ 1,717	$ 95,083
Third party collections	47,679	-	80,742	-
Other collection fees	22,958	4,715	38,968	12,834
Total operating revenue	70,828	85,773	121,427	107,917
Operating expenses:				
Portfolio collection costs	71,446	113,651	162,612	203,518
General and administrative	53,371	97,708	140,485	207,955
Operating expenses	124,817	211,359	303,097	411,473
Operating loss	(53,989)	(125,586)	(181,670)	(303,556)
Other expenses				
Interest expense	(7,475)	3,914)	(11,022)	(8,395)
Net loss	(61,464)	(129,500)	(192,692)	(311,951)
Dividends to preferred stockholders	(49,029)	32,282)	(94,066)	(59,988)
Net loss attributable to common stockholders	$(110,493)	(161,782)	(286,758)	(371,939)
Basic loss per share	$ (0.01)	$ (.01)	$ (0.01)	$ (0.02)
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	$0.028	0.025	$0.055	0.047

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

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

	Six Months Ended March 31, 2011	Six Months Ended March 31, 2010
Cash flows from operating activities:		
Net loss	$ (192,692)	$ (311,951)
Adjustments to reconcile net loss from operations		

to cash flow used in operating activities:		
Depreciation and amortization	3,569	3,525
Reduction of debt receivable purchase price due to gross collections received	33,153	27,013
Interest contributed to capital	1,497	2,252
Changes in operating assets and liabilities:		
(Increase) decrease in Trade receivables	(431)	(161)
(Increase) decrease in prepaid expenses	0	395
Increase in accounts payable and accrued expenses	(22,051)	24,265
Cash used in operating activities	(176,955)	(254,662)
Cash flows from investing activities:		
Purchase of debt receivables	(12,699)	(31,538)
Purchase of office equipment	-	(12,522)
Purchase of automobile	-	(18,505)
Cash used by investing activities	(12,699)	(62,565)
Cash flows from financing activities:		
Proceeds from bank lines of credit	4,539	18,028
Payments for bank lines of credit	(4,785)	(9,419)
(Payments) proceeds from convertible notes payable - related party	2,718	(280)
Proceeds from notes payable - related party	452	43,048
Proceeds from issuance of Preferred Stock	292,000	335,000
Preferred stock dividend	(94,066)	(59,988)
Proceeds from Notes Receivable	0	7,600
Cash provided by financing activities	200,858	333,989
Increase (decrease) in cash and cash equivalents	11,204	16,762
Cash at beginning of period	41,512	17,545
Cash and cash equivalents at end of period	$ 52,716	$ 34,307
Non-cash investing in financing transactions:		
Additional paid in capital to related party for indemnification agreement	$ 1,497	$ 2,252
Accrued preferred stock dividend expense	(94,066)	(59,988)
Proceeds from issuance of ISAT Convertible Preferred stock to related party	292,000	335,000
Total non-cash transactions	$ 199,431	$ 277,264

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

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ISA INTERNATIONALE INC.
NOTES TO 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 one subsidiary and 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 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, 2011 and the results of its operations and cash flows for the three and six months ended March 31, 2011 and 2010. 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 the original investment cost in the portfolio has been recovered by gross collections less write-offs and impairments. The Company began collecting on our own portfolios in 2005. 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 report additional collections as 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.

If in the opinion of management future cash collections will be inadequate to amortize the current carrying balance or the resulting estimated 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 $247,935 will be recovered by the Company from future gross collections to be received over the next 60 months commencing from April 1, 2011 and forward.

The Company cannot guarantee all of the remaining receivable costs can be recovered due to the aging and future write-offs of the receivables or may sell portions of the portfolio debt receivable inventory.

In January 2010 the Company purchased another debt portfolio in the amount of $25,008 and subsequently sold a major portion of the portfolio for $23,057. In August 2010 an additional debt portfolio was purchased for $23,313. On December 3, 2010, the Company purchased a distressed debt portfolio of receivables for $12,699.

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, 2011:

Balance at beginning of period, December 31, 2010	$ 270,545
Acquisition of debt receivables	0
Sale of debt receivables	0
Cash collections applied to principal	(22,610)
Balance at the end of the period, March 31, 2011	$ 247,935
Estimated Remaining Collections ("ERC")(Unaudited)	* $ 326,541

The Estimated Remaining Collections 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.

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For our company owned portfolios revenue will be recognized based on FASB ASC 310. Since 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 cost of the investment has been recovered.

The cost recovery revenue recognized on debt receivables in the amount of $1,717 was for the six months ended March 31, 2011 and recorded other collection fees of $38,968. Also we had income from our third party collections operations of $80,742 for a total income of $121,427. This compares to a total income from the six months ended March 31, 2010 of $107,917 from both our own portfolios of debt receivables and third party collections on contract.

Note 2 LIQUIDITY AND GOING CONCERN MATTERS

The Company has incurred losses since its inception and, as a result, has an accumulated deficit of $10,608,924 at March 31, 2011. The net loss for the six month period ended March 31, 2011 from operating activities was $192,692 compared to a net loss of $311,951 for the same period last year. As of March 31, 2011, the Company had a principal balance due of $82,375 in notes payable to finance portfolio purchases to related parties and $14,297 in a bank note payable. The Company issued $292,000 in face value Preferred Stock shares to a related party investor to redeem the notes payable plus accrued interest and additional capital contribution to finance continuing operations. 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 had 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 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. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the company cannot continue in existence.

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.

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

The Company has adopted the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial statement carrying amount and tax basis of assets and liabilities. The Company provides for deferred taxes at the enacted tax rate that is expected to apply when the temporary differences reverse.

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. Diluted loss per share is not reported because it would report a lower loss 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.

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 and 7 in these notes to financial statements for additional information as to consolidated financial statement presentation at March 31, 2011 for certain defaulted convertible debenture notes payable and related accrued interest.

Stock Based Compensation: No shares of the Company's common stock were issued as compensation for consulting services and settlement expenses during the six months ended March 31, 2011.

Note 4 RECENT ACCOUNTING PRONOUNCEMENTS

NEW ACCOUNTING PRONOUNCEMENTS

The amendments in this Update are effective for modifications of loans accounted for within pools under Subtopic 310-30 occurring in the first interim or annual period ending on or after July 15, 2010. The amendments are to be applied prospectively. Early application is permitted. The Company does not expect the provisions of ASU 2010-18 to have a material effect on the financial position, results of operations or cash flows of the Company.

NOTE 5 STOCK ISSUANCE:

Preferred Stock
As of March 31, 2011, 1,781,000 shares of Convertible Preferred Stock were issued and outstanding by the Parent Company with an issuance value of $1.00 per share. There also 22,400 shares of Preferred Stock issued and outstanding at $25 per share by a subsidiary company of the Parent Company.

During the six months ended March 31, 2011, 292,000 preferred shares were issued to Doubletree Capital Partners, Inc. (DCP) to satisfy loans and accrued interest made to the Parent Company during the six months ended March 31, 2011. There were no shares issued by the subsidiary company in the similar six month period of time.

The accumulated deficit for the six months ended March 31, 2011 was adjusted and charged for a dividend distribution of $94,066 on 12% Convertible Preferred Stock outstanding.

Common Stock
As of March 31, 2011, 23,999,612 shares of common stock were issued and outstanding. No additional common shares were issued during the six months ended March 31, 2011.

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Stock Options
There were no stock options issued or exercised during the six months ended March 31, 2011. All outstanding stock options expired as of September 30, 2009.

Note 6 CONVERTIBLE DEBENTURES

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 remaining debenture holder would convert their debenture into common stock.

As of March 31, 2011, the currently due $50,000 in convertible debenture principal and related interest payable of $24,014 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 and any related shares that may be issued to effect any conversion per the Indemnification Agreement with DLC as described below in Note 7.

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 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 $24,014, 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, 2011:

Description of debt indemnification:	Current	Long-term
Defaulted convertible debentures payable	$ 50,000	$ --
Defaulted accrued interest payable	24,014	--
Less, contra-indemnification receivable	(74,014)	--
Balances per Balance Sheet, at March 31, 2011:	$ --	$ --

The Company believes that beyond the $74,014 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. 13

Note 8 CREDIT LINES PAYABLE

During the quarter ended March 31, 2011, the Company borrowed $2,810 on its available bank credit lines of $20,000, accrued interest expense of $1,729 and paid back $4,785. The total balance due at March 31, 2011 and at September 30, 2010 was $18,202 and $18,447 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 related party investors loaned the Company $175,436 during the six month period ended March 31, 2011 for the financing of operations and related growth. These funds were specifically used for the expanded employment in collection operations and related higher collection system costs. Additional costs for the six months include an accrual of $20,000 of management consulting costs to the financial management company, interest costs of $11,022 and $94,066 in declared preferred stock dividend expense. These loans and costs were paid by the Company issuance of 292,000 shares of Convertible Preferred Stock to the financial management company controlled by the two related party investors applied to the Related Party Loan Payable.

The Company issued a 12% short-term secured promissory note to related party investors for $790 with the Company's debt receivable assets pledged as collateral on March 31, 2011. As of March 31, 2011 and September 30, 2010, the secured loans totaled $790 and $338 respectively, are payable on demand to the financial management company, bear interest at the rate of 12% per annum, and are secured by the Company's debt receivable assets for collateral purposes.

Note 10 CORRECTIONS TO PRIOR PERIOD REPORTS

Corrections for the year ended September 30, 2010 and for the quarter ended December 31, 2010.

An Amendment No. 1 on Form 10-Q/A to our annual report for the period ended September 30, 2010 is being filed to correct errors in the revenues and costs reported in our annual report filed with the Securities and Exchange Commission on January 14, 2011. This event was reported in a Form 8-K announcement filed on March 31, 2011. These errors were discovered in a subsequent internal audit in March 2011.

Corrections were made in the Company's financial records to reduce Finance Income and Collection Costs on our Company owned portfolio of receivables. Correspondingly, the balance sheet item for Finance Contract Receivables was reduced $12,423. Corrections to income include separating Finance Income and Third Party Collections previously reported as a combined amount. Finance Income was reduced by $86,105. Total Income reported on the original Form 10-K filed was $346,629 compared to $260,524 to be reported on our revised Form 10-K/A to be filed. Collection Costs were reduced by $69,182 for the same period. The change in the net loss reported for the year was an increase of $16,923 The Company also recorded a legal settlement payable for $4,500 at September 30, 2010 that had been previously recorded as an expense in the quarter ended December 31, 2010.
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The consolidated financial statements and notes to the financial statements in this report have been changed and commentary updated to reflect these corrections. No other items of our income or expenses were affected. Accordingly, the financial condition and results of operations disclosed in prior periods can no longer be relied upon. The changes required by these corrections have been incorporated into the accounting records and are reflected in the financial statements presented in this quarterly filing.

Note 11 SUBSEQUENT EVENTS

The Company received a letter of inquiry from the SEC Division of Corporation Finance on March 2, 2011 concerning questions regarding the filing of our Annual Report on Form 10-K for the year ended September 30, 2010 on January 14, 2011. The Company responded to the SEC with a Correspondence filing on April 6, 2010 and also filed Form 8-K containing section 4.02 - Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review on April 1, 2011. This report has been amended to respond to comments by the SEC regarding items needing clarification or revised Management's Discussion and Analysis. The Company will be filing an amended Form 10-K/A annual report for the year ended September 30, 2010 and amended Form 10-Q/A reports for the quarters ended June 30, 2010 and December 31, 2010 to reflect corrected financial statements.

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

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.

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 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 a Corporate Officer who supervises our collections operations, a Staff Accountant, an Office

Administrative Assistant and six collectors in collection operations.

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, 2011, the current carrying value of the Company's purchased finance contract receivables, net after gross collections from date of original purchase and impairment write downs, is $247,935. 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.

Results of Operations for the six months ended March 31, 2011 and 2010.

Sales and Gross Profit

The Company recorded $80,742 in Third Party collection fee revenue, $38,968 in service fee income and $1,717 in 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, 2011. 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 $33,153 were collected in the six months ended March 31, 2011. This amount less $1,717 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. 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 and 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 quarter were $162,612 compared to $203,518 for the six months ended March 31, 2010 due to expanded operations and employment in our collection operations. General and administrative expenses were $140,485 for the six months ended March 31, 2011 compared to $207,955 for the six months ended March 31, 2010 due to reduced overhead expenses for administrative personnel. Interest expense for the six months ended March 31, 2011 totaled $11,022 compared to $8,395 for the six month period ended March 31, 2010 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.

Liquidity and Capital Resources

As of March 31, 2011, the Company had total assets of $357,706 consisting of $52,716 in cash, $963 in trade receivables, $4,500 in prepaid expenses, $46,592 in office equipment, furniture, and vehicles net of depreciation,

$247,935 in finance contracts receivables net of collections, and $5,000 in long-term deposits. It had $202,266 in current liabilities consisting of $146,270 in accounts payable and accrued expenses, $3,462 in notes payable other-current, $33,542 in notes payable to a related party current portion, $790 in convertible notes payable related party, and bank credit lines payable totaled $18,202. Total liabilities as of March 31, 2011 were $261,936.

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 and future debt receivable 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, 2010, 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 2011 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 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, 2011 of $10,608,924. 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.

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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 reports of the Company and notes to consolidated financial statements for the fiscal year ended September 30, 2010, 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 93.24%, respectively of the Company's outstanding common stock at March 31, 2011. 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 NASDAQ. 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 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 $10,608,924 at March 31, 2011. The net loss for the six month period ended March 31, 2011 was $192,692 before the dividend to Preferred Shareholders is recorded. The Company currently owes $146,270 for trade accounts payable and tax liabilities and $790 for a convertible note payable to a related third party investment company. Bank credit lines as of March 31, 2011 had a balance due of $18,202. Long Term liabilities amounting to $59,670 include 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 6% debentures issued between September 1999 and June 2000. The debenture now in default classified as current liabilities totaled $50,000 in principal and $24,014 in accrued interest offset by a contra account for a net balance of $0 as of March 31, 2011. No interest or principal payments were ever made by the Company on the remaining debentures.

ITEM 3. QUANTITATIVE AND QUALITIATIVE DISCLOSURES ABOUT MARKET RISK

This item is not required for smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

4.1 Management's Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

The management of ISA International Inc., under the direction, supervision, and participation of, our Chief Executive Officer and Chief Financial Officer and effected by management and other personnel, has conducted an evaluation as of the end of the period covered by this report, of the effectiveness of the design and operation of disclosure controls and procedures (as defined as defined in Rules 240.13a-15(e) and 240.15d-15(e) of the Securities Exchange Act of 1934).

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of March 31, 2011, the Company's disclosure controls and procedures were effective to ensure that material information is recorded, processed, summarized and reported to the management of the Company on a timely basis in order to comply with the Company's disclosure obligations under the Exchange Act and the rules and regulations promulgated there under to allow timely decisions regarding required disclosures.

(b) Management's Report on Internal Control Over Financial Reporting

The management of ISA Internationale Inc. is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the direction, supervision, and participation of, our Chief Executive Officer and Chief Financial Officer and effected by management and other personnel, our management and certifying officers conducted an evaluation as of the end of the period covered by this report, of the effectiveness of internal control over financial reporting based on the framework in Internal-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO-Framework). Based on the results of this evaluation, our Chief Executive Officer and CFO concluded that as of March 31, 2011, our controls were effective to ensure that material information is recorded, processed, summarized and reported by management of the Company on a timely basis in order to comply with the Company's disclosure obligations under the Exchange Act and the rules and regulations promulgated there under.

Part II. OTHER INFORMATION

ITEM 1. Legal Proceedings

During the three months ending March 31, 2011, 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 finance receivables. The Company considers small lawsuits regarding collection matters to be part of the normal course of business. The Company engages outside attorneys to represent the Company in court actions to recover funds due to the Company and obtain judgments. Occasionally one of its subsidiaries is named as a plaintiff in a civil action regarding violation of the Fair Debt Collection Practices Act ("FDCPA"). The Company has reviewed pending litigation and determined that none would have a material impact on the financial condition of the Company and the results reported. The Company has strict policies and procedures in place designed to prevent any unlawful or unethical collection practices by its employees.

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

None during the quarter ended March 31, 2011.

ITEM 3. Defaults Upon Senior Securities

The defaults previously present on the Convertible Debentures as of December 31, 2003 continue as of March 31, 2011, 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 $24,014 as of March 31, 2011 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

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:

The Company filed Form 8-K on March 31, 2011 to report it was amending its Form 10-K report filed for the year ended September 30, 2010 and also the Form 10-Q report filed for the quarter ended June 30, 2010 to adjust and restate our financial statements and commentary notes.

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 23, 2011

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Please add an estimated time frame for the restatements discussed in note 11

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