ISA INTERNATIONALE INC
Form 10QSB
April 06, 2005

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

FORM 10-QSB

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

For the quarterly period ended December 31, 2004

Commission File Number: 001-16423

ISA INTERNATIONALE INC.
(Exact name of registrant as specified in its charter)

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

2560 Rice Street, St. Paul, MN	55113
(Mailing address of principal executive offices)	(Zip Code)

(Issuer's telephone number) (651) 483-3114

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

On April 1, 2005, there were 2,573,758 of the Registrant's common stock, par value $.0001 per share, outstanding excluding 100,002 common shares not yet issued due to non-receipt of required papers from certain shareholders and 5,000,000 shares of convertible preferred stock, par value $.0001 per share issued and outstanding.

The preferred stock was convertible into common shares issued (pre-split) at a conversion rate of 3.5 common shares for each preferred share being converted. After giving effect to the reverse stock split that was effective January 22, 2004, the preferred stock is now convertible into shares at a convertible rate of 0.025 common shares for every preferred share being converted, however, the preferred shares also contain an anti-dilution provision clause that states the preferred shares will convert into no less than 75% ownership of the then common shares to be outstanding.

As of December 31, 2004 the preferred shares upon conversion (post-split basis) would convert into no less than 10,654,275 additional common shares. The timing of the conversion is at the discretion of the holder.

ISA INTERNATIONALE INC.
FORM 10-QSB

TABLE OF CONTENTS

ISA INTERNATIONALE INC.
BALANCE SHEET

	December 31, 2004 (UNAUDITED)
ASSETS	
Current assets:	
Cash and cash equivalents	$ 11,314
Deposits	2,000
Costs incurred for pending acquisitions	71,926
Total Assets	$ 85,240
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current liabilities:	
Common stock payable	$ 70,001
Accounts payable - trade and taxes	15,819
Convertible notes payable - related party	469,768
Accrued interest payable - related party	144,598
Accounts payable - related party	210,000
Convertible debentures, accrued interest,	

Accounts payable - disposed business	
Less Indemnification Agreement - related party	0
Total current liabilities	910,186
Long-term liabilities:	
Convertible debenture payable	
Less indemnification Agreement - related party	0
Total Liabilities	910,186
Stockholders' Deficit:	
Preferred stock, $.0001 par value 30,000,000 shares authorized, 5,000,000 shares issued and outstanding at December 31, 2004	500
Common stock, $.0001 par value, 300,000,000 shares authorized; 2,573,758 shares issued and outstanding at December 31	257
Additional paid-in capital	6,085,401
Accumulated deficit	(6,911,104)
Total Stockholders' Deficit	(824,946)
Total Liabilities and Stockholders' Deficit	$ 85,240

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

ISA INTERNATIONALE INC.
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended December 31, 2004	Three Months Ended December 31, 2003
Operating revenue:	0	0
Operating expenses:		
General & administrative	$ 38,381	$ 284,438
Settlement expense		359,329
Subtotal Operating expenses	38,381	643,767
Operating loss	(38,381)	(643,767)
Other income (expense):		
Interest expense	(18,887)	(15,579)
Net loss from continuing operations	(57,268)	(659,346)
Extraordinary gain on		

extinguishment of debt		77,351
Net Income (Loss)	(57,268)	(581,995)
Basic and diluted (Loss) per share	$ (0.02)	$ (1.56)
Average shares of common stock outstanding:		
Basic and diluted	2,573,758	372,880
Dividends per share of common stock	none	none

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

ISA INTERNATIONALE INC.
STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents
(Unaudited)

	Three Months Ended December 31, 2004	2003
Cash Flows From Operating Activities:		
Loss from operations	$ (57,268)	$(659,346)
Gain from extraordinary item		77,351
Adjustments to reconcile net loss to net cash provided by operating activities:		
Deposits	(2,000)	
Costs incurred - pending acquisition	(32,121)	
Common stock payable - services		754,792
Accounts payable and accrued expenses	10,795	(6,071)
Accrued expenses - related party	35,000	(75,000)
Accrued interest payable - related party	13,594	10,287
Accrued interest payable - convertible debentures		(45,558)
Cash provided by (used for) operating activities	(32,000)	56,455
Cash Flows From Financing Activities:		
Expense from stock issuance for convertible debt		(65,000)
Proceeds from issuance of convertible debt to related party	40,659	12,515
Cash provided by (used for) financing activities	40,659	(52,485)
Net increase (decrease) in cash and cash equivalents	8,659	3,970
Cash at beginning of period	2,655	1,085
Cash and cash equivalents at end of period	$ 11,314	$ 5,055

Non-cash investing in financing transactions:

Additional paid in capital for Indemnification agreement	5,293	0
Total non-cash transactions	$ 5,293	0

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

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

Note 1.) NATURE OF BUSINESS AND SIGNIFICANT EVENTS

1.a) 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 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.

1.b) Asset Acquisition and Purchase Agreement

On August 19, 2004, the Company signed an asset purchase agreement with five related California Companies, wherein the Company (ISAI) would issue 5,250,000 shares of ISAI common stock and a combination of 4,000,000 bonus common shares and 5,250,000 common stock warrants at varying prices to purchase additional common shares over a three year period to be used to purchase the assets being acquired. The companies from whom the assets are being purchased have not been able to comply with certain terms of the agreement wherein two years of certified audits are required as a part of the acquisition agreement. Consequently, the agreement to purchase was amended on October 29, 2004 and again on January 13, 2005, as previously reported in 8K filings by the Company on August 23, 2004, November 3, 2004 and recently January 14, 2005. Accordingly, the Company has not been able to complete the asset purchase agreement. ISAI has contingently issued into an escrow account arrangement 9,250,000 shares of ISAI common stock in exchange for certain assets of the acquired companies. Since the transaction has not closed, no recognition is being given in this report for the acquisition of these assets. Advanced costs in the form of travel, legal and accounting and consulting fees incurred to assist the certified audit, are being recognized as a receivable from the potential subsidiary whose assets are being acquired. If for any reason the agreement is not executed, ISAI may be forced to charge off these specific receivables, unless collection is obtained from the five companies to be acquired. Subsequent to December 31, 2004 additional costs for similar expenses have been incurred and these may also have to be accordingly charged off as uncollectible should the acquisition fail to be finalized.

Pending receipt of the required seller's certified audits for the years 2003 and 2004, now scheduled to be finalized by April 30, 2005, and their submission to the Securities and Exchange Commission, as required by the agreement, the transaction will be considered completed and reported by the Company at that time. ISAI has not taken effective control of the companies or assets as described in the asset purchase agreement nor will ISAI take effective control until the audits are completed and the agreement has closed.

1.c) Change in Fiscal Year

On November 4, 2004 the Company announced with an 8-K filing it was changing its fiscal year from December 31 to September 30, therein making fiscal year 2004 a nine-month period that commenced on January 1, 2004 and accordingly ended on September 30, 2004. Any references to the fiscal year 2004 will therefore be for a nine-month period of time from January 1 to September 30, 2004.

NOTE 2) SIGNIFICANT ACCOUNTING POLICIES

2.a) Presentation

The interim unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the instructions for Form 10-QSB and Regulation S-B. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. All adjustments that, in the opinion of management, are necessary for a fair presentation of the results of operation for the interim periods have been made and are of a recurring nature unless otherwise disclosed herein. The results of operations for three months ended December 31, 2004, are not necessary indicative of the results that will be realized for a full year. For further information, refer to the financial statements and notes thereto contained in the Company's Annual Report on Form 10-KSB for the nine months ending September 30, 2004.

During the year 2003 the Company executed certain stock based transactions. As of December 31, 2004 and December 31, 2003, these transactions had not been processed through its transfer agent. Consequently, these transactions were recorded as "common stock payable". As of December 31, 2004, 100,002 common stock shares remain to be issued regarding transactions executed by the Company in 2003 valued at $0.70 per share or $70,001. Required papers requested from the debt holders have not been received.

2.b) Use Of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 could differ from those estimates.

In 2004, significant estimates of the fair value of the Company's common stock were computed under FASB Statement No. 123, Accounting for Stock-Based Compensation, and used to value the 6,000,000 shares stock option for $60,000 to DCP (a related party) and the 1,200,000 shares to DLC (a related party) for an indemnification agreement to the Company in the amount of $329,714. The valuations were based upon the Company's estimates of the goods or services or transactional related value of consideration received by the Company. Since no established market exists for the Company's common shares, the Company used alternative valuations of estimates for consummated agreements through September 30, 2004.

2.c) Loss Per Share

Basic loss per share excludes dilution and is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted loss per share includes assumed conversion shares consisting of dilutive stock options and warrants determined by the treasury stock method and dilutive convertible securities. In 2004 and 2003 all shares potentially issuable have been excluded from the calculation of loss per share, as their effect is anti-dilutive. The weighted average calculation includes the common stock payable transactions as enumerated in note 5b. For the periods ended December 31, 2004 and September 30, 2004 respectively there were 10,654,275 and 10,421,516 anti-dilution common shares potentially issuable.

NOTE 3) LIQUIDITY AND GOING CONCERN MATTERS

The Company has no operations and has incurred losses since its inception and, as a result, has an accumulated deficit of $6,911,104 at December 31, 2004. The net loss for the three month period ended December 31, 2004 was $57,268. The Company had convertible debenture debt in default in the amount of $ 150,000, plus related accrued interest payable of $94,574. 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 is in reorganization at the present time except for the acquisition activities and remains in default on certain debenture obligations amounting to $150,000.

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 pending asset acquisition agreement and bring to a conclusion its reorganization efforts and resume operations. There can be no assurance that these actions will be successful.

NOTE 4) STOCK ISSUANCE:

4.a) Common Stock Payable
During the year ended December 31, 2003, the Company and its board of directors approved for issuance 1,078,277 (post-split) shares of common stock for services and debt restructuring costs. Of this amount, 1,000,878 shares have been issued and 100,002 shares remained to be issued to a convertible debenture holder as of September 30, 2004. Required paperwork to facilitate the transaction with the Company's Transfer Agent had not been received. Consequently, these transactions were recorded as "common stock payable" as of December 31, 2004 and September 30, 2004 respectively. The Company anticipates these shares will be issued by March 31, 2005.

Included in the approved common shares referred to above, were 513,328 (post-split) common stock shares for issuance to all previously converted debenture holders for the express purpose of equalizing their respective share conversion price received for debenture principal and interest due on debenture investments. All of the debenture holders received common shares at the negotiated price of $0.70 per share (post-split) as of September 30, 2003, their final date of conversion. This transaction resulted in settlement expense charge to the income statement of the Company of $359,329 for the year ended December 31, 2003 and an additional $14,523 during the nine months ended September 30, 2004. All of these shares were issued by September 30, 2004, except the 100,002 common shares referred to above.

Note 5.) CONVERTIBLE DEBT

5.a) Convertible Debentures Payable

As of December 31, 2004 and September 30, 2004, the Company was in default on the terms of payment of quarterly interest on these debentures amounting to $94,574 and $88,473, respectively. Accordingly, two remaining convertible debentures have been classified as a current liability amounting to $150,000. Reference should be made to note 6.2 to financial statements as this amount has been offset by a contra-indemnification receivable.

5.b) Convertible Notes Payable - Related Party

The Company issued convertible notes payable during the three month period ended December 31, 2004, to a related entity owned by two stockholders of the Company totaling $40,659. This increased the Convertible Notes Payable - Related Party account to $469,768 from $429,109 on September 30, 2004. These demand notes bear interest at 12%, are secured by the assets of the Company, and are convertible at the option of the holder into common stock at $0.70 per share. These notes were previously convertible at the rate of $2.80 per share, but in July 2004 the Board of Directors changed the conversion rate to $.70 per share. The change did not result in any beneficial intrinsic value to their holders and no change to the Company's financial statements was required as the fair value of the Company's common stock was less than the $0.70 per share. The issuance of these notes did not include a beneficial conversion feature with intrinsic value resulting from the market value for common stock being less than the conversion price.

Interest expense on these notes was $13,594 and $10,285 during the three month periods ended December 31, 2004 and December 31, 2003, respectively. Accrued interest on these notes was $144,598 at December 31, 2004.

NOTE 6) RELATED PARTY TRANSACTIONS

6.1) Related Party Compensation

The Company incurred expenditures with its President and major stockholder for consulting services amounting to $35,000 of which $15,000 was for additional consulting services directly related to the acquisition efforts of the Company accrued as Costs Advanced- Acquisitions Pending for the three months ended December 31, 2004. This compares to $25,000 expensed in the three months ending December 31, 2003. These amounts have not been paid but recorded as Accounts Payable - Related Party

In December 2003, the Company's Board of Directors approved the issuance of 357,143 common shares as partial payment for services rendered to date. These unpaid consulting services remain as accrued expenses at December 31, 2004. As a Director, the President received an additional 35,715 common shares authorized to him during the year ended December 31, 2003 for his services as a director of the Company and these shares were issued in 2004. Three other directors received a total of 107,145 shares issued in 2004 for their services.

6.2) 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 next four years from June 30, 2004. The Company has deemed the value of the transaction to be $329,714 based upon the consideration given to the Company in the indemnification agreement.

During the four years of the agreement, DLC will endeavor to finalize and bring to a conclusion, the payment of prior operation's liabilities. The remaining unpaid liabilities can be summarized as (1) one defaulted convertible debenture in the amount of $150,000 and one converted debenture loan payable in the amount of $50,000. Both of these notes are included on the books of the Company along with related accrued interest payable in the amount of $94,574, (2) One account payable - disposed business in the amount of $24,000 which is also covered by this indemnification agreement. At December 31, 2004, the debt indemnification accounts are summarized below:

Description of debt indemnification:	Current	Long-term
Defaulted convertible debenture payable	$ 150,000	$ 0
Defaulted accrued interest payable	94,574	
Account payable-disposed business	24,000	
Convertible debenture payable		50,000
Less, contra-indemnification receivable	(268,574)	(50,000)
Net Balances at December 31, 2004:	$ 0	$ 0

The Company believes that beyond the $329,714 referred to above plus accrued interest that may occur after the date of the issuance of the Indemnification Agreement until all debts are settled and paid, 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.

(6.3) Restatement of June 30, 2004 Financial Statements and 10-QSB

The value of the indemnification agreement transaction had been recorded during the quarter ended June 30, 2004 in the previously determined amount of $561,000. The $561,000 was based upon a more encompassing list of unpaid liabilities from all prior operations of the Company, both parent and subsidiary included, The Company now deems their potential debt payment exposure to be limited to only the liabilities included on the Company's financial statements in the amount of $329,714 at the date of the issuance of the Indemnification Agreement by DLC, plus accrued interest that may occur until all debts are settled and paid. The valuation change herein discussed will require a change to the Company's previously filed Form 10-QSB financial statement report with the Securities and Exchange Commission. Also the Company will record an additional $14,523 in expense to issue an additional 20,747 shares of common stock for additional interest due to the conversion of a convertible debenture. The Company will make this amended report to the SEC within the next thirty days from the date of this report. The following table summarizes the changes to the financial statements as of June 30, 2004 before and after the revisions:

	As Reported	Revised
Total Assets	$ 403	403
Total Liabilities	1,709,249	1,162,772
Stockholders Equity	(1,593,045)	(1,032,045)
Loss on extinquishment of debt		14,523
General and Administrative expense	83,916	83,916
Interest expense	31,886	31,885
Net (loss)	(115,802)	(130,324)

6.4) Convertible Notes Payable - Related Party

During the three months ending December 31, 2004, the Company issued an additional $40,659 of convertible debt to an entity controlled by two of the Company's stockholders, one of which is the Company's President. The convertible note holder, Doubletree Capital Partners, Inc., an entity controlled by the same parties listed as controlling DTL (See Note 1), holds a secured collateral interest in any assets the Company currently owns and any assets the Company may acquire in the future until the convertible notes are either paid in full or converted into common shares of stock at the option of the convertible note holder. See note 5.b for more information.

NOTE 7) SUBSEQUENT EVENTS

On January 14, 2005, the Company announced by filing form 8-K it amended again its agreement originally dated August 19, 2004 and amended on November 2, 2004 to complete the acquisition of the assets of a privately held group of financial service companies. See Note 3 LIQUIDITY AND GOING CONCERN MATTERS and the Company's 8-K announcement for more details.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF PLAN 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-QSB 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.

Overview

The Company (ISAI), through its two former wholly owned subsidiaries Minnesota corporations, ShoptropolisTV.com, Inc. (f/k/a Internationale Shopping Alliance, Inc.) and International Strategic Assets, Inc., was engaged in two distinct businesses: (1) the development of a multimedia home shopping network primarily for the purpose of generating direct retail sales of varied products from T.V. viewers and internet shoppers, and (2) direct sales via outbound telemarketing of precious metals consisting mainly of gold and silver coins and bars.

ISAI is presently attempting to financially restructure itself. ISAI disposed of International Strategic Assets, Inc. on May 19, 2000, and ISAI disposed of the ShoptropolisTV.Com, Inc. on March 29, 2001 as a part of its reorganization efforts. Additional reorganization efforts include negotiation with creditors to restructure and convert debt to equity and actively seeking new business opportunities. 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. With the consummation of the indemnification agreement, ISAI believes it can now effect an acquisition and or a merger in 2005 and resume operations.

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 a acquisition with ShoptropolisTV.com, Inc. (f/k/a Internationale Shopping Alliance Inc.), which was a wholly owned subsidiary of ISAI. 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.

Since December 2000, the Company has been operationally dormant. The Company believes its shareholder base is its major asset. For the last four years, from January 2001 to present, the Company has been actively reorganizing its financial affairs and actively seeking merger or acquisition candidates offering growth and profit potential for its shareholders.

Results of Operations for the Three months ended December 31, 2004 and 2003.

Sales and Gross Profit

No sales were recorded for the three months ended December 31, 2004 and 2003 as operations were suspended. The Company plans to resume operations in 2005.

Operating Expenses

Operating expenses included general and administrative expenses and interest expenses related to convertible debenture and convertible notes payable. General and administrative expenses were $38,381 for the three months ended December 31, 2004 and $284,438 for the three months ended December 31, 2003. The expenses in 2004 were principally for audit, consulting, office, salaries, and interest costs. At this time, the Company has no anticipation as to its operating expenses in future periods as it continues reorganization efforts. However, new current expenses are being incurred for interest, office, telephone, consulting, and legal and professional expenses relating to the potential acquisitions and the Company efforts in obtaining new business operations. No advertising expense was incurred in 2004 or 2003.

Liquidity and Capital Resources

ISAI obtained its original capitalization through the sale of equity securities to a limited group of private investors known to management of ISAI. From the inception of ISAI in 1997 through December 31, 1997, ISAI raised $400,000 in cash through the sale of its common stock with accompanying warrants. In calendar year 1998, ISA raised an additional $833,376 in cash through sales of common stock and common stock with accompanying warrants. During a period from January through February 1999, ISAI raised a total of $1,171,040 through the exercise of outstanding warrants by existing shareholders, of which $528,702 was in cash and $642,838 was in gold bullion and coins transferred to ISAI. Such gold bullion and coins were immediately liquid to ISA, and were converted to cash. From September 1999 through February 2000, the Company raised $1,336,640 through the sale of unsecured convertible debentures.

From March 2000 through May 2000, the Company raised $255,000 from the sale of unsecured convertible debentures. In May 2000 the Company sold its wholly owned subsidiary, International Strategic Assets, Inc. (ISA), for a cash sum of $175,000. The $175,000 purchase price consisted of $75,000 for the purchase of approximately 43% of the outstanding common stock of ISA and $100,000 paid in connection with the subsequent redemption of the remaining 57% of the outstanding common stock of ISA. During the quarter ended June 30, 2000, the Company had one option exercised for 5,000 common shares for $6,850.

From July 2000 through October 2000, the Company sold a total of 902,857 shares of its Common Stock: 200,000 shares at a purchase price of $0.10 per share, 299,999 shares at a purchase price of $0.15 per share, and 385,000 shares at a purchase price of $0.20 per share, and 17,858 shares at a purchase price of $4,100 for a total amount of $146,100. In November 2000 the Company sold 5,000,000 shares of its Preferred Stock at a purchase price of $0.0002 per share for total consideration of $1,000, and, 2,999,999 shares of its Common Stock at a purchase price of $0.0097 per share for total consideration of $29,000.Also in November and December 2000 the Company obtained loans

totaling $88,527 to settle unsecured debts using the Company's television broadcast and production equipment and office equipment and furniture as collateral. In March 2001 the collateral was disposed of in the sale of the discontinued operations of the Company.

In 2001 the Board of Directors of the Company issued additional shares to these stockholders to reflect a uniform purchase price for those shares purchased from July 2000 through October 2000 at a price of $0.06 per share. This resulted in an additional 1,547,142 shares being issued.

In the three months ended December 31, 2004 the Company received $40,659 from convertible demand notes payable from a related investor in connection with the continuing reorganization efforts. The convertible note holder, since November 2000, has held a secured collateral interest in any assets the Company owns or may acquire in the future until the convertible notes are either paid in full or converted into common shares of stock at the option of the convertible note holder.

As of December 31, 2004 the Company had Total Current Assets of $85,240 consisting of $11,314 in cash, $2,000 in Deposits, and $71,926 in Costs Advanced to a Related Party and $910,186 in Current Liabilities consisting of $225,819 in accounts payable, $70,001 in common stock payable, convertible notes payable- related party of $469,768 and related interest accruals of $144,598. Accordingly, the Company had a working capital deficit position of $824,946.

The Company's current capital resources are not sufficient to supports its development and operations. Additional capital will be necessary to support future general and administrative and interest expenditures as well as interest expense currently due. The Company cannot continue its existence without a full and complete reorganization of all of its financial affairs and obligations.

The Company is not currently seeking any additional sources of debt or equity financing beyond which is already in place with the financing agreement consummated in November 2000 with Doubletree Capital Partners, Inc. Until the reorganization process is completed, 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 financial statements for the fiscal nine months ended September 30, 2004 and year ended December 31, 2003, include 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. None of this benefit was recorded in the accompanying financial statements as of December 31, 2004 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.

New 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 begin disposal efforts of 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 and endeavor to find suitable candidates for merger or acquisition.

History of Losses and Anticipated Further Losses

ISAI has generated only limited revenues to date and has an accumulated deficit as of December 31, 2004 of $6,911,104. Further, the Company expects to continue to incur losses until it establishes a means of generating 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 capital in order to the support the Company's anticipated day-to-day operations and 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 that 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 that the Company will be able to obtain any additional capital. There can be no assurance that the necessary additional financing will be available when needed by the Company, or that such capital will be available 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 its need for significant additional capital, the reports of the Company's consolidated financial statements for the year ended December 31, 2003, and the nine month period ended September 30, 2004 include 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 officer(s) 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

One principal shareholder Doubletree Capital Partners, Inc. beneficially owns approximately 95.10% of ISAI's outstanding common stock, which 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, and accordingly has complete control of the business and 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. The Company's 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 Election 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 requirements of the "penny stock rules" and, as a result, the number 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 no operations and incurred losses since its inception and, as a result, has an accumulated deficit of $6,911,104 at December 31, 2004. The net loss for the three month period ended December 31, 2004 was $57,268. The Company had convertible debenture debt in default in the amount of $150,000, plus related accrued interest payable of $94,574. 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 is in reorganization at the present time except for the acquisition activities and remains in default on certain debenture obligations amounting to $150,000 plus related interest of $89,338.

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 pending asset acquisition agreement and bring to a conclusion its reorganization efforts and resume operations. There can be no assurance that these actions will be successful.

Recent acquisition agreements announced in the Company's August 23, 2004 8-K filing, subsequently amended on November 2, 2004 and again on January 13, 2005, if executed, will give the Company an operating business subsidiary in the financial services industry in 2005. However, due to the inability of the Company to receive certified audits of the assets of the acquired companies, as required in the asset acquisition agreement, none of the acquired companies assets, liabilities, or revenues and expenses are included at December 31, 2004.

ISAI is providing bookkeeping assistance to assist in the completion of the agreement which requires the completion of the certified audit for the years 2003 and 2004 of the acquired companies. The Company has incurred cumulative costs of $71,926 related to this acquisition activity recorded as "costs incurred for pending acquisitions" in the financial statements for the period ending December 31, 2004. ISAI has not taken effective control of the companies or assets as described in the asset purchase agreement nor will ISAI take effective control until the audits are completed and the agreement has closed.

One remaining officer is currently managing the Company. The Company has suspended its operations pending the resolution of its financial matters. 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 in default are classified as current liabilities and totaled $150,000 in principal and $94,574 in accrued interest as of December 31, 2004. No interest payments were ever made by the Company on the debentures. One convertible debenture holder with a principal amount due of $50,000 has agreed to extend the terms and conditions of his debenture so that debenture has been reclassified as long-term and is not in default. The indemnification agreement has been designed to cover these liabilities. The Company is attempting to convert the remaining convertible debenture debt to common shares.

Item 3. CONTROLS AND PROCEDURES

Within the 90-day period prior to the filing of this report, an evaluation was carried out as to the effectiveness of its disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended ("Exchange Act"). This evaluation was done under the supervision and with the participation of the Registrant's President. Based on that evaluation, the President has concluded that the Company's disclosure controls and procedures are effective in gathering, analyzing, and disclosing information required to be disclosed by the Company under the Exchange Act.

Subsequent to the date of their evaluation, there were no significant changes in the Company's internal controls or in other factors that could significantly affect the disclosure controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

As a non-accelerated filer 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 ending September 30, 2006. During fiscal 2005, management will review and evaluate the effectiveness, and where necessary, enhance the Company's internal controls over financial reporting. The Company anticipates it may need to engage a third party to assist it with the design of such internal controls over financial reporting. As of the date of this report, the Company has not yet engaged any such third party. This review and any enhancements, if necessary, will likely involve significant time and expense by the Company and its independent auditors. Accordingly, there can be no assurances that the Company will be in compliance with the requirements of Section 404 by September 30, 2006.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

During the quarter ending December 31, 2004, the Company was not sued in any new legal matters.

Item 2. Changes in Securities and Use of Proceeds

During the quarter ended December 31, 2004, there were no common stock shares issued in payment and settlement of services and interest expense and debt retirements.

Item 3. Defaults Upon Senior Securities

The defaults previously present on the Convertible Debentures as of December 31, 2003 continue as of December 31, 2004, 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 default consists of short-term convertible debt principal amounting to $150,000 and long-term convertible debt in the amount of $50,000 with accrued interest thereon of $94,574 as of December 31, 2004.

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: none
(b) Form 8-K:
On November 3, 2004, the Company announced it had amended its acquisition agreement, originally dated August 19, 2004, to complete and finalize the acquisition of the privately-held network of financial services companies composed of Harrison Asset Management Inc. (HAMI), Money Asset Management, Inc. (MAMI), Cash Asset Management Inc. (CAMI), E-commerce Bank, First American Financial Family Services (FAFFS), and United Recovery Inc.(URI) - a wholly-owned subsidiary of MAMI to November 1, 2004. On August 19, 2004, ISAI completed the agreement to exchange common shares and common share warrants of ISAI for certain assets of the group of companies above. Paragraph 2.5 of the Asset Purchase Agreement, previously filed with the SEC in an 8-K dated 8-23-04, stated ISA Internationale Inc. would be provided audited financial

statements within 70 days of closing and such audited statements would be used to apportion the 5,000,000 shares of common stock of ISAI among the three companies in accordance with the asset values being transferred from each of the companies to ISAI.

Subsequent to the amended agreement of October 29, 2004, the parties have again determined that audited financial statements for the periods covered by the revised agreement can not be provided as required by the agreement.

On November 4, 2004, the Company announced it changed its fiscal year end to September 30. Formerly it was December 31, 2004. Fiscal year 2004 will have only three quarters of activity from January 1, 2004 to September 30, 2004. ISAI reported its year-end results in Form 10-KSB. The Board of Directors of the Company approved the resolution to change its fiscal year as authorized under Article IX of its corporation bylaws on November 2, 2004.

On January 14, 2005, the Company announced it amended again its agreement to complete and finalize the acquisition of the assets of a privately held network of financial services companies composed of Harrison Asset Management Inc. (HAMI), Money Asset Management, Inc. (MAMI), Cash Asset Management Inc. (CAMI), E-commerce Bank, First American Financial Family Services (FAFFS), and United Recovery Inc. (URI) - a wholly-owned subsidiary of MAMI to April 30, 2005. A related Stock Acquisition Agreement was also amended.

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: April 6, 2005

Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)
I, Bernard L. Brodkorb, certify that:

1. I have reviewed the Quarterly Report on Form 10-QSB of ISA Internationale Inc.;

2. Based on my knowledge, this report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this report (the "Evaluation Date"); and
   c) presented in this report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. I have disclosed, based on my most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:
   a) all significant deficiencies in the design or operation of internal controls, which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

6. I have indicated in this report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies

and material weaknesses.

/s/ Bernard L. Brodkorb
By: Bernard L. Brodkorb
President, Chief Executive Officer, and Chief Financial Officer
Date: April 6, 2005

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ISA Internationale Inc., (the "Company") of Form 10-QSB for the period ending June 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bernard L. Brodkorb, President, Chief Executive Officer, and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

(1.) the report fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and

(2.) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Bernard L. Brodkorb
By: Bernard L. Brodkorb
President, Chief Executive Officer, and Chief Financial Officer

Dated: April 6, 2005