
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, 2013

OR

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

For the transition period from _____ to _____

Commission file number 333-14229

INFORMATION SYSTEMS ASSOCIATES, INC.

(Exact name of registrant as specified in its charter)

FLORIDA

*(State or other jurisdiction of
incorporation or organization)*

65-0493217

*(I.R.S. Employer
Identification No.)*

**819 SW Federal Highway, Suite 206,
Stuart, Florida**

(Address of principal executive offices)

34994

(Zip Code)

Registrant's telephone number, including area code: **(772) 403-2992**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

Class
Common Stock, \$0.01 par value per share

Outstanding at May 14, 2013
30,599,417 shares

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1.	Condensed Financial Statements (unaudited)	1
	Condensed Balance Sheets (unaudited)	1
	Condensed Statements of Operations (unaudited)	2
	Condensed Statements of Cash Flows (unaudited)	3
	Notes to Condensed Financial Statements (unaudited)	4
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	13
Item 3.	Qualitative and Quantitative Disclosures about Market Risk	17
Item 4.	Controls and Procedures	17

PART II – OTHER INFORMATION

Item 1.	Legal Proceedings	18
Item 1A.	Risk Factors	18
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	23
Item 3.	Defaults Upon Senior Securities	25
Item 4.	Mine Safety Disclosures	25
Item 5.	Other Information	25
Item 6.	Exhibits	24
SIGNATURES		25

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

**INFORMATION SYSTEMS ASSOCIATES, INC.
BALANCE SHEETS
AS OF MARCH 31, 2013 AND DECEMBER 31, 2012**

	<u>March 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
	<u>(Unaudited)</u>	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,624	\$ -
Accounts receivable	126,081	35,708
Prepaid expenses	<u>2,981</u>	<u>5,439</u>
Total Current Assets	130,686	41,147
Property and equipment, net		
Other assets	<u>16,877</u>	<u>18,306</u>
	4,690	4,690
TOTAL ASSETS	<u>\$ 152,253</u>	<u>\$ 64,143</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Checks written in excess of cash balance	\$ -	\$ 3,880
Accounts payable	170,368	175,265
Accounts payable - related parties	9,939	6,158
Accrued payroll	87,283	-
Notes payable - related parties	290,841	229,025
Notes payable – shareholder	50,000	50,000
Notes payable (Convertible), net of discounts - related parties	40,513	24,953
Notes payable (Convertible), net of discounts - shareholders	81,607	69,542
Loan payable to factor	36,503	24,587
Loans payable – insurance	2,414	4,612
Line of credit	40,000	37,028
Deferred revenue	80,570	38,445
Accrued interest	<u>17,172</u>	<u>11,508</u>
Total Current Liabilities	907,210	675,003
Long-term liabilities		
Notes payable (OID) - net of discounts, shareholders	<u>145,917</u>	<u>143,866</u>
Total Liabilities	<u>1,053,127</u>	<u>818,869</u>
Commitments and contingencies (Note 12)		
Stockholders' Equity (Deficit)		
Common stock-\$.001 par value, 50,000,000 shares authorized, 30,599,417 and 30,599,417 issued and outstanding at March 31, 2013 and December 31, 2012, respectively	30,599	30,599
Additional paid in capital	3,921,645	3,918,394
Accumulated deficit	<u>(4,853,118)</u>	<u>(4,703,719)</u>
Total Stockholders' Equity (Deficit)	<u>(900,874)</u>	<u>(754,726)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	<u>\$ 152,253</u>	<u>\$ 64,143</u>

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

INFORMATION SYSTEM ASSOCIATES, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	For the three months ended March 31,	
	2013	2012
Revenue		
Software and hardware sales	\$ 72,085	\$ 10,998
Services	136,777	64,597
Total Revenue	208,862	75,595
Cost of Revenue		
Software and hardware	5,515	5,900
Services	93,021	39,207
Total Cost of Revenue	98,536	45,107
Gross Profit	110,326	30,488
Operating Expenses		
Administrative and general	55,195	74,090
Salaries and employee benefits	128,563	127,772
Professional fees	25,948	19,990
Total Operating Expenses	209,706	221,852
(Loss) Before Other Income (Expense)	(99,380)	(191,364)
Other Income (Expense)		
Factoring fees	(5,755)	(3,783)
Interest expense	(44,264)	(127,840)
Loss on property and equipment	-	-
Total Other Income (Expense)	(50,019)	(131,623)
Net (Loss)	\$ (149,399)	\$ (322,987)
Basic and Fully Diluted (Loss) per Share:		
Basic and fully diluted	\$ (0.00)	\$ (0.01)
Weighted average common shares outstanding	30,599,417	30,268,816

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

INFORMATION SYSTEMS ASSOCIATES, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	For the three months ended March 31,	
	2013	2012
Cash Flows from Operating Activities		
Net (Loss)	\$ (149,399)	\$ (322,987)
Adjustments to reconcile net (loss) to net cash provided from operating activities:		
Depreciation	1,429	2,702
Amortization of software	-	9,006
Amortization of prepaids	2,458	-
Amortization of prepaid consulting	-	17,500
Amortization of original issue discount	6,044	11,287
Amortization of beneficial conversion feature value	10,556	55,330
Amortization of warrant discounts	14,378	57,536
Options issued for services	3,250	-
Changes in operating assets and liabilities:		
Accounts receivable	(90,374)	122,885
Accounts payable	(4,897)	22,496
Accounts payable - related party	3,781	-
Accrued expenses	87,284	-
Accrued interest	5,663	1,029
Deferred revenue	42,125	-
Net Cash (Used in) Operating Activities	(67,702)	(23,216)
Cash Flows from Investing Activities		
Net Cash (Used In) Investing Activities	-	-
Cash Flows from Financing Activities		
Proceeds from line of credit facility	35,385	1,675
Repayments of line of credit facility	(32,422)	(200)
Insurance premium proceeds	-	227
Insurance premium repayments	(2,198)	-
Proceeds from factor, net of repayments	11,916	-
Repayments to factor, net of proceeds	-	(71,499)
Repayment for checks written in excess of cash balances	(3,880)	-
Proceeds from shareholder	-	35,000
Repayment to shareholder	(1,302)	-
Proceeds from convertible notes, shareholders	-	62,500
Proceed from notes related parties	86,210	-
Repayment to related parties	(24,383)	-
Net Cash Provided by Financing Activities	69,326	27,703
Net Change in Cash and Cash Equivalents	1,624	4,487
Cash and Cash Equivalents at Beginning of period	-	988
Cash and Cash Equivalents at End of Period	\$ 1,624	\$ 5,475
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 9,497	\$ -
Cash paid for taxes	\$ -	\$ -

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

INFORMATION SYSTEMS ASSOCIATES, INC.
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2013

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Information Systems Associates, Inc. (Company) was incorporated under the laws of the State of Florida on May 31, 1994. The Company provides Mobile Data Center Management™ systems and turnkey data center management solutions to customers. Our products and services include data center asset/inventory management, data center management software and data center data collection. Utilizing its proprietary and patented technology, OSPI® (On Site Physical Inventory®), customers are able to manage data centers on a mobile basis, bringing data center management out of the office and into the data center.

Cash and Cash Equivalents

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

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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Most significant estimates in the accompanying financial statements include the allowance on accounts receivable, valuation of deferred tax assets, valuation of warrants issued with debt, valuation of beneficial conversion features in convertible debt, valuation of stock-based awards, valuation of long-lived assets for impairment and the measurement and useful lives of property and equipment. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Concentrations

Cash Concentrations

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. We have not experienced any losses related to these balances. There were no amounts on deposit in excess of federally insured limits at the date of this report.

Significant Customers and Concentration of Credit Risk

A significant portion of revenues is derived from certain customer relationships. The following is a summary of customers that each represents greater than 10% of total revenues for the three months ended March 31, 2013 and total accounts receivable at March 31, 2013:

<u>Revenue</u>		<u>Accounts Receivable</u>	
Customer A	50%	Customer A	88%
Customer B	40%	Others	12%
Other	10%		

Fair Value of Financial Instruments and Fair Value Measurements

We measure our financial assets and liabilities in accordance with generally accepted accounting principles. For certain of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, the carrying amounts approximate fair value due to their short maturities. Amounts recorded for subordinated notes payable, net of discount, and loans payable also approximate fair value because current interest rates available to us for debt with similar terms and maturities are substantially the same.

INFORMATION SYSTEMS ASSOCIATES, INC.
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2013

We follow accounting guidance for financial assets and liabilities. This standard defines fair value, provides guidance for measuring fair value and requires certain disclosures. This standard does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements. This guidance does not apply to measurements related to share-based payments. This guidance discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost).

The guidance utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs, other than quoted prices that are observable, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs in which little or no market data exists, therefore developed using estimates and assumptions developed by us, which reflect those that a market participant would use.

Earnings (Loss) Per Share

Basic earnings per share (EPS) are computed by dividing net (loss) by the weighted average number of common shares outstanding. The dilutive EPS adds the dilutive effect of stock options, warrants and other stock equivalents. As of the date of this report, outstanding warrants to purchase an aggregate of 5,020,000 shares of stock and outstanding options to purchase 1,000,000 shares of stock were excluded from the computation of dilutive earnings per share because the inclusion would have been anti-dilutive. These warrants and options may dilute future earnings per share.

Reclassification

Certain reclassifications have been made to the 2012 Financial Statements to conform to current 2013 presentation. The reclassifications include labor costs for services and amortization of capitalized software costs which were formerly recorded in general and administrative expenses and are now recorded in cost of sales.

Recent Issued Accounting Standards

We have implemented all new accounting standards that are in effect and that may impact our consolidated financial statements and do not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on our consolidated financial position or results of operations.

NOTE 2 – GOING CONCERN

As reflected in the accompanying financial statements, the Company had a net operating loss and cash used in operations for the quarter ended March 31, 2013 of \$149,399 and \$67,702 and the working capital deficit, stockholders' deficit and accumulated deficit as of March 31, 2013 was \$776,524, \$ 900,874 and \$4,853,118 respectively. These matters raise substantial doubt about the Company's ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent on the Company's ability to further implement its business plan and raise capital. During 2013 the management has arranged with a related party for working capital up to \$200,000 to finance on-going projects. Our management is also currently engaged in discussions with the capital markets to raise additional funds for expansion including software development and marketing. These financial statements do not include any adjustments related to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

**INFORMATION SYSTEMS ASSOCIATES, INC.
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2013**

NOTE 3 – ACCOUNTS RECEIVABLE AND FACTORING

In December 2011 the Company entered into an agreement with a Factoring company whereby the Company will assign, in the Factor's sole discretion, selected accounts receivable to the Factor in exchange for initial cash funding ("factor advances") for up to 80% of the factored receivable. The minimum 20% reserve held back by the Factor is released after collection of the account receivable by the Factor. The company pays a 3% factor fee for each factored receivable. Since the factoring agreement provides for full recourse against the Company for factored accounts receivable that are not collected by the Factor for any reason, and the collection of such accounts receivable are fully secured by substantially all assets of the Company, the factoring advances have been treated as secured loans on the accompanying balance sheets. The total accounts receivable factored in during the period ending March 31, 2013 was \$163,240. The factor fees paid during the period ending March 31, 2013 was \$5,755. Total outstanding accounts receivable factored as of March 31, 2013, which is included in Accounts Receivable on the accompanying balance sheets, was \$70,476.

The Company has total Accounts Receivable as follows:

	March 31, 2013	December 31, 2012
Accounts Receivable	\$ 55,605	\$ 4,974
Factored Receivables	70,476	30,734
Allowance for Doubtful Accounts	-	-
Total Accounts Receivable	<u>\$ 126,081</u>	<u>\$ 35,708</u>

NOTE 4 – PROPERTY AND EQUIPMENT

The Company has total Property and Equipment as follows:

	March 31, 2013	December 31, 2012
Computer software (purchased)	\$ 590	\$ 590
Website development costs	10,072	10,072
Furniture, fixtures, and equipment	40,712	40,712
Leasehold improvements	1,664	1,664
	<u>53,038</u>	<u>53,038</u>
Less accumulated depreciation and amortization	<u>36,161</u>	<u>34,732</u>
	<u>\$ 16,877</u>	<u>\$ 18,306</u>

Depreciation expense of \$1,429 was recorded for the period ended March 31, 2013.

INFORMATION SYSTEMS ASSOCIATES, INC.
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2013

NOTE 5 – NOTES PAYABLE – Related Parties

The Company's notes payable to related parties classified as current consist of the following:

Notes Payable	March 31, 2013		December 31, 2012	
	Principal	Interest*	Principal	Interest*
Related party	\$ 151,965	2.5%	\$ 85,755	2.5%
Related party	45,000	1.5%	25,000	1.5%
President & COO	20,209	-	32,602	-
CEO	73,667	-	85,668	-
Total	\$ 290,841		\$ 229,025	

* interest rate per month

On August 30, 2012 a company that is majority owned by a foreign investor and personal friend of the Company's President and COO, entered into an arrangement with the Company to loan up to \$200,000 on a revolving basis at an interest rate of 2.5% per month based on purchase orders or invoices that have not been previously factored. The initial deposit for this loan came from the Company's President and COO pursuant to the investor, who is a foreign national, setting up an appropriate entity to handle further transactions. Further, the Company's President and COO has personally guaranteed the loan. At March 31, 2013 and December 31, 2012 there was outstanding principal balance of \$151,965 and \$85,755, respectively. Accrued interest at March 31, 2013 and December 31, 2012 was \$15,643 and \$8,669, respectively.

On June 27, 2012 an individual whom the Company's President and COO has significant influence over, loaned the Company \$10,000 at an interest rate of 1.5% interest per month payable monthly. Between July 13, 2012 and July 24, 2012 the related party advanced an additional \$15,000. On January 1, 2013, the Company received \$19,400 from this related party in exchange for forty-five day original issue discount note with a face value of \$20,000 and a maturity date of February 15, 2013. The original discount interest rate was 2% per month. On February 15, 2013, the related party agreed to extend the note for an additional thirteen days, through March 1, 2013 on the same terms and conditions. The original discount interest of \$200 was paid to the lender on February 15, 2013. On March 1, 2013, the related party agreed to extend the note for an additional month, through March 31, 2013 on the same terms and conditions. At March 31, 2013 and December 31, 2012 there was outstanding principal balance of \$45,000 and \$25,000, respectively. Accrued interest at March 31, 2013 and December 31, 2012 was \$333 and \$407.

On May 31, 2012 the Company's President and COO made a \$30,000 short-term advance to the Company. During the second and third quarter, additional advances totaling \$50,975 were made. No interest was due on these short-term advances. At December 31, 2012 the advances had been paid in full. During the third quarter the Company deferred \$71,012 of payroll for this officer and recorded the amount as a non-interest bearing loan payable. The Company paid down the loan by \$39,788 leaving a balance at year-end of \$31,224. During the third quarter the officer used his personal credit card to purchase a Company computer in the amount of \$1,378 which is recorded as a loan payable. The Company pays these loans as sufficient funds become available. At March 31, 2013 and December 31, 2012 this officer had an outstanding loan balance of \$20,209 and \$32,602, respectively

On May 28, 2011, the Company's Chairman and CEO advanced the Company \$25,000 in exchange for a promissory note, bearing an annual interest of 6% and a repayment term of seven months. On January 1, 2012, the note was extended for a further 12 months. As of December 31, 2012 the note and accrued interest was paid in full. During the second quarter of 2012, the Company reclassified \$30,265 of accounts payable balances due to the CEO, to loan payable - officer. These balances were a result of Company expenses charged to the CEO's personal credit cards. The Company was previously paying the credit card companies directly for these expenses incurred. During the third quarter 2012 the company recorded accrued payroll for this officer. The resultant net pay was converted to a non-interest bearing loan payable in the amount of \$54,682. The Company pays these loans as sufficient funds become available. At March 31, 2013 and December 31, 2012 this officer had an outstanding loan balance of \$73,668 and \$85,668, respectively

INFORMATION SYSTEMS ASSOCIATES, INC.
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2013

NOTE 6 – NOTE PAYABLE – Shareholder

The Company's notes payable to shareholder classified as current at March 31, 2013 and December 31, 2012 consists of the following:

Note Payable	March 31, 2013		December 31, 2012	
	Principal	Interest*	Principal	Interest*
Shareholder	\$ 50,000	3.0%	\$ 50,000	3.0%

* Interest rate per month

On January 11, 2012 a shareholder loaned the Company \$35,000 at 3% interest per month for one year. On April 13 2012, the shareholder loaned additional principal to the Company in the aggregate amount \$25,000. On June 28, 2012, the Company made a \$10,000 principal payment on the note. In January 1, 2013, the Company entered into a new agreement with a shareholder to rollover an existing line of credit in the amount of \$50,000. The original line of credit was for a total of \$60,000 and ISA repaid \$10,000 of that obligation during 2012. The new note maintains similar terms and conditions but with a reduction in the monthly fee from 3% to 2.5%. At March 31, 2013 and December 31, 2012 the principal balance on the note was \$50,000 and \$50,000, respectively. At March 31, 2013 and December 31, 2012 the accrued interest on the note balance was \$1195 and \$2432, respectively.

NOTE 7 – NOTE PAYABLE, CONVERTIBLE – Related Party

Notes Payable - Convertible	March 31, 2013			December 31, 2012		
	Principal	Unamort Disc	Principal, Net of Discount	Principal	Unamort Disc	Principal, Net of Discount
Related Party Affiliate	\$ 66,000	(25,487)	\$ 40,513	\$ 66,000	(41,047)	\$ 24,953

On June 20 and 28, 2012, a related party who is an affiliate of the President and COO, made a non interest bearing short-term loan to the Company in the amount of \$60,000. On August 15, 2012, this loan was exchanged for a one year original issue discount convertible note with detachable warrants. The face value of the note is \$66,000. The \$6,000 original issue discount is expensed as interest over the term of the note. The convertible note payable is convertible into 1,320,000 shares of the Company's common stock at a conversion rate of \$0.05 per share. The Company has valued the beneficial conversion feature attached to the note using the intrinsic value method at a relative fair value of \$28,571. The five-year warrants to purchase 1,320,000 shares of the Company's common stock at an exercise price of \$0.10 were valued at a relative fair value of \$31,429 based on using the Black-Scholes pricing model assuming a dividend yield of 0%, an expected volatility of 462.61%, and a risk free interest rate of .102%. The beneficial conversion feature and the relative fair value of the warrants are recorded as an increase to additional paid in capital and a discount to the note to be amortized to interest expense over the term of the note term. The net value of the note at March 31, 2013 and December 31, 2012 was \$40,513 and \$24,953, respectively.

NOTE 8 – NOTES PAYABLE, CONVERTIBLE – Shareholders

Notes Payable - Convertible	March 31, 2013			December 31, 2012		
	Principal	Unamort Disc	Principal, Net of Discount	Principal	Unamort Disc	Principal, Net of Discount
Shareholder	\$ 68,750	\$ -	\$ 68,750	\$ 68,750	\$ (10,171)	\$ 58,579
Shareholder	13,750	(893)	12,857	13,750	(2,787)	10,963
	\$ 82,500	\$ (893)	\$ 81,607	\$ 82,500	\$ (12,958)	\$ 69,542

On July 18th, 2011 the Company received \$125,000 from a shareholder in exchange for a one year original issue discount convertible note with detachable warrants. The face value of the note is \$137,500. The \$12,500 original issue discount is expensed as interest over the term of the note. The convertible note payable is convertible into 1,375,000 shares of the Company's common stock at a conversion rate of \$0.10 per share. The Company has valued the beneficial conversion feature attached to the note using the intrinsic value method at \$62,500. The five-year warrants to purchase 1,250,000 shares of the Company's common stock at an exercise price of \$0.10 were valued at their relative fair value of \$62,500 based on using the Black-Scholes pricing model assuming a dividend yield of 0%, an expected volatility of 347.62%, and a risk free interest rate of 1.46%. The beneficial conversion feature and the relative fair value of the warrants are recorded as an increase to additional paid in capital and a discount to the note. On February 24, 2012, the shareholder made an additional investment of \$62,500 (see following paragraph for

INFORMATION SYSTEMS ASSOCIATES, INC.
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2013

details). As a condition for this further investment, the conversion price of the note issued on July 18, 2011 was reduced to \$.075 and an equivalent reduction in the exercise price of the warrants was executed. This modification qualifies for treatment as a debt extinguishment for financial accounting purposes and all remaining discounts were expensed. The exercise price exceeded the stock price on the date of modification; therefore no beneficial conversion value was recorded for the new note. On March 6, 2012 the shareholder converted this note in the amount of \$137,500, at the contractual conversion rate of \$.075, into 1,833,333 shares of common stock (see Note 14).

On February 24, 2012, the Company received an additional \$62,500 from the shareholder in exchange for a one year original issue discount convertible note with detachable warrants. The face value of the note is \$68,750. The \$6,250 original issue discount is recorded as debt discount and expensed as interest over the term of the note. The convertible note payable is convertible into 1,375,000 shares of the Company's common stock at a conversion rate of \$0.05 per share. The Company has valued the beneficial conversion feature attached to the note using the intrinsic value method at \$24,606. The five-year warrants to purchase 1,250,000 shares of the Company's common stock at an exercise price of \$0.10 were valued at a relative fair value of \$37,894 based on using the Black-Scholes pricing model assuming a dividend yield of 0%, an expected volatility of 462.61%, and a risk free interest rate of .89%. The beneficial conversion feature and the relative fair value of the warrants are recorded as an increase to additional paid in capital and a discount to the note. On February 24, 2013, this note became due and payable. ISA is technically in default though no written notice has been received from the shareholder. The Company is in discussions with the shareholder regarding either converting the note or extending it for further periods. As of the date of this report discussions continue. The net value of the note at March 31, 2013 and December 31, 2012 was \$68,750 and \$58,579 respectively.

On May 11, 2012, the Company received an additional investment of \$12,500 from a shareholder in exchange for a one year original issue discount convertible note with detachable warrants. The face value of the note is \$13,750. The \$1,250 original issue discount is expensed as interest over the term of the note. The convertible note payable is convertible into 275,000 shares of the Company's common stock at a conversion rate of \$0.05 per share. The Company has valued the beneficial conversion feature attached to the note using the intrinsic value method at \$1,545. The five-year warrants to purchase 275,000 shares of the Company's common stock at an exercise price of \$0.10 were valued at the relative fair value of \$4,970 based on using the Black-Scholes pricing model assuming a dividend yield of 0%, an expected volatility of 462.61%, and a risk free interest rate of .096%. The beneficial conversion feature and the relative fair value of the warrants are recorded as an increase to additional paid in capital and a discount to the note. The net value of the note at March 31, 2013 and December 31, 2012 was \$12,857 and \$10,963, respectively.

NOTE 9 – NOTE PAYABLE – OID – LONG TERM LIABILITY – Shareholder

	March 31, 2013			December 31, 2012		
	Principal	Unamort Disc	Principal, Net of Discount	Principal	Unamort Disc	Principal, Net of Discount
Notes Payable - Convertible						
Shareholder	\$ 163,698	(17,781)	\$ 145,917	\$ 165,000	(21,134)	\$ 143,866

On July 15th, 2011 the Company received \$125,000 from a shareholder in exchange for a one year original issue discount convertible note with detachable warrants. The face value of the note is \$137,500. The \$12,500 original issue discount is recorded as debt discount and expensed as interest over the term of the note. The convertible note payable is convertible into 1,375,000 shares of the Company's common stock at a conversion rate of \$0.10 per share. The Company has valued the beneficial conversion feature attached to the note using the intrinsic value method at \$62,500. The five-year warrants to purchase 1,250,000 shares of the Company's common stock at an exercise price of \$0.10 were valued at the relative fair value of \$62,500 based on using the Black-Scholes pricing model assuming a dividend yield of 0%, an expected volatility of 347.62%, and a risk free interest rate of 1.46%. The beneficial conversion feature and the relative fair value of the warrants are recorded as an increase to additional paid in capital and a discount to the note. The net liability of \$63,664 was included as a current liability at December 31, 2011. On July 15, 2012, the maturity date, the \$137,500 note was exchanged for a new two year original discount secured note. The note is secured by the Company's intellectual property, notably the patent for OSPI. In exchange for the security the investor agreed to waive the conversion rights and cancel the warrants issued with the original note. On February 8, 2013, the Company entered into an Inter-creditor Agreement with Liquid Capital Exchange, Inc. (the Company's factor) and a shareholder who has a \$165,000 original discount note dated July 15,

**INFORMATION SYSTEMS ASSOCIATES, INC.
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2013**

2012, secured by the intellectual property. The Inter-creditor Agreement resolves a definition dispute concerning UCC's filed by both parties to protect their collateral. A part of this agreement calls for the shareholder to receive 5% of all factor advances to the company until such time the shareholder loan is paid in full. Additionally, until the loan is paid, if there is a trigger notice (loan is due or is called), the factor will pay to the shareholder all factor holdback amounts after collection of the related accounts receivable, less any factor fees. The face value of the note is \$165,000. The \$27,500 original issue discount is expensed as interest over the term of the note. The net value of the note at March 31, 2013 and December 31, 2012 was \$147,219 and \$143,866, respectively.

NOTE 10 – LOANS PAYABLE - INSURANCE

On August 31, 2012, the Company incurred short term financing of \$5,794 for the purchase of Directors' & Officers' insurance. The interest rate on the financing was 6.96% and will mature July 2013. As of March 31, 2013 and December 31, 2012 the balance on the note incurred for insurance financing was \$1,774 and \$3,517, respectively.

NOTE 11 – NOTE PAYABLE – LINE OF CREDIT

The Company has a line of credit with Wells Fargo Bank. The line of credit provides for borrowings up to \$40,000. The balance as of March 31, 2013 and December 31, 2012 was \$40,000 and \$37,028, respectively. The interest rate is the Prime Rate plus 3%. The CEO of the Company is the personal guarantor. The line of credit is due on demand with an expiration date of April 30, 2014.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Operating lease

On April 25, 2011, the Company entered into a 3 year escalating lease agreement for 1,352 square feet commencing July, 2011. The monthly rental rate is \$1,800, \$1,920 and \$2,040 for the lease years ending July 31, 2012, 2013 and 2014, respectively. The Company incurred \$1,664 in leasehold improvements prior to occupancy and paid a security deposit of \$1,690.

On September 19, 2011, the Company entered into a 1 year sublease for 2,000 square feet in Las Vegas, Nevada. The sublease commenced on October 15, 2011 and requires monthly payments of \$3,000. A security deposit of \$3,000 was paid to the landlord.

Rent expense for the periods ending March 31, 2013 and March 31, 2012 were \$5,732 and \$15,214, respectively.

Five Year Minimum Lease Payment Schedule	
<u>Year</u>	
2013	\$ 23,040
2014	24,480
2015	-
2016	-
2017	-
Total	\$ 47,520

NOTE 13 – RELATED PARTIES

As of March 31, 2013 and December 13, 2012 there were various notes and loans payable to related parties (see Notes 5 and 7).

**INFORMATION SYSTEMS ASSOCIATES, INC.
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2013**

NOTE 14 – STOCKHOLDERS' EQUITY

Common stock based payments for services

On January 2, 2012, the Company granted 100,000 shares of common stock valued at their fair value of \$10,000 to an independent director in payment of director fees for the coming year which was fully expensed as of December 31, 2012.

Common stock issued for the conversion of notes

On March 6, 2012, a convertible note in the amount of \$137,500 was converted into 1,833,333 shares of common stock at the contractual conversion rate \$0.075 per share (see Note 8).

NOTE 15 – STOCK PURCHASE WARRANTS AND OPTIONS

Warrants

Following is a summary of warrants outstanding:

	March 31, 2013		December 31, 2012	
	Shares	Weighted Avg Exercise Price	Shares	Weighted Avg h Exercise Price
Outstanding at beginning of period	5,020,000	\$ 0.09	3,300,000	\$ 0.14
Granted	-	-	4,470,000	\$ 0.09
Exercised	-	-	-	-
Forfeited	-	-	2,750,000	\$ 0.10
Expired	-	-	-	-
Outstanding at end of period	5,020,000	\$ 0.09	5,020,000	\$ 0.09
Exercisable at end of period	5,020,000	\$ 0.09	5,020,000	\$ 0.09
Weighted average grant date fair value		\$ 0.06		\$ 0.06
Weighted average remaining contractual term		3.71		3.96

On August 15, 2012, warrants to purchase 1,320,000 shares of common stock at \$0.10 per share were issued to a related party in conjunction with a convertible note. The warrants were valued using the Black-Scholes model with a dividend rate of 0%, volatility of 462.61%, risk free interest rate of .102% and a term of 5 years.

On May 11, 2012 warrants to purchase 275,000 shares of common stock at \$0.10 per share were issued to an existing accredited investor in conjunction with a convertible note. As consideration for this further investment, the 250,000 existing warrants with a strike price \$.10 were cancelled and reissued with a strike price of \$0.075 per share. The new and existing warrants were both valued on the modification date using the Black-Scholes model with a dividend rate of 0%, volatility of 462.61%, a risk free interest rate of 0.89% and a term of 5 years and 3 years, respectively. There was no additional expense resulting from the modification.

On February 24, 2012 warrants to purchase 1,375,000 shares of common stock at \$0.10 per share were issued to an existing accredited investor in conjunction with a convertible note. As consideration for this further investment, the 1,250,000 existing warrants with a strike price \$.10 were cancelled and reissued with a strike price of \$0.075 per share. The new and existing warrants were valued on the modification date using the Black-Scholes model with a dividend rate of 0%, volatility of 462.61%, a risk free interest rate of 0.89% and a term of 5 years. There was no additional expense resulting from the modification.

INFORMATION SYSTEMS ASSOCIATES, INC.
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2013

Options

Following is a summary of options outstanding:

	March 31, 2013		December 31, 2012	
	Shares	Weighted Avg Exercise Price	Shares	Weighted Avg Exercise Price
Outstanding at beginning of period	350,000	\$ 0.035	-	-
Granted	650,000	\$ 0.020	350,000	\$ 0.035
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding at end of period	1,000,000	\$ 0.030	350,000	\$ 0.035
Exercisable at end of period	100,000	\$ 0.035	100,000	\$ 0.035
Weighted average grant date fair value		\$ 0.04		\$ 0.04
Weighted average remaining contractual term		4.61		4.59

On January 1, 2013 the Company granted options to purchase 650,000 shares of common stock to its independent directors. The options have an exercise price of \$0.02 per share, a five-year term, vest on January 1, 2014, and are subject to continuing service as a director. The options were valued using the Black-Scholes model using a volatility of 508.21%, an expected term of 5 years and an interest rate of 0.76%. The options are valued at \$14,500 and will be recognized as expense over the requisite service period.

On August 2, 2012, the Company issued 250,000 options valued at \$0.04 per options for a total of \$10,000 to its President and CFO. The options vest equally every six months over a three year period. The options were valued using the Black-Scholes model with a dividend rate of 0%, volatility of 462.61%, risk free interest rate of 0.61% and a term of 5 years. The expense in 2012 was not material.

On August 2, 2012, the Company issued 100,000 options to its new Chief Operating Officer. The options vest equally every six months over a three year period. The options were valued at \$0.04 per option using the Black-Scholes model with a dividend rate of 0%, volatility of 462.61%, risk free rate of 0.61% and a term of 5 years. On December 21, 2012, the COO was terminated. As part of the settlement agreement, all 100,000 options immediately vested and the Company recognized \$4,000 total expense.

INFORMATION SYSTEMS ASSOCIATES, INC.

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

OUR COMPANY

We were incorporated in Florida in 1994 to engage in the business of developing software for the financial and asset management industries. We are currently engaged and plan to continue in the sale of asset management software for corporate information technology data centers and networks. ISA is a "solution provider" positioned to develop and deliver comprehensive asset management systems large data center assets.

We deliver turnkey software and service solutions that give large corporations control of their IT assets. Our mobile asset solution addresses data center equipment inventory, space utilization, power and connectivity management. In conjunction with our data center asset management solutions, ISA also offers state of the art asset data collection and audit services focusing on the enterprise IT infrastructure. The data collection and audit services are based on our solution OSPI® which provides mobile data center asset management on a handheld device. It dramatically reduces the time and effort spent managing changes to the data center or performing asset inventories while greatly improving the accuracy of asset management data. It is the only mobile asset management system purposely built for use in the data center. It puts a full mobile solution within the data center manager's control, allowing data to be managed while in the data center at the time and place changes occur.

RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the audited financial statements included in this report.

For the Three months ended March 31, 2013 compared to March 31, 2012

Revenues

Revenues were \$208,862 and \$75,595 for the three months ended March 31, 2013 and 2012, respectively. The revenues increase for 2013 due to an increase in professional services revenue, software licensing revenue and customer service revenue by \$62,326, \$61,087, and \$9,854 respectively.

Cost of Sales

Costs of sales were \$98,536 and \$45,107 for the three months ended March 31, 2013 and 2012, respectively. The increase in 2013 cost of sales is primarily due to an increase in professional services cost and customer services cost of \$53,372 and \$442, respectively, partially offset by a decrease in software licensing costs of \$385.

Operating Expenses

Operating expenses for the three months ended March 31, 2013 and 2012 were \$209,706 and \$221,852, respectively. The decrease in operating expenses resulted primarily from a decrease in general and administrative expenses of \$18,895, offset by an increase in salary and benefits of \$791 and an increase in professional fees of \$5,958.

Loss before other Income (Expense)

We had a loss from operations for the three months ended March 31, 2013 and 2012 of \$99,380 and \$191,364, respectively. The decrease in the loss resulted from a \$79,838 increase in gross profit.

Other Income (Expense)

Interest Expense

Interest expense for the three months ended March 31, 2013 and 2012 was \$44,264 and \$127,840 respectively. The decrease in interest expense resulted from decrease of amortization of interest expense of \$91,631 associated with original issue discount notes, the beneficial conversion feature and warrants issued associated with our convertible notes offset by an increase in notes payable interest of \$8,055.

INFORMATION SYSTEMS ASSOCIATES, INC.

Factor Fees

Factoring fees for the three months ending March 31, 2013 and 2012 were \$5,755 and \$3,781, respectively. The \$1,972 increase was due to an increase in the number of invoices factored.

Net Loss

Net loss for the three month period ended March 31, 2013 was \$149,398 as compared with a net loss of \$322,987 for the three month period ended March 31, 2012. Loss before other income (expense) decreased by \$91,984, partially offset by a decrease in other expense of \$81,604, due to decrease in interest on additional borrowing. Net loss per common share was \$0.00 and \$0.01 for the period ended March 31, 2013 and 2012, respectively. Weighted average common shares outstanding for the three month period ended March 31, 2013 and 2012 were 30,599,417 shares and 30,268,816 shares, respectively.

Liquidity and Capital Resources

Cash flows used in operations was \$67,702 for the three month period ending March 31, 2013 and cash flow provided by operations was \$23,216 for the three month period ending March 31, 2012.

Cash flows used in operations during the period ended March 31, 2013 were attributable to a net loss of \$149,399 and an increase in accounts receivable of \$90,374, offset by depreciation and amortization expense of \$1,429, prepaid expenses \$2,458, amortization of original issue discount, beneficial conversion value and warrant discounts of \$30,978, options issued for services of \$3,250, increase in accounts payable and accrued expenses \$91,831, and an increase in deferred revenue of \$42,125.

Cash flows used in operations during the period ended March 31, 2012 were attributable to a net loss of \$322,987, offset by depreciation and amortization expense of \$11,708, prepaid expenses \$17,500, amortization of original issue discount, beneficial conversion value and warrant discounts of \$124,153, decrease in accounts receivable of \$122,885, increase in accounts payable and accrued expenses \$23,525.

During the period ended March 31, 2013 and 2012, we experienced no effect from investing activities.

Cash flows provided by financing activities was \$69,325 for the period ended March 31, 2013. These cash flows were provided by net proceeds from related party and shareholder notes of \$60,525, net proceeds from line of credit of \$2,962, and net proceeds from factors, net of repayments of \$11,916; offset by insurance premium repayment of \$2,198 and a repayment of checks written in excess of cash balances. Cash flows provided by financing activities was \$27,703 for the period ended March 31, 2012. These cash flows were provided by net proceeds from related party and shareholder notes of \$97,500, net proceeds from line of credit of \$1,475, and insurance premium proceeds of \$227; offset by net repayment of factors, net of proceeds of \$71,498.

As of May 14, 2013 we had cash on hand of \$4,250. During 2013 the management has arranged with a related party for working capital up to \$200,000 to finance on-going projects. If we are unable to generate revenues sufficient to support our operations we will require additional debt or equity financing to meet the working capital needs of the Company. Our management also currently plans to raise additional funds for expansion including software development and marketing.

OFF BALANCE SHEET ARRANGEMENTS

We have no-off balance sheet contractual arrangements, as that term is defined in Item 303(a)(4) of Regulation S-K.

CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and judgments. We believe that the determination of the carrying value of our long-lived assets, the valuation allowance of deferred tax assets and valuation of share-based payment compensation are the most critical areas where management's judgments and estimates most affect our reported results. While we believe our estimates are reasonable, misinterpretation of the conditions that affect the valuation of these assets could result in actual results varying from reported results, which are based on our estimates, assumptions and judgments as of the balance sheet date.

INFORMATION SYSTEMS ASSOCIATES, INC.

Revenue Recognition

The Company recognizes revenue in accordance with the Securities and Exchange Commission (the "SEC") Staff Accounting Bulletin No. 104, "Revenue Recognition" and Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 985-605-25 which addresses Revenue Recognition for the software industry. The general criteria for revenue recognition under ASC 985-605 for our Company which sells software licenses which do not require any significant modification or customization is that revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable.

The Company generates revenue from three sources: (1) professional Services (consulting & auditing); (2) software licensing with optional hardware sales; and (3) customer service (training & maintenance/support).

For sales arrangements that do not involve multiple elements:

- (1) Revenues for professional services, which are of short term duration, are recognized when services are completed.
- (2) Through the date of this report, software license sales have been one time sales of a perpetual license to use our software product and the customer also has the option to purchase third party manufactured handheld devices from us if they purchase our software license. Accordingly the revenue is recognized upon delivery of the software and delivery of the hardware, as applicable, to the customer.
- (3) Training sales are one time upfront short term training sessions and are recognized after the service has been performed.
- (4) Maintenance/support is an optional product sold to our software license customers under one year contracts. Accordingly, maintenance payments received upfront are deferred and recognized over the contract term.

Arrangements with customers may involve multiple elements of the above sources. Training and maintenance on software products will generally occur after the software product sale while other services may occur before or after the software product sale and may not relate to the software product.

Each element is accounted for separately when each element has value to the customer on a stand-alone basis and there is Company specific objective evidence of selling price of each deliverable. For revenue arrangements with multiple deliverables, the Company allocates the total customer arrangement to the separate units of accounting based on their relative selling prices as determined by the price for the items when sold separately. Once the selling price is allocated, the revenue for each element is recognized using the general and specific criteria under GAAP as discussed above for elements sold in non-multiple element arrangements. A delivered item or items that do not qualify as a separate unit of accounting within the arrangement are combined with the other applicable undelivered items within the arrangement. The allocation of arrangement consideration and the recognition of revenue is then determined for those combined deliverables as a single unit of accounting. The Company sells its various services and software and hardware products at established prices on a standalone basis which provides Company specific objective evidence of selling price for purposes of multiple element relative selling price allocation. All elements in multiple element arrangements with Company customers qualify as separate units of account for revenue recognition purposes.

Accounts Receivable and Factoring

Accounts receivable are stated at estimated net realizable value. Accounts receivable are comprised of balances due from customers net of estimated allowances for uncollectible accounts. In determining the collections on the account, historical trends are evaluated and specific customer issues are reviewed to arrive at appropriate allowances.

The Company accounts for the sale of our accounts receivable to a third party in accordance with ASC 860-10-40-5 "Transfers and Servicing". ASC 860-10 requires that several conditions be met in order to present the sale of accounts receivable net of related debt in the asset section of our balance sheet. Even though we have isolated the transferred (sold) assets and we have the legal right to transfer our assets (accounts receivable) we do not meet the third test of effective control since our accounts receivable sales agreement requires us to be liable in the event of default by one of our customers. Because we do not meet all three conditions, we do not qualify for sale treatment and our debt incurred with respect to the sale of our accounts receivable is presented as a liability on our balance sheet.

Long-Lived Assets

The Company evaluated the recoverability of its property, equipment, and other assets in accordance with FASB ASC 360 "Property, Plant and Equipment", which requires recognition of impairment of long-lived assets in the event the net book value of such assets exceed the estimated future undiscounted cash flows attributable to such assets or the business to which such intangible assets relate.

Software Development Costs

Internal Use Software

The Company accounts for costs incurred to develop or purchase computer software for internal use in accordance with FASB ASC 350-40 "Internal-Use Software" or ASC 350-50 "Website Costs". As required by ASC 350-40, the Company capitalizes the costs incurred during the application development stage, which include costs to design the software configuration and interfaces, coding, installation, and testing.

Costs incurred during the preliminary project stage along with post-implementation stages of internal use computer software are expensed as incurred. Capitalized development costs are amortized over a period of one to three years. Costs incurred to maintain existing product offerings are expensed as incurred. The capitalization and ongoing assessment of recoverability of development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility, and estimated economic life.

Software to be sold or leased

Costs incurred in connection with the development of software products are accounted for in accordance with the Financial Accounting Standards Board Accounting Standards Codification ("ASC") 985-20 *Costs of Software to Be Sold, Leased or Marketed*. Costs incurred prior to the establishment of technological feasibility are charged to research and development expense. Software development costs are capitalized after a product is determined to be technologically feasible and is in the process of being developed for market and capitalization ceases after the general release of the software. Amortization of capitalized software development costs begins upon initial product shipment. Capitalized software development costs are amortized over the estimated life of the related product using the straight-line method. The Company evaluates its software assets for impairment whenever events or change in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of software assets to be held and used is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flows expected to be generated by the asset. If such software assets are considered to be impaired, the impairment to be recognized is the excess of the carrying amount over the fair value of the software asset.

Software maintenance costs are charged to expense as incurred. The cost of the software and the related accumulated amortization are removed from the accounts upon retirement of the software with any resulting loss being recorded in operations.

Share-Based Compensation

We follow the fair value recognition provisions of ASC 718, "*Compensation – Stock Compensation*". The fair values of share-based payments are estimated on the date of grant using the Black-Scholes option pricing model, based on weighted average assumptions. Expected volatility is based on historical volatility of our common stock. We have elected to use the simplified method described in the Securities and Exchange Commission Staff Accounting Bulletin Topic 14C to estimate the expected term of employee stock options. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant. Compensation expense is recognized on a straight-line basis over the requisite service period of the award.

The assumptions used in calculating the fair value of stock-based awards represent our best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future.

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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Most significant estimates in the accompanying financial statements include the allowance on accounts receivable, valuation of deferred tax assets, valuation of warrants issued with debt, valuation of beneficial conversion features in convertible debt, valuation of stock-based awards, valuation of long-lived assets for impairment and the measurement and useful lives of property and equipment. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Recent Issued Accounting Standards

We have implemented all new accounting standards that are in effect and that may impact our consolidated financial statements and do not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on our consolidated financial position or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information to be reported under this item is not required of smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management carried out an evaluation with the participation of our Principal Executive Officer and Principal Financial Officer, required by Rule 13a-15 of the Securities Exchange Act of 1934 (the "Exchange Act") of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act.

Based on their evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls Over Financial Reporting

There were no changes in our internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are a party to, or otherwise involved in, legal proceedings arising in the normal and ordinary course of business. As of the date of this report, we are not aware of any proceeding, threatened or pending, against us which, if determined adversely, would have a material effect on our business, results of operations, cash flows or financial position. There were no material changes during the first quarter to any pending legal proceedings previously reported.

ITEM 1A. RISK FACTORS

The following important factors among others, could cause our actual operating results to differ materially from those indicated or suggested by forward-looking statements made in this Form 10-Q or presented elsewhere by management from time to time. There are numerous and varied risks, known and unknown, that may prevent us from achieving our goals. If any of these risks actually occur, our business, financial condition or results of operation may be materially adversely affected. In such case, the trading price of our common stock could decline and investors could lose all or part of their investment.

Our ability to continue as a going concern is in substantial doubt absent obtaining adequate new debt or equity financing and achieving sufficient sales levels.

We incurred a net loss of \$149,399 and used cash in operating activities of \$67,702 for the three months ended March 31, 2013. We anticipate these losses and cash flow deficits will continue for the foreseeable future. We have not reached a profitable level of operations and have negative working capital, all of which raise substantial doubt about our ability to continue as a growing concern. Our continued existence is dependent upon generating working capital. Because of our continuing losses, we have working capital to permit us to remain in business only through June 30, 2013, without improvements in our cash flow from operations or new financing. Working capital limitations continue to impinge on our day-to-day operations, thus contributing to continued operating losses.

If we are unable to raise capital, we may not remain in business.

Other than a revolving loan from a related party which had approximately \$27,000 available to borrow from at May 14, 2013, we have no other credit facility or other committed sources of capital sufficient to fund our business plan. We may be unable to establish credit arrangements on satisfactory terms. For that reason, we plan to raise additional funds by issuing convertible notes. If we are unsuccessful in raising this capital, we may not be able to continue operations.

If we do not generate positive cash flow and earnings or raise additional debt or equity capital, we may not be able to repay our debt and operating payables.

We are not able to repay our debt and old payables from our operating cash flow. Because of the lingering effects of the recession, ongoing financial issues in Europe, difficulties which microcap companies have in raising capital, the lack of available credit for companies like us and our stock price, we may be hampered in our ability to raise the necessary working capital. Even if we do find a source of additional capital, we may not be able to negotiate terms and conditions for receiving the additional capital that are acceptable to us. Any future capital investments may dilute or otherwise materially and adversely affect the holdings or rights of our existing shareholders. In addition, new equity or debt securities issued by us to obtain financing could have rights, preferences and privileges senior to our common stock. We cannot give you any assurance that any additional financing will be available to us, or if available, will be on terms favorable to us.

Our Lack of Revenues Makes Evaluating Our Business and Prospects Difficult

Since our inception, we have had limited revenues. These factors make it difficult to evaluate our growth prospects. In addition, we have incurred significant losses each year.

Potential Fluctuations In Our Financial Results Make Financial Forecasting Difficult.

Factors that may cause fluctuations in our financial results include:

- General economic conditions as well as economic conditions specific to our industry;
- Our operating results have varied on a quarterly basis in the past and may fluctuate significantly as a result of a variety of factors, many of which are outside our control. Factors that may affect our quarterly operating results include:
 - long sales cycles, which characterize our industry
 - implementation delays, which can affect payment and recognition of revenue;
 - any decision by us to reduce prices for our solutions in response to price reductions by competitors
 - the amount and timing of operating costs and capital expenditures relating to monitoring or expanding our business, operations and infrastructure
 - the timing of, and our ability to integrate, any future acquisition, technologies or products or any strategic investments or relationships into which we may enter

Due to these factors, our quarterly revenues and operating results are difficult to forecast. We believe that period-to-period comparisons of our operating results may not be meaningful and should not be relied upon as an indication of future performance. In addition, it is likely that in one or more future quarters, our operating results will fall below the expectations of securities analysts and investors. In such event, the trading price of our common shares would almost certainly be materially adversely affected.

Because We Face Significant Competition, We May Not Be Successful.

The market for asset lifecycle management solutions is rapidly evolving and intensely competitive. We face significant competition in each segment of our business (sourcing, procurement, enterprise asset management and asset disposition). We expect that competition will further intensify as new companies enter the different segments of our market and larger existing companies expand their product lines.

Some of our competitors have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing and other resources than we. We cannot assure you that we will be able to compete with them effectively. If we fail to do so, it would have a material adverse effect on our business, financial condition, cash flows and results of operations.

If We Encounter Significant Delays In Product Development, It Would Result In Our Loss Of Revenue.

If we experience significant product development delays, our revenues could be substantially reduced, which would adversely affect our operating results. As a result of the complexities inherent in our software, major new product enhancements and new products often require long development and test periods before they are released. On occasion, we have experienced delays in the scheduled release date of new or enhanced products, and we may experience delays in the future. Delays may occur for many reasons, including an inability to hire a sufficient number of developers, discovery of bugs and errors or a failure of our current or future products to conform to industry requirements. Any such delay, or the failure of new products or enhancements in achieving market acceptance, could materially impact our business and result in a decrease in our revenues.

Our Business Could Be Substantially Harmed If We Have To Correct Or Delay The Release Of Products Due To Software Bugs Or Errors.

Our software products may contain undetected errors or bugs when first introduced or as new versions are released. Errors may result in any of the following:

- adverse customer reactions
- negative publicity regarding our business and our products
- harm to our reputation
- loss of or delay in market acceptance
- loss of revenue or required product changes
- diversion of development resources and increased development expenses

INFORMATION SYSTEMS ASSOCIATES, INC.

- increased service and warranty costs
- legal action by our customers
- increased insurance costs

Because Our Industry Is Characterized By Rapid Technological Change, We May Have To Expend Significant Resources To Keep Pace.

Our industry is characterized by rapid technological change, changes in user and customer requirements, frequent new service or product introductions embodying new technologies and the emergence of new industry standards and practices. Any of these could hamper our ability to compete or render our proprietary technology obsolete. Our future success will depend, in part, on our ability to:

- develop new proprietary technology that addresses the increasingly sophisticated and varied needs of our existing and prospective customers
- anticipate and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis
- continually improve the performance, features and reliability of our products in response to evolving market demands
- license leading technologies

We may be required to make substantial expenditures to accomplish the foregoing or to modify or adapt our services or infrastructure.

If we are unable to protect our proprietary technology, our business could be harmed.

Our intellectual property including our patent is our key asset. Competitors may also be able to design around our patent and to compete effectively with us. The cost to prosecute infringements of our intellectual property or the cost to defend our products against patent infringement or other intellectual property litigation by others could be substantial. We cannot assure you that:

- Future patent applications will result in issued patents;
- The patent we own will not be challenged by competitors;
- The patent will be found to be valid or sufficiently broad to protect our technology or provide us with a competitive advantage; and
- We will be successful in defending against future patent infringement claims asserted against our products.

Both the patent application process and the process of managing patent disputes can be time consuming and expensive. In addition, changes in U.S. patent laws could prevent or limit us from filing patent applications or patent claims to protect our services and/or technologies or limit the exclusivity periods that are available to patent holders. In September 2011, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was signed into law and included a number of significant changes to U.S. patent law, including the transition from a "first-to-invent" system to a "first-to-file" system and changed the way issued patents are challenged. These changes may favor larger and more established companies that have more resources than we do to devote to patent application filing and prosecution. The U.S. Patent and Trademark Office recently issued new Regulations effective March 16, 2013 to administer the Leahy-Smith Act. Accordingly, it is not clear what, if any, impact the Leahy-Smith Act will ultimately have on the cost of prosecuting our patent applications, our ability to obtain patents based on our discoveries and our ability to enforce or defend our issued patents. However, it is possible that in order to adequately protect our patents under the "first-to-file" system, we will have to allocate significant additional resources to the establishment and maintenance of a new patent application process designed to be more streamlined and competitive in the context of the new "first-to-file" system, which would divert valuable resources from other areas of our business. In addition to obtaining a patent on our technology, we have taken steps to protect our intellectual property and trade secrets by entering into confidentiality agreements and intellectual property assignment agreements with our employees, consultants, corporate partners and, when needed, our advisors. Such agreements may not be enforceable or may not provide meaningful protection for our trade secrets or other proprietary information in the event of unauthorized use or disclosure or other breaches of the agreements, and we may not be able to prevent such unauthorized disclosure. Monitoring unauthorized disclosure is difficult, and we do not know whether the steps we have taken to prevent such disclosure are, or will be, adequate.

INFORMATION SYSTEMS ASSOCIATES, INC.

If we are subject to intellectual property infringement claims, it could cause us to incur significant expenses and pay substantial damages.

Third parties may claim that our equipment or services infringe or violate their intellectual property rights. Any such claims could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages and prevent us from using licensed technology that may be fundamental to our business service delivery. Even if we were to prevail, any litigation regarding its intellectual property could be costly and time-consuming and divert the attention of our management and key personnel from our business operations. We may also be obligated to indemnify our business partners in any such litigation, which could further exhaust our resources. Furthermore, as a result of an intellectual property challenge, we may be prevented from providing some of our services unless we enter into royalty, license or other agreements. We may not be able to obtain such agreements at all or on terms acceptable to us, and as a result, we may be precluded from offering some of our equipment and services.

Because our business is sensitive to the overall economic environment, any slowdown in information technology spending budgets could harm our operating results.

There is generally a correlation between a robust business climate and our customer's information technology budgets. Any significant downturn in our customers' markets or in general economic conditions that results in reduced information technology spending budgets would likely result in a decreased demand for our products and services, longer selling cycles and lower prices, any of which may harm our business.

Risks Related to Our Common Stock

Because our common stock does not trade on a securities exchange, a number of investors cannot purchase our common stock, which has a depressive effect on our stock price.

Our common stock trades on the Over-The-Counter Bulletin Board which is not a national securities exchange. As a result of that and our stock price being under \$5.00 most institutions cannot buy our stock and brokers generally cannot recommend to investors that they buy our stock. Trading is very limited. Unless an active market for our common stock develops, the price may decline in the future and is not likely to increase.

Because we are subject to the "penny stock" rules, brokers cannot generally solicit the purchase of our common stock which adversely affects its liquidity and market price.

The SEC has adopted regulations which generally define "penny stock" to be an equity security that has a market price of less than \$5.00 per share, subject to specific exemptions. The market price of our common stock on the Bulletin Board has been substantially less than \$5.00 per share and therefore we are currently considered a "penny stock" according to SEC rules. This designation requires any broker-dealer selling these securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities.

These rules limit the ability of broker-dealers to solicit purchases of our common stock and therefore reduce the liquidity of the public market for our shares.

Due to factors beyond our control, our stock price may be volatile.

Any of the following factors could affect the market price of our common stock:

- The resolution of our present liquidity problems;
- Our announcements of and progress with commercialization of our business;
- Our failure to generate increasing revenues;
- Our failure to receive purchase orders;
- Short selling activities;
- The loss of key personnel;
- Our failure to achieve and maintain profitability;
- Actual or anticipated variations in our quarterly results of operations;

INFORMATION SYSTEMS ASSOCIATES, INC.

- Announcements by us or our competitors of significant contracts, new products, acquisitions, commercial relationships, joint ventures or capital commitments;
- The loss of major customers or product or component suppliers;
- The loss of significant business relationships;
- Our failure to meet financial analysts' performance expectations;
- Changes in earnings estimates and recommendations by financial analysts; or
- Changes in market valuations of similar companies.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. A securities class action suit against us could result in substantial costs and divert our management's time and attention, which would otherwise be used to benefit our business.

We may issue preferred stock without the approval of our shareholders, which could make it more difficult for a third party to acquire us and could depress our stock price.

Our Board of Directors (the "Board") may issue, without a vote of our shareholders, one or more additional series of preferred stock that have more than one vote per share. This could permit our Board to issue preferred stock to investors who support our management and give effective control of our business to our management. Additionally, issuance of preferred stock could block an acquisition resulting in both a drop in our stock price and a decline in interest of our common stock. This could make it more difficult for shareholders to sell their common stock. This could also cause the market price of our common stock shares to drop significantly, even if our business is performing well.

An investment in ISA will be diluted in the future as a result of the issuance of additional securities, the exercise of options or warrants or the conversion of outstanding preferred stock.

In order to raise additional capital to meet our working capital needs, we expect to issue additional shares of common stock or securities convertible, exchangeable or exercisable into common stock from time to time, which could result in substantial dilution to investors. We cannot assure you that we will be successful in raising additional capital.

Because our management do not solely by virtue of their ownership of our common stock control ISA, it is possible that third parties could obtain control and change the direction of our business.

Our officers and directors own approximately 6,700,000 shares of our common stock or 21.9% of the shares actually outstanding. By including shares of common stock which are issuable upon exercise of outstanding options held by them, they beneficially own approximately 6,950,000 shares or 22.7%. A former officer who has an adversarial relationship with our management owns 16.3% of our common stock. For these reasons, a third party could obtain control of ISA and change the direction of our business.

Since we intend to retain any earnings for development of our business for the foreseeable future, you will likely not receive any dividends for the foreseeable future.

We have not and do not intend to pay any dividends in the foreseeable future, as we intend to retain any earnings for development and expansion of our business operations. As a result, you will not receive any dividends on your investment for an indefinite period of time.

Because almost all of our outstanding shares are freely tradable, sales of these shares could cause the market price of our common stock to drop significantly, even if our business is performing well.

As of March 31, 2013, we had 30,599,417 shares of common stock outstanding of which our directors and executive officers own approximately 6,700,000 million shares which are subject to the limitations of Rule 144 under the Securities Act of 1933. Most of the remaining outstanding shares, including a substantial amount of shares issuable upon exercise of options, are and will be freely tradable.

In general, Rule 144 provides that any non-affiliate of ISA, who has held restricted common stock for at least six months, is entitled to sell their restricted stock freely, provided that we stay current in our SEC filings. After one year, a non-affiliate may sell without any restrictions.

INFORMATION SYSTEMS ASSOCIATES, INC.

An affiliate of ISA may sell after six months with the following restrictions:

- (i) we are current in our filings,
- (ii) certain manner of sale provisions, and
- (iii) filing of Form 144.

Because almost all of our outstanding shares are freely tradable and a number of shares held by our affiliates may be freely sold (subject to Rule 144 limitations), sales of these shares could cause the market price of our common stock to drop significantly, even if our business is performing well.

Because we may not be able to attract the attention of major brokerage firms, it could have a material impact upon the price of our common stock.

It is not likely that securities analysts of major brokerage firms will provide research coverage for our common stock since the firm itself cannot recommend the purchase of our common stock under the penny stock rules referenced in an earlier risk factor. The absence of such coverage limits the likelihood that an active market will develop for our common stock. It may also make it more difficult for us to attract new investors at times when we require additional capital.

Cautionary Note Regarding Forward-Looking Statements

This report on Form 10-Q contains forward-looking statements involving our liquidity and capital raising efforts. The words “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “could,” “target,” “potential,” “is likely,” “will,” “expect” and similar expressions, as they relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs.

The results anticipated by any or all of these forward-looking statements might not occur. Important factors, uncertainties and risks that may cause actual results to differ materially from these forward-looking statements are contained in the above Risk Factors. We undertake no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise. For more information regarding some of the ongoing risks and uncertainties of our business, see the Risk Factors and our other filings with the SEC.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

INFORMATION SYSTEMS ASSOCIATES, INC.

ITEM 6. EXHIBITS

Exhibit No.	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Date	Number	
3.1	Articles of Incorporation	SB-2	4/7/07	3.1	
3.2	Articles of Amendment to the Articles of Incorporation	SB-2	4/7/07	3.2	
3.3	Bylaws	SB-2	4/7/07	3.4	
10.1	WSR Consulting Agreement dated September 11, 2009	8-K	10/16/9	10.3	
10.2	Form of Revolving Line of Credit				Filed
10.3	Form of Note Payable OID				Filed
10.4	Form of Option Agreement				Filed
31.1	Certification of Principal Executive Officer (302)				Filed
31.2	Certification of Principal Financial Officer (302)				Filed
32.1	Certification of Principal Executive and Principal Financial Officer (906)				Furnished*
101.INS	XBRL Instance Document				**
101.SCH	XBRL Taxonomy Extension Schema Document				**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				**
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				**

* This exhibit is being furnished rather than filed and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.

** Attached as Exhibit 101 to this report are the Company's financial statements for the quarter ended March 31, 2013 formatted in XBRL (eXtensible Business Reporting Language). The XBRL-related information in Exhibit 101 to this report shall not be deemed "filed" or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act, and is not filed for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liabilities of those sections.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

INFORMATION SYSTEMS ASSOCIATES, INC.

Date: May 15, 2013

By: /s/ Joseph P. Coschera
Joseph P. Coschera
Chief Executive Officer

Date: May 15, 2013

By: /s/ Jacquelyn B. Bolles
Jacquelyn B. Bolles
Chief Financial Officer

REVOLVING CREDIT LINE AGREEMENT

Intending to be legally bound by this Revolving Credit Line Agreement ("Agreement"), dated _____, _____, an individual, whose mailing address is _____ (the "Lender") and INFORMATION SYSTEMS ASSOCIATES, INC., a Florida corporation, whose mailing address is 819 SW Federal Hwy, Suite 206, Stuart, FL 34994 (the "Borrower") agree as follows:

I. Revolving Credit

- 1.1 In General.** Subject to the terms of this Agreement, the lender hereby establishes a credit facility in favor of the Borrower (the "Credit Facility") under which the Lender will extend credit to the Borrower from time to time until _____ (the "Credit Termination Date"), by way of Loans pursuant to Section 1.2 hereof. Each extension of credit shall be in such amount as the Borrower may request, but the aggregate principal amount of all extensions of credit at any one time outstanding shall not exceed \$_____ (the "Commitment"). At the discretion of the lender, the Borrower may obtain credit, repay without penalty and obtain further credit as provided for under this Agreement, from the date hereof until the Credit Termination Date, in either the full amount of the Commitment or any lesser sum.
- 1.2 Drawings.** The Borrower may draw on the Commitment in the following manner(s): By obtaining a cash advance (each such cash advance herein referred to as a "Loan").
- 1.3 Purpose.** The proceeds of the Loans and other extensions of credit under the Credit Facility shall be used exclusively for purchase order financing or other working capital purposes approved in advance.
- 1.4 Security.** The Credit Facility and Loans and other extensions of credit shall be secured by all receivables not otherwise pledged or encumbered.
- 1.5 Requests for Loans or Credit.** In respect of each Loan and each other extension of credit, the Borrower shall give to the Lender at least one Business Day's telephonic notice of the Borrower's request therefor (in each case confirmed prior to disbursement of the Loan or other extension of credit by a written "Notice of Borrowing" in the form of Exhibit A attached hereto).
- 1.6 Interest; Repayment of Loans and Credit.**
- (a) **Interest Rate.** Borrower agrees to pay interest on the outstanding principal balance of each Loan at a fixed rate of ____% per month calculated on the daily amount outstanding. Interest shall be computed on the basis of the actual number of days elapsed between payments and on the basis of a 365-day year (or, in leap years, on the basis of a 366-day year). The daily rate will be calculated by dividing the monthly rate times the number of months and dividing by the actual number of days in a year which for the purposes of this agreement is 366. In no event shall the Borrower be obligated to pay any amount under this Agreement that exceeds the maximum amount allowable by law. If any sum is collected in excess of the applicable maximum amount allowable by law, the excess collected shall, at the Lender's discretion, be applied to reduce the principal balance of the Loans or returned to the Borrower.
- (b) **Repayment of Loans.**
- (1) **Payment Schedule.**
-

The Borrower agrees to make monthly payments to the Lender of all accrued interest on the outstanding principal balance of each Loan on the first day of each month during the term of this Agreement.

(2) **Currency, Place and Dates of Payments.** Payments shall be made in United States money at the Lender's address stated above, or at such other place as the Lender shall have designated by written notice to the Borrower. Any payment due on a day that is not a Business Day shall be made on the next succeeding Business Day and the extension of time shall be included in the computation of interest.

(3) **Evidence of Making and Repayment of Loans.** The Lender's records evidencing the date of disbursement and principal amount of each Loan and the amounts of all repayments of principal and payments of interest on each Loan shall constitute prima facie evidence of the making and repayment of such Loans and of the payment of such interest. However, Lender's making of erroneous notations in its records shall not affect the Borrower's obligation to repay the outstanding balance of principal under a Loan, and accrued interest thereon, as provided in this Agreement.

1.7 Evidence of Indebtedness; Loan Documents. The Credit Facility is or is to be evidenced and/or secured by this Agreement, a Master Note in the form attached as Exhibit B and all such other documents as the Lender may require from time to time to effectuate the intent of this Agreement, together with all renewals, extensions and modifications thereto (collectively the "Loan Documents").

1.8 Borrower's Obligations. The Borrower's obligations to pay, observe, and perform all indebtedness, liabilities, covenants and other obligations on the part of the Borrower to be paid, observed and performed under this Agreement and the remainder of the Loan Documents are herein collectively called the "Obligations".

II. Conditions of Lending

2.1 First Loan or Other Extension of Credit. The obligation of the Lender to make the first Loan or other extension of credit under this Agreement is subject to the satisfaction of all of the following conditions on or before the date on which the Lender shall grant such Loan or other extension of credit (the "Closing Date"):

(a) **Documents Required for Closing.** The Lender shall have received, in each case in form and substance satisfactory to the Lender, such fully executed originals or certified copies as the Lender may have requested of each of the following, in each case as amended through the Closing Date:

(1) **Loan Documents.** All of the Loan Documents.

(2) **Consents.** Evidence that all parties to the Loan (except the Lender) have obtained all necessary and appropriate authority, approvals and consents to execute and deliver the Loan Documents.

(3) **Organizational Documents.** If any party to the Loan Documents (except the Lender) is a corporation, partnership, trust, association or other recognized legal entity other than a natural person (a "Legal Entity"), all instruments pursuant to which such Legal Entity was organized and by which its internal affairs are governed and, if requested by the Lender, a Certificate of Good Standing, evidencing such Legal Entity's good standing and authority to conduct its business in the jurisdiction(s) in which it conducts its business.

(4) **Insurance.** Evidence of the Borrower's compliance with the provisions stated below in Section

4.6.

(b) **Certain Other Events.** On the Closing Date:

(1) The representations and warranties contained in III shall be true.

(2) No event shall have occurred and be continuing that (i) constitutes an Event of Default, or (ii) with the giving of notice or passage of time, or both, would constitute an Event of Default.

(3) No material adverse change shall have occurred in the financial condition of the Borrower or any Guarantor since the date of the most recent of the Borrower's and Guarantor's financial statements available to the Lender.

2.2 Subsequent Loans or Extensions of Credit. The obligation of the Lender to make the second or any subsequent Loan or other extension of credit is subject to (i) the prior satisfaction of all conditions stated above in Section 2.1, (ii) the satisfaction as of the date of such subsequent Loan or other extension of credit of the conditions stated above in Sections 2.1(b)(2) through 2.1(b)(3) of this Agreement, and (iii) the delivery to the Lender of such additional Loan Documents as may have been reasonably requested by the Lender in respect to such subsequent Loan or other extension of credit. Any subsequent loans or extensions of credit are at the sole discretion of the lender.

III. Representations and Warranties

To induce the Lender to make the Commitment available to the Borrower, the Borrower makes the following representations and warranties to the Lender, which representations and warranties shall survive the execution of this Agreement and continue so long as the Borrower is indebted to the Lender under the Loan Documents, and until payment in full of the Credit Facility:

3.1 Organization. The Borrower, if it is a Legal Entity, as well as each Legal Entity comprising the Borrower, is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, and has the lawful power to own its properties and to engage in the business it conducts.

3.2 No Breach. The execution and performance of the Loan Documents will not immediately, or with the passage of time or the giving of notice, or both:

(1) Violate any law or result in a default under any contract, agreement, or instrument to which the Borrower is a party or by which the Borrower or its property is bound; or

(2) Result in the creation or imposition of any security interest in, or lien or encumbrance on, any of the assets of the Borrower, except in favor of the Lender.

3.3 Authorization. The Borrower has the power and authority to incur and perform the Obligations, and, if the Borrower is a Legal Entity, the Borrower has taken all corporate, partnership, or other action necessary to authorize the execution and delivery of the Loan Documents and its incurring of the Obligations.

3.4 Validity. This Agreement is, and the remainder of the Loan Documents when delivered will be, legal, valid, binding, and enforceable in accordance with their respective terms.

3.5 Financial Statements. All financial statements heretofore given by the Borrower to the Lender, including any schedules and notes pertaining thereto, were prepared in accordance with generally accepted accounting principles, consistently applied, ("GAAP") and fully and fairly present the financial condition of the Borrower at the dates thereof and the results of operations for the periods covered thereby, and as of the date of this Agreement there have been no material adverse changes in the financial condition or business of the Borrower from the date of the most recent financial statements given to the Lender.

3.6 Taxes. Except as otherwise permitted by this Agreement, the Borrower has filed all tax returns it was required by law to have filed prior to the date of this Agreement, has paid or caused to be paid all taxes, assessments, and other governmental charges that were due and payable prior to the date of this Agreement, and has made

adequate provision for the payment of such taxes, assessments, or other charges accruing but not yet payable, and the Borrower has no knowledge of any deficiency or additional assessment in a materially important amount in connection with any taxes, assessments, or charges not provided for on its books.

- 3.7 Compliance with Law.** Except to the extent that the failure to comply would not materially interfere with the conduct of the business of the Borrower, the Borrower has complied with all applicable laws in respect of: (1) restrictions, specifications, or other requirements pertaining to products that the Borrower sells or to the services it performs; and (2) the conduct of its business.
- 3.8 Statements and Omissions.** No representation or warranty by the Borrower contained in this Agreement or in any certificate or other document furnished by the Borrower pursuant to this Agreement contains any untrue statement of material fact or omits to state a material fact necessary to make such representation or warranty not misleading in light of the circumstances under which it was made.
- 3.9 No Pending Actions.** There is no pending or threatened litigation affecting the Borrower or any Collateral that may have a material adverse effect on the business of the Borrower or the Collateral.

IV. Affirmative Covenants

For so long as the Commitment or any of the Obligations remains outstanding, the Borrower will, unless otherwise permitted by the Lender in writing:

- 4.1 Payments.** Punctually pay when due all sums which may be due under the Loan Documents.
- 4.2 Accounting Records.** Maintain accurate and proper accounting records and books in accordance with GAAP, and provide the Lender with access to such books and accounting records at the Lender's request during the Lender's normal business hours.
- 4.3 Financial Reporting.** Furnish the Lender with financial reports, certified as true and correct by the Borrower's chief financial officer, in reasonable detail and form approved by the Lender, as follows:
- (a) Not later than 90 days after and as of the end of each fiscal year a financial statement of the Borrower, audited by a firm of independent certified public accountants acceptable to the Lender, which financial statements shall include a balance sheet and statements of income and cash flow, all prepared in accordance with GAAP;
 - (b) Not later than 45 days after and as of the end of each fiscal quarter Borrower's Form 10-Q pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934;
 - (c) From time to time such other information as the Lender may reasonably request.
- 4.4 Existence.** If the Borrower is a Legal Entity, preserve and maintain the Borrower's legal existence and timely file all necessary and appropriate documents and exhibits and pay all appropriate fees and charges in connection therewith.
- 4.5 Observance of Laws.** Conduct the Borrower's business activities in an efficient and regular manner and comply with all requirements of all applicable state, federal and local laws, rules and regulations.
- 4.6 Insurance.** Maintain and keep in force insurance of the types and in such amounts as are satisfactory to the Lender, and in no event less than amounts customarily carried in lines of business similar to the Borrower's, including but not limited to, property and casualty, commercial general liability and workers' compensation insurance, and provide the Lender with a schedule or schedules or certificates of insurance from time to time setting forth all insurance then in effect along with copies of all such policies.
-

- 4.7 Facilities.** Keep all of the Borrower's property and business premises in a good state of repair and condition, make all necessary repairs, renewals and replacements thereto from time to time so that such property and business premises shall be fully and efficiently preserved and maintained, keep such property and business premises free and clear of all liens, charges or encumbrances except those consented to by the Lender in writing and permit the Lender's authorized representatives to make reasonable inspections of the Borrower's property and business premises.
- 4.8 Taxes and Other Liabilities.** Pay and discharge when due all of the Borrower's indebtedness, obligations, assessments and taxes, except such as the Borrower may in good faith contest or as to which a bona fide dispute may exist, provided that the Borrower has provided evidence satisfactory to the Lender regarding the Borrower's ability to pay the disputed items in the event they are determined to be justly due.
- 4.9 Notice to the Lender.** Promptly give notice to the Lender of (a) the occurrence of any Event of Default, (b) any change in the name or organizational structure of the Borrower, (c) any uninsured loss through fire, theft, liability or property damage exceeding \$50,000.00, (d) any pending or threatened litigation affecting the Borrower or any Collateral involving an amount exceeding \$50,000.00, (e) any event which could have a material adverse effect on the ability of the Borrower to continue its business operations in the ordinary course, (f) any change in the Borrower's principal place of business, and (g) any change in the location of any Collateral.
- 4.10 Hazardous Materials.** Abide at all times by all applicable hazardous laws, rules and regulations and immediately notify the Lender of any claim or threatened claim affecting any property owned, leased or occupied by the Borrower.

V. Negative Covenants

For so long as the Commitment or any of the Obligations remains outstanding, the Borrower will not, without the prior written consent of the Lender:

- 5.1 Use of Funds.** Use any of the proceeds of the Commitment for any purpose except as set forth in Section 1.3 of this Agreement.
- 5.2 Merger, Consolidation, Sale of Stock or Assets.** Merge into or consolidate with any Legal Entity, acquire or establish any operating subsidiaries or acquire all or substantially all of the capital stock or assets of any other legal entity, or (unless the Borrower is a publicly-held Legal Entity) sell, or permit to be sold, assigned, pledged or transferred, any interest in the Borrower or legal entities comprising the Borrower or any of its operating subsidiaries; or sell, assign, transfer, pledge, mortgage, or otherwise dispose of all or substantially all of the major assets of the Borrower, except in the ordinary course of its business.
- 5.3 Business.** Materially change the character of the Borrower's current business, or engage in any type of business other than the Borrower's current business.

VI. The Lender's Rights Upon Default

- 6.1 Events of Default.** Each of the following events is an "Event of Default" under this Agreement:
- (a) The Borrower's failure to pay when due any sum payable to the Lender under the Loan Documents or under any other agreement or note between the Lender and the Borrower, whether now existing or hereafter executed;
 - (b) The Borrower's failure to perform or observe any other obligation of the Borrower to the Lender (including, without limitation, all obligations undertaken in any of the Loan Documents);
-

- (c) The dissolution or insolvency of the Borrower;
- (d) The commencement of any proceeding or the taking of any act by or against the Borrower for any relief under bankruptcy, insolvency or similar laws for the protection of debtors, or for the appointment of a receiver of the business or assets of the Borrower or the Borrower's inability (or admission of inability) to pay his, her, or its debts as they become due;
- (e) Any governmental authority having jurisdiction over the revokes any authorization or permit materially affecting the Borrower's ability to do business;
- (f) The Borrower defaults in the payment of any material debt owed by the Borrower to any person or entity other than the Lender, if such default permits the acceleration of such debt;
- (g) Any representation, warranty, or other information made or furnished by the Borrower in respect of the Credit Facility is or shall be untrue or materially misleading;
- (h) The Lender reasonably believes there has been a material impairment of or decrease in either the Borrower's ability to pay or perform the Obligations or the value of the Collateral or any guaranty given to secure payment of the Obligations;
- (i) A final judgment (which alone or with other outstanding final judgments) is rendered against the Borrower in an aggregate amount of \$100,000 or more, and each such judgment is not discharged or stayed pending appeal within 30 days after entry of such judgment or is not discharged within 30 days after the expiration of any such stay;
- (j) Any third party obtains a court order enjoining or prohibiting the Borrower or the Lender from performing any of its respective obligations under the Loan Documents and such order is not discharged within 60 days after its issuance; or
- (k) The Borrower fails to pay when due any amount relating to any plan governed by the Employee Retirement Income Security Act of 1974, as amended.

6.2 The Lender's Rights. If an Event of Default shall occur and be continuing the Lender shall have, in addition to any and all other rights and remedies, legal or equitable, available to the Lender under any and all of the Loan Documents or at law, the following additional rights and remedies:

- (a) The absolute right to deny to the Borrower any further Loan or extension of credit (the Lender's obligation to extend any further credit to the Borrower shall immediately terminate);
- (b) The right, at the option of the Lender, to declare, without notice, the entire principal amount and accrued interest for any Loan or extension of credit outstanding under this Agreement, plus any fees and charges reasonably incurred by the Lender under any of the Loan Documents, immediately due and payable;

VII. Miscellaneous

7.1 Further Assurance. From time to time within five Business Days after the Lender's demand, the Borrower will execute and deliver such additional documents and provide such additional information as may be reasonably requested by the Lender to carry out the intent of this Agreement.

7.2 Enforcement and Waiver by the Lender. The Lender shall have the right at all times to enforce the provisions of the Loan Documents, as they may be amended from time to time, in strict accordance with their terms, notwithstanding any conduct or custom on the part of the Lender in refraining from so doing at any time or

times. The failure of the Lender at any time or times to enforce its rights under such provisions, strictly in accordance with the same, shall not be construed as having created a custom in any way or manner contrary to specific provisions of the Loan Documents or as having in any way or manner modified or waived the same. All rights and remedies of the Lender are cumulative and concurrent and the exercise of one right or remedy shall not be deemed a waiver or release of any other right or remedy.

7.3 Expenses of the Lender. The Borrower will, on demand, reimburse to the Lender all reasonable expenses, including reasonable attorneys' fees (including allocated costs of the Lender's in-house counsel), incurred by the Lender in connection with the administration, amendment, modification, workout, or enforcement of the Loan Documents and the collection or attempted collection of the indebtedness evidenced by the Loan Documents, whether or not legal proceedings are commenced.

7.4 Notices. Any notices or consents required or permitted by this Agreement or the remainder of the Loan Documents shall be in writing and shall be deemed delivered if delivered in person or if sent by certified mail, postage prepaid, return receipt requested, or by FAX, at the addresses or FAX numbers noted below, unless such address or FAX number is changed by written notice hereunder:

BORROWER

Mr. Joseph Coschera, CEO
ISA, INC.
819 SW Federal Highway
Stuart, Florida 34994
PHONE: (772) 403-2992
FAX: (772) 403-2994

LENDER

7.5 Waiver and Release by the Borrower. To the maximum extent permitted by applicable law, the Borrower (and each of them, if more than one):

- (a) Waives notice and opportunity to be heard, after acceleration of the indebtedness evidenced by the Loan Documents, before exercise by the Lender of the remedy of setoff or of any other remedy or procedure permitted by any applicable law or by any prior agreement with the Borrower, and, except where specifically required by this Agreement or by any applicable law, notice of any other action taken by the Lender;
- (b) Waives presentment, demand for payment, notice of dishonor, and any and all other notices or demands in connection with the delivery, acceptance, performance, or enforcement of this, and consents to any extension of time (and even multiple extensions of time for longer than the original term), renewals, releases of any person or organization liable for the payment of the Obligations under this Agreement, and waivers or modifications or other indulgences that may be granted or consented to by the Lender in respect of the Loans and other extensions of credit evidenced by this Agreement;

And

- (c) Releases the Lender and its officers, agents, and employees from all claims for loss or damage caused by any act or omission on the part of any of them except willful misconduct.

7.6 Sales and Participations. The Borrower consents to the Lender's negotiation, offer, and sale to third parties ("Participants") of the Credit Facility or participating interests in the Credit Facility, to any and all discussions and agreements heretofore or hereafter made between the Lender and any Participant or prospective Participant regarding the interest rate, fees, and other terms and provisions to the Credit Facility, and to the Lender's disclosure to any Participant or prospective Participant, from time to time, of such financial and other information pertaining to the Borrower and the Credit Facility as the Lender and such Participant or prospective Participant may deem appropriate (whether public or non-public, confidential or non-confidential, and including

information relating to any insurance required to be carried by the Borrower and any financial or other information bearing on the Borrower's creditworthiness and the value of any Collateral). The Borrower acknowledges that the Lender's disclosure of such information to any Participant or prospective Participant constitutes an ordinary and necessary part of the process of effectuating and servicing the Credit Facility.

- 7.7 Applicable Law.** The laws of the State of Florida shall govern the construction of this Agreement and the rights and remedies of the parties hereto.
- 7.8 Binding Effect.** This Agreement shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and permitted assigns, and shall be binding on the parties hereto and their respective heirs, personal representatives, successors and assigns.
- 7.9 Merger.** This Agreement and the remainder of the Loan Documents constitute the full and complete agreement between the Lender and the Borrower with respect to the Credit Facility, and all prior oral and written agreements, commitments, and undertakings shall be deemed to have been merged into the Loan Documents and such prior oral and written agreements, commitments, and undertakings shall have no further force or effect, except to the extent expressly incorporated in the Loan Documents.
- 7.10 Amendments; Consents.** No amendment, modification, supplement, or waiver of any provision of this Agreement or the other Loan Documents, and no consent to any departure by the Borrower therefrom, may in any event be effective unless in writing signed by the Lender, and then only in the specific instance and for the specific purpose given.
- 7.11 Assignments.**
- (a) The Borrower shall have no right to assign any of its rights or obligations under the Loan Documents without the prior written consent of the Lender.
 - (b) The Lender may sell participations in the Credit Facility, as contemplated by Section 7.6 above.
- 7.12 Severability.** If any provision of any of the Loan Documents shall be held invalid under any applicable law, such invalidity shall not affect any other provision of the Loan Documents that can be given effect without the invalid provision, and, to this end, the provisions of the Loan Documents are severable.
- 7.13 Time is of the Essence.** Time is of the essence under and in respect of this Agreement.
- 7.14 Headings.** The headings of the various provisions of this Agreement are inserted for convenience of reference only and shall not affect the meaning or construction of any provision.
- 7.15 Counterparts.** This Agreement may be executed in counterparts, each of which shall be an original instrument and all of which shall together constitute one and the same agreement.
- 7.16 Dispute Resolution.** Any controversy or claim arising out of or relating to this Agreement or any of the other Loan Documents shall, at the request of either party, be decided by binding arbitration conducted in the State of Florida without a judge or jury, under the auspices of the American Arbitration. The arbitrator will apply any applicable statute of limitations and will determine any controversy concerning whether an issue is suitable for arbitration. Judgment upon the arbitration award may be entered in any court having jurisdiction. The prevailing party will be entitled to recover its reasonable attorneys' fees and costs as determined by the arbitrator. This agreement to arbitrate shall not limit or restrict the right, if any, of any party to exercise before, during or following any arbitration proceeding, with respect to any claim or controversy, self-help remedies such as setoff, to foreclose a mortgage or lien or other security interest in any Collateral judicially or by power of sale, or to obtain provisional or ancillary remedies such as injunctive relief from a court having jurisdiction.
-

Either party may seek those remedies without waiving its right to submit the controversy or claim in question to arbitration.

VIII. Definitions

- 8.1 Interest Rate shall have the meaning given in Section 1.6.**
- 8.2 Business Day shall have the meaning given in Section 1.6(b)(2).**
- 8.3 Closing Date shall have the meaning given in Section 2.1.**
- 8.4 Commitment shall have the meaning given in Section 1.1.**
- 8.5 Credit Facility shall have the meaning given in Section 1.1.**
- 8.6 Credit Termination Date shall have the meaning given in Section 1.1.**
- 8.7 Event of Default shall have the meaning given in Section 6.1.**
- 8.8 GAAP shall have the meaning given in Section 3.5.**
- 8.9 Legal Entity shall have the meaning given in Section 2.1(a)(3).**
- 8.10 Loan shall have the meaning given in Section 1.2.**
- 8.11 Loan Documents shall have the meaning given in Section 1.8.**
- 8.12 Notice of Borrowing shall have the meaning given in Section 1.5.**
- 8.13 Obligations shall have the meaning given in Section 1.9.**
- 8.14 Participant shall have the meaning given in Section 7.6.**

IN WITNESS WHEREOF, the Borrower and the Lender have duly executed this Agreement.

**ISA, INC.
Borrower**

By: _____

Title: _____

Lender

By: _____

Lender



EXHIBIT A

Notice of Borrowing

DATE: _____

TO: _____

SUBJECT: Revolving Credit Line Agreement (the "Agreement") dated _____, between _____
_____ (the "Lender") and ISA, INC. (the "Borrower").

Pursuant to Section 1.5 of the Agreement, the Borrower hereby requests a draw under the Credit Facility and confirms the following instructions therefor (capitalized terms not defined herein shall have the respective meanings assigned in the Agreement):

FORM OF DRAWING - LOAN

Requested Date: _____

Principal Amount: _____

METHOD OF DRAWING

Wire Transfer

Or

Credit to Borrower's Deposit Account # ____ N/A ____ maintained with the Lender.

Wire funds to:

ABA #:

Bank Account Number:

Special Instructions:

Borrower hereby certifies as follows:

1. The representations and warranties set forth in Article III of the Agreement are true and correct on and as of the date hereto, provided that the representations and warranties set forth in the first sentence of Section 3.5 of the Agreement shall be deemed to be made with respect to the financial statements most recently delivered to the Lender pursuant to the Agreement.
2. As of the date hereof, no event has occurred and is continuing (a) constitutes an Event of Default under the Agreement, or (b) with the giving of notice or passage of time, or both, would constitute an Event of Default. The Borrower has observed and performed all of the Borrower's covenants and other agreements, and satisfied every condition, contained in the Agreement and in the other Loan Documents, to be observed, performed or satisfied by the Borrower.

ISA, INC.

By: _____
Authorized Signatory
Borrower



Exhibit B

Master Note

Amount: \$ _____

Location: _____

Date: _____

The undersigned ("Borrower") promises to pay to the order of _____ ("Lender") the principal amount of \$ _____ or so much thereof as shall have been disbursed by the Lender and may remain outstanding, together with interest on outstanding balances of principal in accordance with and under the terms of that certain Revolving Credit Line Agreement of even date, between Lender and Borrower, relating to the Credit Facility therein described.

ISA, INC.

By: _____
Title: _____

PROMISSORY NOTE

Borrower:Information Systems Associates of 819 SW Federal Highway, Suite 206, Stuart, FL 34994 (individually and collectively the "Borrower")

Lender: _____

Principal Amount: \$ _____

1. FOR VALUE RECEIVED, The Borrower promises to pay to Sherri L. Halpert at such address as may be provided in writing to the Borrower, the principal sum of ten thousand (\$ _____) USD, including original issue discount interest at the rate of __ percent per month in advance.
2. This note is due and payable in full on or before _____.
3. At any time while not in default under this Note, the Borrower may pay the outstanding balance then owing under this Note to _____ without further bonus or penalty.
4. This Note will be construed in accordance with and governed by the laws of the State of Florida.
5. If any term, covenant, condition or provision of this Note is held by a court of competent jurisdiction to be invalid, void or unenforceable, it is the parties' intent that such provision be reduced in scope by the court only to the extent deemed necessary by that court to render the provision reasonable and enforceable and the remainder of the provisions of this Note will in no way be affected, impaired or invalidated as a result.
6. All costs, expenses and expenditures including, and without limitation, the complete legal costs incurred by _____ enforcing this Note as a result of any default by the Borrower, will be added to the principal then outstanding and will immediately be paid by the Borrower.
7. This Note will enure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and assigns of the Borrower and _____. The Borrower waives presentment for payment, notice of non-payment, protest and notice of protest.
8. This Note is secured by the following security (the 'Security'): Receivables from professional services contracts which have been factored and will be paid when received from the factoring entity.
9. The Borrower grants to _____ a security interest in the Security until this Note is paid in full. _____ will be listed as a lender on the title of the Security whether or not _____ elects to perfect the security interest in the Security.

IN WITNESS WHEREOF Information Systems Associates has duly affixed its signature by a duly authorized officer under seal on this _____.

SIGNED, SEALED, AND DELIVERED.

Information Systems Associates
per: _____(SEAL)

THIS OPTION AND THE UNDERLYING SHARES OF COMMON STOCK HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), OR ANY OTHER SECURITIES LAWS, HAVE BEEN TAKEN FOR INVESTMENT, AND MAY NOT BE SOLD OR TRANSFERRED OR OFFERED FOR SALE OR TRANSFER UNLESS A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS WITH RESPECT TO SUCH SECURITIES IS THEN IN EFFECT, OR IN THE OPINION OF COUNSEL TO THE ISSUER OF THESE SECURITIES, SUCH REGISTRATION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS IS NOT REQUIRED.

Date: _____

**OPTION FOR THE PURCHASE OF SHARES OF
COMMON STOCK OF INFORMATION SYSTEMS ASSOCIATES, INC.**

THIS IS TO CERTIFY that, for value received, _____, of _____ (the "Holder"), is entitled to purchase, subject to the terms and conditions hereinafter set forth, _____ (_____) shares of Information Systems Associates, Inc., a Florida corporation (the "Company") common stock, _____ par value per share ("Common Stock"), and to receive certificates for the Common Stock so purchased. The exercise price of this Option is \$_____ per share, subject to adjustment as provided below (the "Exercise Price").

1. **Exercise Period and Vesting.** These Options vest: _____, subject to continued employment with the Company. Once vested, the options may be exercised by the Holder at any time through _____ p.m., New York time, _____, (the "Exercise Period"). This Option will terminate automatically and immediately upon the expiration of the Exercise Period.

2. **Exercise of Option.** This Option may be exercised, in whole or in part, at any time and from time to time during the Exercise Period. Such exercise shall be accomplished by tender to the Company of an amount equal to the Exercise Price multiplied by number of underlying shares being purchased (the "Purchase Price"), in cash, by wire transfer or by certified check or bank cashier's check, payable to the order of the Company, together with presentation and surrender to the Company of this Option with an executed subscription agreement in substantially the form attached hereto as Exhibit A (the "Subscription"). Upon receipt of the foregoing, the Company will deliver to the Holder, as promptly as possible, a certificate or certificates representing the shares of Common Stock so purchased, registered in the name of the Holder or its transferee (as permitted under Section 3 below). With respect to any exercise of this Option, the Holder will for all purposes be deemed to have become the holder of record of the number of shares of Common Stock purchased hereunder on the date a properly executed Subscription and payment of the Purchase Price is received by the Company (the "Exercise Date"), irrespective of the date of delivery of the certificate evidencing such shares, except that, if the date of such receipt is a date on which the stock transfer books of the Company are closed, such person will be deemed to have become the holder of such shares at the

close of business on the next succeeding date on which the stock transfer books are open. Fractional shares of Common Stock will not be issued upon the exercise of this Option. In lieu of any fractional shares that would have been issued but for the immediately preceding sentence, the Holder will be entitled to receive cash equal to the current market price of such fraction of a share of Common Stock on the trading day immediately preceding the Exercise Date. In the event this Option is exercised in part, the Company shall issue a new Option to the Holder covering the aggregate number of shares of Common Stock as to which this Option remains exercisable for.

3. Transferability and Exchange.

(a) This Option, and the Common Stock issuable upon the exercise hereof, may not be sold, transferred, pledged or hypothecated unless the Company shall have been provided with an opinion of counsel reasonably satisfactory to the Company that such transfer is not in violation of the Securities Act of 1933 (“Securities Act”), and any applicable state securities laws. Subject to the satisfaction of the aforesaid condition, this Option and if the underlying shares of Common Stock may not all be sold under Rule 144 of the Securities Act, the shares of Common Stock shall be transferable from time to time by the Holder upon written notice to the Company. If this Option is transferred, in whole or in part, the Company shall, upon surrender of this Option to the Company, deliver to each transferee a Option evidencing the rights of such transferee to purchase the number of shares of Common Stock that such transferee is entitled to purchase pursuant to such transfer. The Company may place a legend similar to the legend at the top of this Option on any replacement Option and on each certificate representing shares issuable upon exercise of this Option or any replacement Options. Only registered Holder may enforce the provisions of this Option against the Company. A transferee of the original registered Holder becomes a registered Holder only upon delivery to the Company of the original Option and an original Assignment, substantially in the form set forth in Exhibit B attached hereto.

(b) This Option is exchangeable upon its surrender by the Holder to the Company for new Options of like tenor and date representing in the aggregate the right to purchase the number of shares purchasable hereunder, each of such new Options to represent the right to purchase such number of shares as may be designated by the Holder at the time of such surrender (not to exceed the aggregate number of shares underlying this Option).

4. Adjustments to Exercise Price and Number of Shares Subject to Option.

The Exercise Price and the number of shares of Common Stock purchasable upon the exercise of this Option are subject to adjustment from time to time upon the occurrence of any of the events specified in this Section 4. For the purpose of this Section 4, “Common Stock” means shares now or hereafter authorized of any class of Common Stock of the Company, however designated, that has the right to participate in any distribution of the assets or earnings of the Company without limit as to per share amount (excluding, and subject to any prior rights of, any class or series of preferred stock).

(a) In case the Company shall (i) pay a dividend or make a distribution in shares of Common Stock to Holder of shares of Common Stock, (ii) subdivide its outstanding shares of Common Stock into a greater number of shares, (iii) combine its outstanding shares of Common Stock into a smaller number of shares, or (iv) issue by reclassification of its shares of Common Stock other securities of the Company, then the Exercise Price in effect at the time of

the record date for such dividend or on the effective date of such subdivision, combination or reclassification, and/or the number and kind of securities issuable on such date, shall be proportionately adjusted so that the Holder of the Option thereafter exercised shall be entitled to receive the aggregate number and kind of shares of Common Stock (or such other securities other than Common Stock) of the Company, at the same aggregate Exercise Price, that, if such Option had been exercised immediately prior to such date, the Holder would have owned upon such exercise and been entitled to receive by virtue of such dividend, distribution, subdivision, combination or reclassification. Such adjustment shall be made successively whenever any event listed above shall occur.

(b) In case the Company shall fix a record date for the making of a distribution of cash, evidences of indebtedness or assets, or subscription rights or Options to all Holders of Common Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the surviving corporation), the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the Fair Market Value per share of Common Stock on such record date, less the amount of cash to be distributed or the Fair Market Value (as determined in good faith by, and reflected in a formal resolution of, the Board of Directors of the Company) of the portion of the assets or evidences of indebtedness so to be distributed, or of such subscription rights or Options, applicable to one share of Common Stock, and the denominator of which shall be the Fair Market Value per share of Common Stock. Such adjustment shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Exercise Price shall again be adjusted to be the Exercise Price which would then be in effect if such record date had not been fixed. When determining Fair Market Value of the Company's Common Stock, Fair Market Value shall mean: (i) if the principal trading market for such securities is a national securities exchange including The Nasdaq Stock Market, or the Over-the-Counter Bulletin Board ("OTCBB") (or a similar system then in use), the last reported sales price on the principal market the trading day immediately prior to such record date; or (ii) if subsection (i) is not applicable, and if bid and ask prices for shares of Common Stock are reported by the principal trading market or the Pink Sheets, the average of the high bid and low ask prices so reported for the trading day immediately prior to such record date. Notwithstanding the foregoing, if there is no last reported sales price or bid and ask prices, as the case may be, for the day in question, then Fair Market Value shall be determined as of the latest day prior to such day for which such last reported sales price or bid and ask prices, as the case may be, are available, unless such securities have not been traded on an exchange or in the over-the-counter market for 30 or more days immediately prior to the day in question, in which case the Fair Market Value shall be determined in good faith by, and reflected in a formal resolution of, the Board of Directors of the Company.

(c) Notwithstanding any provision herein to the contrary, no adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Exercise Price; provided, however, that any adjustments which by reason of this Section 4(c) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 4 shall be made to the nearest cent or the nearest one-hundredth of a share, as the case may be.

(d) In the event that at any time, as a result of an adjustment made pursuant to Section 4(a) above, the Holders of any Option thereafter exercised shall become entitled to

receive any shares of capital stock of the Company other than shares of Common Stock, thereafter the number of such other shares so receivable upon exercise of any Option shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the shares of Common Stock contained in this Section 4, and the other provisions of this Option shall apply on like terms to any such other shares.

(e) If the Company merges or consolidates into or with another corporation or entity, or if another corporation or entity merges into or with the Company (excluding such a merger in which the Company is the surviving or continuing corporation and which does not result in any reclassification, conversion, exchange, or cancellation of the outstanding shares of Common Stock), or if all or substantially all of the assets or business of the Company are sold or transferred to another corporation, entity, or person, then, as a condition to such consolidation, merger, or sale (any a "Transaction"), lawful and adequate provision shall be made whereby the Holder shall have the right from and after the Transaction to receive, upon exercise of this Option and upon the terms and conditions specified herein and in lieu of the shares of the Common Stock that would have been issuable if this Option had been exercised immediately before the Transaction, such shares of stock, securities, or assets as the Holder would have owned immediately after the Transaction if the Holder had exercised this Option immediately before the effective date of the Transaction.

(f) In case any event shall occur as to which the other provisions of this Section 4 are not strictly applicable but the failure to make any adjustment would not fairly protect the purchase rights represented by this Option in accordance with the essential intent and principles hereof, then, in each such case, the Company shall effect such adjustment, on a basis consistent with the essential intent and principles established in this Section 4, as may be necessary to preserve, without dilution, the purchase rights represented by this Option.

5. **No Registration Rights.** The Option has not been registered under the Securities Act. Unless (i) the appropriate period under Rule 144 of the Securities Act has expired so that the shares may be sold without restrictions of any kind, or (ii) an effective registration statement exists with a current prospectus for the shares of Common Stock, upon exercise, the stock certificates shall bear the following legend:

"The securities represented by this certificate have not been registered under the Securities Act of 1933 (the "Securities Act"), and may not be offered for sale or sold except pursuant to (i) an effective registration statement under the Securities Act, or (ii) an opinion of counsel to the issuer of these securities that an exemption from registration under the Securities Act is available".

6. **Reservation of Shares.** The Company agrees at all times to reserve and hold available out of its authorized but unissued shares of Common Stock the number of shares of Common Stock issuable upon the full exercise of this Option. The Company further covenants and agrees that all shares of Common Stock that may be delivered upon the exercise of this Option will, upon delivery, be fully paid and non-assessable and free from all taxes, liens and charges with respect to the purchase thereof hereunder.

7. **Notices to Holder.** Upon any adjustment of the Exercise Price (or number of shares of Common Stock issuable upon the exercise of this Option) pursuant to Section 4, the Company shall promptly thereafter cause to be given to the Holder written notice of such

adjustment. Such notice shall include the Exercise Price (and/or the number of shares of Common Stock issuable upon the exercise of this Option) after such adjustment, and shall set forth in reasonable detail the Company's method of calculation and the facts upon which such calculations were based. Where appropriate, such notice shall be given in advance and included as a part of any notice required to be given under the other provisions of this Section 7.

In the event of (a) any fixing by the Company of a record date with respect to the Holder of any class of securities of the Company for the purpose of determining which of such Holder are entitled to dividends or other distributions, or any rights to subscribe for, purchase or otherwise acquire any shares of capital stock of any class or any other securities or property, or to receive any other right, (b) any capital reorganization of the Company, or reclassification or recapitalization of the capital stock of the Company or any transfer of all or substantially all of the assets or business of the Company to, or consolidation or merger of the Company with or into, any other entity or person, or (c) any voluntary or involuntary dissolution or winding up of the Company, then and in each such event the Company will give the Holder a written notice specifying, as the case may be (i) the record date for the purpose of such dividend, distribution, or right, and stating the amount and character of such dividend, distribution, or right; or (ii) the date on which any such reorganization, reclassification, recapitalization, transfer, consolidation, merger, conveyance, dissolution, liquidation, or winding up is to take place and the time, if any is to be fixed, as of which the Holder of record of Common Stock (or such capital stock or securities receivable upon the exercise of this Option) shall be entitled to exchange their shares of Common Stock (or such other stock securities) for securities or other property deliverable upon such event. Any such notice shall be given at least 10 days prior to the earliest date therein specified.

8. **No Rights as a Stockholder.** This Option does not entitle the Holder to any voting rights or other rights as a stockholder of the Company, nor to any other rights whatsoever except the rights herein set forth. Provided, however, the Company shall not enter into any merger agreement in which it is not the surviving entity, or sell all or substantially all of its assets unless the Company shall have first provided the Holder with 10 days' prior written notice.

9. **Additional Covenants of the Company.** For so long as the Common Stock is listed for trading or trades on any national securities exchange including The Nasdaq Stock Market or the OTCBB, the Company shall, upon issuance of any shares for which this Option is exercisable, at its expense, promptly obtain and maintain the listing or qualifications for trading of such shares.

The Company shall comply with the reporting requirements of Sections 13 and 15(d) of the Securities Exchange Act of 1934 for so long as and to the extent that such requirements apply to the Company.

The Company shall not, by amendment of its Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issuance or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Option. Without limiting the generality of the foregoing, the Company (a) shall comply with Section 6 of this Option and have available sufficient shares of Common Stock to be issued from time to time upon exercise of this Option, (b) will not increase the par value of any shares of Common Stock issuable upon exercise of this Option above the amount payable therefore upon such exercise, and (c) will take all such actions as may be necessary or

appropriate in order that the Company may validly and legally issue fully paid and non-assessable stock.

10. **Successors and Assigns.** This Option shall be binding upon and inure to the benefit of the Company, the Holder and their respective successors and permitted assigns.

11. **Notices.** The Company agrees to maintain a ledger of the ownership of this Option (the "Ledger"). Any notice hereunder shall be given by Federal Express or other overnight delivery service for delivery on the next business day if to the Company, at its principal executive office and, if to the Holder, to their address shown in the Ledger of the Company; provided, however, that either the Company or the Holder may at any time on three days' written notice to the other designate or substitute another address where notice is to be given. Notice shall be deemed given and received after a Federal Express or other overnight delivery service is delivered to the carrier.

12. **Severability.** Every provision of this Option is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the remainder of this Option.

13. **Governing Law.** This Option shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to the principles of choice of laws thereof.

14. **Attorneys' Fees.** In any action or proceeding brought to enforce any provision of this Option, the prevailing party shall be entitled to recover reasonable attorneys' fees in addition to its costs and expenses and any other available remedies.

15. **Entire Agreement.** This Option (including the Exhibits attached hereto) constitutes the entire understanding between the Company and the Holder with respect to the subject matter hereof, and supersedes all prior negotiations, discussions, agreements and understandings relating to such subject matter.

IN WITNESS WHEREOF, the Company has caused this Option to be executed by its duly authorized officer as of the date first set forth above.

Information Systems Associates, Inc.

By: _____

Title: _____

Exhibit A

SUBSCRIPTION FORM

(To be Executed by the Holder to Exercise the Rights To Purchase Common Stock Evidenced by the Within Option)

The undersigned hereby irrevocably subscribes for _____ shares of the Common Stock (the "Stock") of Information Systems Associates, Inc. (the "Company") pursuant to and in accordance with the terms and conditions of the attached Option (the "Option"), and hereby makes payment of \$_____ therefor by [tendering cash, wire transferring or delivering a certified check or bank cashier's check, payable to the order of the Company] [surrendering _____ shares of Common Stock received upon exercise of the Option, which shares have an aggregate fair market value equal to the Purchase Price as required in Section 2 of the Option]. The undersigned requests that a certificate for the Stock be issued in the name of the undersigned and be delivered to the undersigned at the address stated below. If the Stock is not all of the shares purchasable pursuant to the Option, the undersigned requests that a new Option of like tenor for the balance of the remaining shares purchasable thereunder be delivered to the undersigned at the address stated below.

In connection with the issuance of the Stock, I hereby represent to the Company that I am acquiring the Stock for my own account for investment and not with a view to, or for resale in connection with, a distribution of the shares within the meaning of the Securities Act of 1933, as amended (the "Securities Act").

I understand that if at this time the Stock has not been registered under the Securities Act, I must hold such Stock indefinitely unless the Stock is subsequently registered and qualified under the Securities Act or is exempt from such registration and qualification. I shall make no transfer or disposition of the Stock unless (a) such transfer or disposition can be made without registration under the Securities Act by reason of a specific exemption from such registration and such qualification, or (b) a registration statement has been filed pursuant to the Securities Act and has been declared effective with respect to such disposition. I agree that each certificate representing the Stock delivered to me shall bear substantially the same legend as set forth on the front page of the Option.

I further agree that the Company may place stop transfer orders with its transfer agent having the same effect as the above legend. The legend and stop transfer notice referred to above shall be removed only upon my furnishing to the Company an opinion of counsel (reasonably satisfactory to the Company) to the effect that such legend may be removed.

Date: _____

Signed: _____

Print Name: _____

Address: _____

Date: _____

Signed: _____

Print Name: _____

Address: _____



Exhibit B

ASSIGNMENT

(To be Executed by the Holder to Effect Transfer of the Attached Option)

For Value Received _____ hereby sells, assigns and transfers to _____ the Option attached hereto and the rights represented thereby to purchase _____ shares of Common Stock in accordance with the terms and conditions hereof, and does hereby irrevocably constitute and appoint _____ as attorney to transfer such Option on the books of the Company with full power of substitution.

Dated: _____

Please print or typewrite
name and address of
assignee:

Signed: _____

Please insert Social Security
or other Tax Identification
Number of Assignee:

Dated: _____

Please print or typewrite
name and address of
assignee:

Signed: _____

Please insert Social Security
or other Tax Identification
Number of Assignee:

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Joseph Coschera, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Information Systems Associates, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement 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. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an quarterly report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2013

/s/ Joseph Coschera
Joseph Coschera
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Jacquelyn B. Bolles, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Information Systems Associates, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement 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. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an quarterly report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2013

/s/ Jacquelyn B. Bolles
Jacquelyn B. Bolles
Chief Financial Officer
(Principal Financial Officer)

**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 Information Systems Associates, Inc. (the "Company") on Form 10-Q for the quarter ending March 31, 2013, as filed with the Securities and Exchange Commission on the date hereof, I, Joseph Coschera, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The quarterly 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 quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph Coschera

Joseph Coschera
Chief Executive Officer
(Principal Executive Officer)
Dated: May 15, 2013

In connection with the quarterly report of Information Systems Associates, Inc. (the "Company") on Form 10-K for the quarter ending March 31, 2013, as filed with the Securities and Exchange Commission on the date hereof, I, Jacquelyn B. Bolles, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The quarterly 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 quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jacquelyn B. Bolles

Jacquelyn B. Bolles
Chief Financial Officer
(Principal Financial Officer)
Dated: May 15, 2013