ISSG, INC.
Form 10QSB
August 21, 2006
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 10-QSB**

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2006

o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 000-29315

# ISSG, INC.

(Exact name of small business issuer as specified in its charter)

| | |
|---|---|
| **Delaware** | **13-3349556** |
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |

**5715 Lemona Avenue**

**Van Nuys, California 91411**

(Address of principal executive offices)

**(818) 988-5532**

(Issuer s telephone number)

Copies of Communications to:

Stoecklein Law Group

402 West Broadway, Suite 400

San Diego, CA 92101

(619) 595-4882

Fax (619) 595-4883

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes x No o

The number of shares of Common Stock, $0.001 par value, outstanding on June 30, 2006, was 10,739,573 shares.

Transitional Small Business Disclosure Format (check one): Yes o No x

**PART 1 FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**ISSG, Inc.**

**(a Development Stage Company)**

**Consolidated Balance Sheets**

**(unaudited)**

| | **June 30, 2006** | **December 31, 2005** |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash | $ 9,961 | $ 1,505 |
| Total Current Assets | 9,961 | 1,505 |
| Total Assets | $ 9,961 | $ 1,505 |
| Liabilities and Stockholders' Deficit | | |
| Current liabilities | | |
| Accounts payable | $ 52,604 | $ 53,905 |
| Accrued interest - related party | 30,973 | 23,256 |
| Note payable | 51,811 | 23,748 |
| Note payable - related party | 151,553 | 148,774 |
| Total Current Liabilities | 286,941 | 249,683 |
| Stockholders' Deficit: | | |
| Preferred stock, $0.001 par value, 5,000,000 shares authorized, zero shares issued and outstanding | - | - |
| Common stock, $0.001 par value, 50,000,000 shares authorized, 10,739,573 shares issued and outstanding | 10,739 | 10,739 |
| Additional paid-in capital | 750,761 | 642,261 |
| Deficit accumulated during development stage | (1,038,480) | (901,178) |
| Total Stockholders' Deficit | (276,980) | (248,178) |
| Total Liabilities and Stockholders' Deficit | $ 9,961 | $ 1,505 |

The accompanying notes are an integral part of these financial statements

**ISSG, Inc.**

**(a Development Stage Company)**

**Consolidated Statements of Operations**

**For the Three and Six Months Ending June 30, 2006 and 2005**

**and For the Period April 24, 2002 (Inception) to June 30, 2006**

| | For the three months ended June 30, 2006 | 2005 | For the six months ended June 30, 2006 | 2005 | April 24, 2002 (Inception) to June 30, 2006 |
|---|---|---|---|---|---|
| Revenue | $ - | $ - | $ - | $ - | $ - |
| Expenses: | | | | | |
| Amortization expense | - | - | - | - | 1,020 |
| Consulting | - | 39,000 | - | 39,000 | 39,000 |
| Research and development | - | - | - | - | 123,500 |
| Impairment loss | - | 22,500 | - | 22,500 | 22,500 |
| Professional fees | 9,050 | - | 17,450 | - | 78,023 |
| Donated rent - related party | 4,250 | 4,250 | 8,500 | 8,500 | 62,500 |
| Donated services - related party | 50,000 | 50,000 | 100,000 | 100,000 | 650,000 |
| General and administrative expenses | 2,104 | 9,204 | 2,749 | 20,803 | 29,433 |
| Total expenses | 65,404 | 124,954 | 128,699 | 190,803 | 1,005,977 |
| Net operating (loss) | (65,404) | (124,954) | (128,699) | (190,803) | (1,005,977) |
| Other income (expense): | | | | | |
| Interest expense | (281) | (3,813) | (887) | - | (1,640) |
| Interest expense - related party | (3,941) | - | (7,716) | (7,550) | (30,972) |
| Interest income | - | - | - | - | 108 |
| Total other income | (4,222) | (3,813) | (8,603) | (7,550) | (32,504) |
| Net (loss) | $ (69,626) | $ (128,767) | $ (137,302) | $ (198,353) | $ (1,038,480) |
| Weighted average number of common shares outstanding - basic and fully diluted | 10,739,573 | 10,636,440 | 10,739,573 | 10,612,977 | |
| Net (loss) per share - basic and fully diluted | $ (0.01) | $ (0.01) | $ (0.01) | $ (0.02) | |

The accompanying notes are an integral part of these financial statements

**ISSG, Inc.**

**(a Development Stage Company)**

**Consolidated Statements of Cash Flows**

**For the Six Months Ending June 30, 2006 and 2005**

**and For the Period April 24, 2002 (Inception) to June 30, 2006**

| | For the Six Months Ended June 30, 2006 | 2005 | April 24, 2002 (Inception) to June 30, 2006 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Net (loss) | $ (137,302) | $ (198,353) | $ (1,038,480) |
| Amortization expense | - | - | 1,395 |
| Impairment expense | - | 22,500 | 22,500 |
| Founders shares | - | - | 10,000 |
| Donated services | 100,000 | 100,000 | 650,000 |
| Donated rent | 8,500 | 8,500 | 62,500 |
| Shares issued for services | - | 39,000 | 39,000 |
| Adjustements to reconcile net (loss) to net cash (used) in operating activities: | | | |
| Accounts payable | (1,301) | 1,027 | 52,604 |
| Accrued liabilities | - | (10,929) | - |
| Accrued interest - related party | 7,716 | 7,720 | 30,972 |
| Net cash (used) by operating activities | (22,387) | (30,535) | (169,509) |
| | | | |
| Cash flows from investing activities | | | |
| Purchase of intangible assets | - | - | (23,895) |
| Net cash (used) by investing activities | - | - | (23,895) |
| | | | |
| Cash flows from financing activities | | | |
| Proceeds from notes payable - related party | 3,279 | 6,150 | 155,854 |
| Payments on notes payable | (500) | (8,189) | (4,300) |
| Proceeds from line of credit | 31,463 | 7,500 | 56,916 |
| Payments on line of credit | (3,400) | - | (5,106) |
| Issuance of common stock | - | - | - |
| Net cash provided by financing activities | 30,842 | 5,461 | 203,364 |
| | | | |
| Net (decrease) increase in cash | 8,456 | (25,074) | 9,961 |
| Cash - beginning | 1,505 | 27,273 | - |
| Cash - ending | $ 9,961 | $ 2,199 | $ 9,961 |
| | | | |
| Supplemental disclosures: | | | |
| Interest paid | $ 887 | $ - | $ 1,454 |
| Income taxes paid | $ - | $ - | $ - |

The accompanying notes are an integral part of these financial statements

**ISSG, INC.**

**(A Development Stage Company)**

**Notes to Consolidated Financial Statements**

**Note 1 Basis of presentation**

The accompanying unaudited consolidated interim financial statements of ISSG, Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with ISSG s audited 2005 annual consolidated financial statements and notes thereto. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the consolidated financial statements, which would substantially duplicate the disclosure required in ISSG s 2005 annual consolidated financial statements have been omitted.

**Note 2 Going concern**

The accompanying financial statements have been prepared using the generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. For ISSG to continue as a going concern it must seek additional sources of capital, and it must attain future profitable operations. ISSG is currently initiating its business plan and is in the process of raising additional capital. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

**FORWARD-LOOKING STATEMENTS**

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objections of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements or belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words may, could, estimate, intend, continue, believe, expect or anticipate or other sin These forward-looking statements present our estimates and assumptions only as of the date of this report. Except for our ongoing securities laws, we do not intend, and undertake no obligation, to update any forward-looking statement.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The factors impacting these risks and uncertainties include, but are not limited to:

- our current lack of working capital;
- increased competitive pressures from existing competitors and new entrants;
- increases in interest rates or our cost of borrowing or a default under any material debt agreements;
- deterioration in general or regional economic conditions;
- adverse state or federal legislation or regulation that increases the costs of compliance, or adverse findings by a regulator with respect to existing operations;
- inability to efficiently manage our operations;
- inability to raise additional financing;
- inability to locate potential mergers and acquisitions within the financial services industry;
- inability to achieve future sales levels or other operating results;
- the unavailability of funds for capital expenditures; and
- operational inefficiencies in distribution or other systems.

For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see Factors That May Affect Our Plan of Operation in this document and in our Annual Report on Form 10-KSB for the year ended December 31, 2005.

**Item 2. Plan of Operation**

**OVERVIEW AND OUTLOOK**

We were originally incorporated in Delaware on April 28, 1986 under the name Art World Industries, Inc. On August 6, 2002, we changed our name to ISSG, Inc. On March 9, 2004, we completed the acquisition of Dial-A-Cup Corporation, a New York Corporation, whereby we issued 10,000,000 shares of our common stock in exchange for 100% of the issued and outstanding shares of Dial-A-Cup. Dial-A-Cup remained as our wholly owned subsidiary. On June 2, 2005, we completed a merger with Rub Investments Ltd., a company reporting under the Exchange Act. Following the merger, in accordance with Rule 12g-3(a) of the General Rules and Regulations of the Securities and Exchange Commission, we were the successor issuer to Rub for reporting purposes under the Exchange Act.

Through our wholly-owned subsidiary Dial-A-Cup Corporation, we have developed a hot water dispensing system that will brew one fresh cup of coffee, tea, hot chocolate, soup, etc. on demand. The appliance features a rotating cylinder with six (6) individual compartments, each with its own permanent filter, which allows the user to brew their favorite beverages without the need to purchase special pouches or pods .

Dial-A-Cup developed the appliance through Advance Plastics (San Diego, CA) and its manufacturing facilities in China. The first prototype was completed in late 2004, and the initial pre-production appliances are currently being manufactured from the recently completed molds for submission for UL approval.

For the last two fiscal years ended December 31, 2005 and 2004, we sustained net losses of $344,471 and $340,474, respectively. At June 30, 2006, we had a working capital deficit of $276,980. As a result of our financial condition, our financial statements for the period ended June 30, 2006 reflects the fact that without the realization of additional capital, it would be unlikely for us to continue as a going concern.

**CURRENT OPERATIONS**

On April 12, 2006, we executed an Agreement and Plan of Merger by and among ISSG; ISSG Sub Inc. ( Merger Sub ), a Florida corporation and our wholly owned subsidiary, and Advantage Investment Strategies, Inc. ( AIS ), a Florida corporation, whereby at the effective time of the merger, Merger Sub planned to merge into AIS with AIS as the surviving corporation (and a wholly owned subsidiary of ISSG). On July 17, 2006, the respective Boards of Directors determined that the proposed merger of ISSG Sub with and into AIS pursuant to the April 12, 2006 merger agreement was no longer consistent with, and in furtherance of, their respective business strategies and goals. Therefore, the merger agreement was terminated.

Although the agreement with Advantage Investment Strategies was terminated, ISSG intends to locate potential acquisitions of private companies in the financial services industry in the upcoming quarters. In connection with our plan, we have entered into several non-binding letters of intent to acquire businesses upon the successful completion of an equity financing. In addition, we filed a preliminary proxy on August 3, 2006 to notice our annual shareholders meeting, wherein we have asked our shareholders to approve an amendment to change our name to Rubicon Financial Services. Following completion of the acquisitions, if ever, we plan to spin-off our current wholly-owned operating subsidiary, Dial-A-Cup, to ISSG s shareholders on a pro-rata basis. However, until we have completed these acquisitions of a financial service company, we will continue to maintain our original business plan through our subsidiary, Dial-A-Cup.

***Satisfaction of our cash obligations for the next 12 months.***

Our plan of operation has been stalled by our lack of cash. Under our current plan of operation with Dial-A-Cup we would be required to generate or raise at least $115,000 (minimal cash requirement) to continue in operation for the next 12 months. Subsequent to the closing of our second quarter and in anticipation of pursuing opportunities in the financial services industry, we have initiated a private placement to raise up to $5 million. At the time of this filing we have not raised any funds under this private placement.

Additionally, in order to obtain cash resources, we entered into a business line of credit with a bank for a maximum of $45,000, plus an additional $6,000 overdraft protection for our checking account. The interest rate for borrowings is the prime rate plus 0.5% per annum. A small annual fee is required to keep the credit facility available. The credit facility is personally guaranteed by an officer and our majority stockholder. As of June 30, 2006, the outstanding balance under the credit facility was $51,811.

***Summary of any product research and development that we will perform for the term of our plan of operation.***

We do not anticipate performing any additional significant product research and development under our plan of operation with Dial-A-Cup or in the financial services industry, if and when we enter into that line of business.

***Expected purchase or sale of plant and significant equipment.***

We do not anticipate the purchase or sale of any plant or significant equipment; as such items are not required by us at this time.

***Significant changes in the number of employees.***

In addition to our officers and directors we have 2 employees. We are dependent upon Terence Davis, President and Director of the Company and our other Directors, Brad Bunch, James Udel and Craig Triance. None of the employees work full time but devote whatever time is necessary for them to assist in the operations of the Company. Therefore, we will need to hire full time operational staff as our operations commence under Dial-A-Cup or as we expand into a new line of business.

As a result of the termination with Advantage Investment Strategies, our current officers and directors will not be resigning as previously disclosed. Furthermore, we have filed a preliminary proxy announcing a shareholders meeting, whereby all the current board of directors have been nominated plus an additional nomination of Mr. Joseph Mangiapane, Jr. We anticipate the meeting to be held sometime in the third quarter of 2006.

**LIQUIDITY AND CAPITAL RESOURCES**

A critical component of our operating plan impacting our continued existence is the ability to obtain additional capital through additional equity and/or debt financing. We do not anticipate generating sufficient positive internal operating cash flow until such time as we can deliver our product to market and generate substantial revenues, which may take the next few years to fully realize. In the event we cannot obtain the necessary capital to pursue our strategic plan, we may have to cease or significantly curtail our operations. This would materially impact our ability to continue operations.

The following table summarizes current assets, liabilities and working capital at June 30, 2006 compared to December 31, 2005.

| | | | **Increase / (Decrease)** | |
|---|---|---|---|---|
| | **June 30, 2006** | **December 31, 2005** | **$** | **%** |
| Current Assets | $9,961 | $1,505 | $8,456 | 562% |
| Current Liabilities | $286,941 | $249,683 | $37,258 | 15% |
| Working Capital (Deficit) | $(276,980) | $(248,178) | $28,802 | 12% |

On February 25, 2005, we entered into a business line of credit with a bank for a maximum of $45,000, plus an additional $6,000 overdraft protection for our checking account. The interest rate for borrowings is the prime rate plus 0.5% per annum.

To date, our operations have been primarily funded by the sole officer of Dial-A-Cup. As of June 30, 2006, total amounts owed in principal and interest to this officer was $182,526. The proceeds loaned have been used to fund operations and for the development of a prototype of our beverage dispenser. The note bears interest at 10% per annum and is due on demand. For the six months ended June 30, 2006 and 2005, $7,716 and $7,550, respectively, of interest expense has been recorded related to the note. As we expand our activities, we expect to continue to experience net negative cash flows from operations, pending receipt of sales revenues.

Over the next twelve months we believe that existing capital and anticipated funds from operations will not be sufficient to sustain operations or planned expansion. Accordingly, we intend to seek additional funding for operations through equity offerings, financings, acquisitions, joint ventures or other means available to us. There can be no assurance that we will be able to complete a transaction or complete a transaction on terms favorable to us or our shareholders.

Furthermore, we anticipate incurring operating losses over the next twelve months. Our lack of operating history makes predictions of future operating results difficult to ascertain. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development. Such risks include, but are not limited to, an evolving and unpredictable business model and the management of growth.

**Going Concern**

The accompanying consolidated financial statements have been prepared assuming we will continue as a going concern. We have incurred accumulated net losses of $1,038,480 from April 24, 2002 (inception) through the period ended June 30, 2006 and have no sales. Our future is dependent upon our ability to obtain financing and upon future profitable operations from the development of new business opportunities. Management has plans to fund operations through equity offerings, financings, mergers, joint ventures or other means available to us. There can be no assurance that we will be able to complete a transaction or complete a transaction on terms favorable to ISSG or its shareholders. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue in existence. These conditions raise substantial doubt about our ability to continue as a going concern.

**Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results or operations, liquidity, capital expenditures or capital resources that is material to investors.

**FACTORS THAT MAY AFFECT OUR PLAN OF OPERATION**

<u>Risks Relating To Our Business and Marketplace</u>

***We are a development stage company and have minimal operating history, which raises substantial doubt as to our ability to successfully develop profitable business operations.***

We were incorporated to engage in the business of designing and developing a hot beverage dispenser. We have yet to generate significant revenues from operations and have been focused on organizational, start-up, and market analysis activities since we incorporated. Although we have received two patents on and one additional patent pending, there is nothing at this time on which to base an assumption that our business operations will prove to be successful or that we will ever be able to operate profitably.

***We will need additional capital in the future to finance our operations, which we may not be able to raise or it may only be available on terms unfavorable to us or our stockholders, which may result in our inability to fund our working capital requirements and harm our operational results.***

We have and expect to continue to have substantial capital expenditure and working capital needs. We believe that current cash on hand and the other sources of liquidity may not be sufficient enough to fund our operations through fiscal 2006. In that event we would need to raise additional funds to continue our operations. Furthermore, additional funds will be needed to pursue our intentions of acquiring private companies in the financial services industry.

Additional financing might not be available on terms favorable to us, or at all. If adequate funds were not available or were not available on acceptable terms, our ability to fund our operations, take advantage of unanticipated opportunities, develop or enhance our business or otherwise respond to competitive pressures would be significantly limited.

***Our company has no operating history in the financial services industry and there can be no assurance that we will be successful in the entry into the industry or that we will be able to develop our business plan to integrate intended new line of business.***

Our proposed operations are subject to all of the risks inherent in the establishment of a new business, including licensing risks, insufficient capital, unforeseen problems, and expenses and complications encountered with the early phases of operations in a business. Moreover, our lack of an operating history in the financial services industry makes it impossible to predict whether or not the company will operate profitably if it is able to successfully enter such industry. While we intend to bring on management and/or directors that are familiar with this industry, there can be no assurances that we will be able to locate, hire and retain the necessary personnel to initiate, manage and operate this new line of business, develop and implement necessary systems, obtain contracts and obtain financing as contemplated in our business plan.

***We may not be successful in executing or integrating in potential acquisitions of companies involved in the financial services industry.***

At the time of this filing, we have only executed non-binding letters of intent to acquire businesses involved in the financial services industry. However, if and when we complete final acquisition agreements, there can be no assurance that these acquisitions will be successfully integrated and may materially adversely affect our business. Some potential risks in acquiring other companies are: difficulties in integrating operations; diversion of management s attention from daily operations; management s experience in the acquired industries; and increased costs of restructuring and related expenses. Failure to manage and address these mentioned risks could harm our business.

***Our auditor s report reflects the fact that without realization of additional capital, it would be unlikely for us to continue as a going concern.***

As a result of our deficiency in working capital at December 31, 2005 and other factors, our auditors have included a paragraph in their audit report regarding substantial doubt about our ability to continue as a going concern. Our plans in this regard are to seek merger or acquisition candidates, seek additional funding through future equity private placements or debt facilities.

Risks Relating To Our Common Stock

***Because our common stock is deemed a low-priced Penny stock, an investment in our common stock should be considered high risk and subject to marketability restrictions.***

Since our common stock is a penny stock, as defined in Rule 3a51-1 under the Securities Exchange Act, it will be more difficult for investors to liquidate their investment even if and when a market develops for the common stock. Until the trading price of the common stock rises above $5.00 per share, if ever, trading in the common stock is subject to the penny stock rules of the Securities Exchange Act specified in rules 15g-1 through 15g-10. Those rules require broker-dealers, before effecting transactions in any penny stock, to:

- Deliver to the customer, and obtain a written receipt for, a disclosure document;
- Disclose certain price information about the stock;
- Disclose the amount of compensation received by the broker-dealer or any associated person of the broker-dealer;
- Send monthly statements to customers with market and price information about the penny stock; and
- In some circumstances, approve the purchaser s account under certain standards and deliver written statements to the customer with information specified in the rules.

Consequently, the penny stock rules may restrict the ability or willingness of broker-dealers to sell the common stock and may affect the ability of holders to sell their common stock in the secondary market and the price at which such holders can sell any such securities. These additional procedures could also limit our ability to raise additional capital in the future.

***Currently a very limited market exists for our common stock since we have only recently commenced quotation on the OTC Bulletin Board***

There currently is a limited market for our shares and there can be no assurance that any such market will fully develop or be maintained. Any trading market that may develop in the future will most likely be very volatile, and numerous factors beyond our control may have a significant effect on the market.

***NASD sales practice requirements may also limit a stockholder's ability to buy and sell our stock.***

In addition to the penny stock rules described above, the National Association of Securities Dealers (NASD) has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, the NASD believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The NASD requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

**Item 3. Controls and Procedures**

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the specified time periods. As of the end of the period covered by this report, Terence Davis, our Chief Executive Officer and Principal Financial Officer evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based on the evaluation, which disclosed no significant deficiencies or material weaknesses, Mr. Davis, our Chief Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting him to material information required to be included in our periodic SEC filings. There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter 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 may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are not presently a party to any material litigation, nor to the knowledge of management is any litigation threatened against us, which may materially affect us.

**Item 2. Changes in Securities**

None.

**Item 3. Defaults by the Company upon its Senior Securities**

None.

**Item 4. Submission of Matters to a Vote of Security Holders**

None.

**Item 5. Other Information**

None.

**Item 6. Exhibits and Reports on 8-K.**

**a) Exhibits**

| | |
|---|---|
| 2.1 | Agreement and Plan of Merger Between ISSG, Inc. and Rub Investments, Inc. (*Filed as an Exhibit to the Company s Current Report on Form 8-K, filed with the Commission on May 17, 2005, and incorporated herein by reference*). |
| 2.2** | Delaware Certificate of Merger |
| 2.3** | Nevada Articles of Merger |
| 3.1(i)(a)*** | ISSG, Inc. Articles of Incorporation |
| 3.1(i)(b)*** | ISSG, Inc. Certificate of Correction of Articles of Incorporation |
| 3.1(i)(c)*** | ISSG, Inc. Amendment to Articles of Incorporation |
| 3.1(ii)*** | ISSG, Inc. Bylaws |
| 10.1 | Agreement and Plan of Merger Between ISSG, Inc. and Advantage Investment Strategies, Inc. (*Filed as an Exhibit to the Company s Current Report on Form 8-K, filed with the Commission on April 18, 2006, and incorporated herein by reference*) |
| 10.2 | Termination Agreement Between ISSG, Inc. and Advantage Investment Strategies, Inc. (*Filed as an Exhibit to the Company s Current Report on Form 8-K, filed with the Commission on July 20, 2006, and incorporated herein by reference*) |
| 31.1* | Certification of Terence Davis, President and Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act |
| 32.1* | Certification of Terence Davis, President and Principal Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act |

* Filed herewith

** Filed as an Exhibit to the Company s Current Report on Form 8-K, filed with the Commission on June 13, 2005 and incorporated herein by reference

*** Filed as an Exhibit to the Company s Form 10-KSB, filed with the Commission on April 5, 2006, and incorporated herein by reference

**b) Reports on Form 8-K**

Form 8-K filed on July 20, 2006 Item 1.02 Termination of a Material Definitive Agreement

**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, thereunto duly authorized.

ISSG, INC.

(Registrant)

By:/s/ Terence Davis

Terence Davis, Chief Executive Officer
(Principal Financial Officer and

Principal Accounting Officer)

Date: August 21, 2006

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