
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

**PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report: (Date of earliest event reported): November 7, 2005

I-SECTOR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

1-31949
Commission file number

76-0515249
(I.R.S. Employer Identification No.)

**6401 Southwest Freeway
Houston, Texas 77074**
(Address of Registrant's principal executive offices)

(713) 795-2000
(Registrant's telephone number, including area code)

(Not Applicable)
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 7.01 Regulation FD Disclosure

On November 8, 2005 at approximately 2:00 p.m. Pacific Time and again on November 9, 2005 at 8:00 a.m. Pacific Time, Chairman/CEO James H. Long, President/COO Mark Hiltz, and CFO Brian Fontana will speak at the 35th Annual AeA Classic Financial Conference to be held at the Manchester Grand Hyatt, One Market Place, San Diego, CA. Attached as Exhibit 99.1 are PowerPoint slides that will be presented at the Conference. Pursuant to Regulation FD, I-Sector Corporation hereby furnishes the presentation materials as Exhibit 99.1 to this report.

Note: The information in this report (including Exhibit 99.1) is furnished pursuant to Item 7.01 and shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|-------------------------|
| 99.1 | PowerPoint Presentation |

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 hereunto duly authorized.

I-SECTOR CORPORATION

Date: November 7, 2005

By: /s/ Brian Fontana
Brian Fontana
Chief Financial Officer

EXHIBIT INDEX

| Exhibit Number | Description |
|----------------|--------------------------|
| 99.1 | PowerPoint Presentation. |

VoIP Goes Mainstream in the Enterprise Market

- VoIP / IP Telephony is becoming the default choice for voice communications in Enterprises.
- Organizations desire cost savings and enhanced functionality from IP Telephony systems (applications, video) as well as “future proofing” their capital expenditures.
- All major equipment manufacturers’ future and current product releases are IP based.
- Cisco entered the voice communication business in 1998; now the largest supplier of Enterprise IP Telephony systems and a leader in VOIP systems.



Customer Dependency On Solution Providers Increasing

- The IP network is the most critical technology system in the enterprise.
- Enterprises historically have purchased long-term support contracts for their voice systems.
- Customers require a new model of remote monitoring and remote management support for IP Communications infrastructure.
- Our recurring service revenue base from our support services offering branded as "NETSURANT" is small but growing rapidly.

AMEX: ISR

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“Manufacturer” Competitive Landscape

- Cisco and Avaya are the leading manufacturers of Enterprise IP Telephony equipment.
- Cisco dominates the market for IP network equipment that IP Telephony technology relies on.
- Cisco is the market share leader of installed IP Telephony system handsets in the enterprise market space while Avaya has the largest market share of installed traditional PBX circuit-switched phone system handsets.
- Business telephony system technology is moving away from Avaya's traditional circuit-switched technology toward Cisco's IP network technology.

AMEX: ISR

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“Solution Provider” Competitive Landscape

- Cisco depends largely upon its network integrator / solution provider partners to market and support its IP Telephony solutions.
- Only about 10% of Cisco’s partners are “Gold” level (best price and terms) and only about 25% are eligible to sell voice solutions.
- There is no national leader that is focused on integration and support of Cisco IP Telephony technology.
- Many of Cisco’s regional partners have strong technical competency but face growth limitations due to capital constraints – acquisition opportunity.

AMEX: ISR

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Recently Announced Corporate Restructuring

- Planned sale of two smaller business units.
- Single focused corporate strategy focused on rapidly growing enterprise VOIP solutions business.
- Will eliminate negative impact on earnings and working capital requirements.
- Merge primary operating subsidiary into parent and adopt a new corporate name.
- Continuing operations reflect higher revenue growth rates and improved earnings.

AMEX: ISR

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Company

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Management

- **Jim Long** – *Chairman & CEO* – founded company in 1982.
- **Mark Hilz** – *President & COO* – experience as CEO of larger public company; acquisitions experience; served on our board prior to joining management in July 2000.
- **Brian Fontana** – *CFO* – since January 2005; experience as CFO with larger public companies; acquisitions experience.
- **Ex-Cisco management members:** VP of Sales; VP of Federal; VP of managed services business; Austin office general manager.

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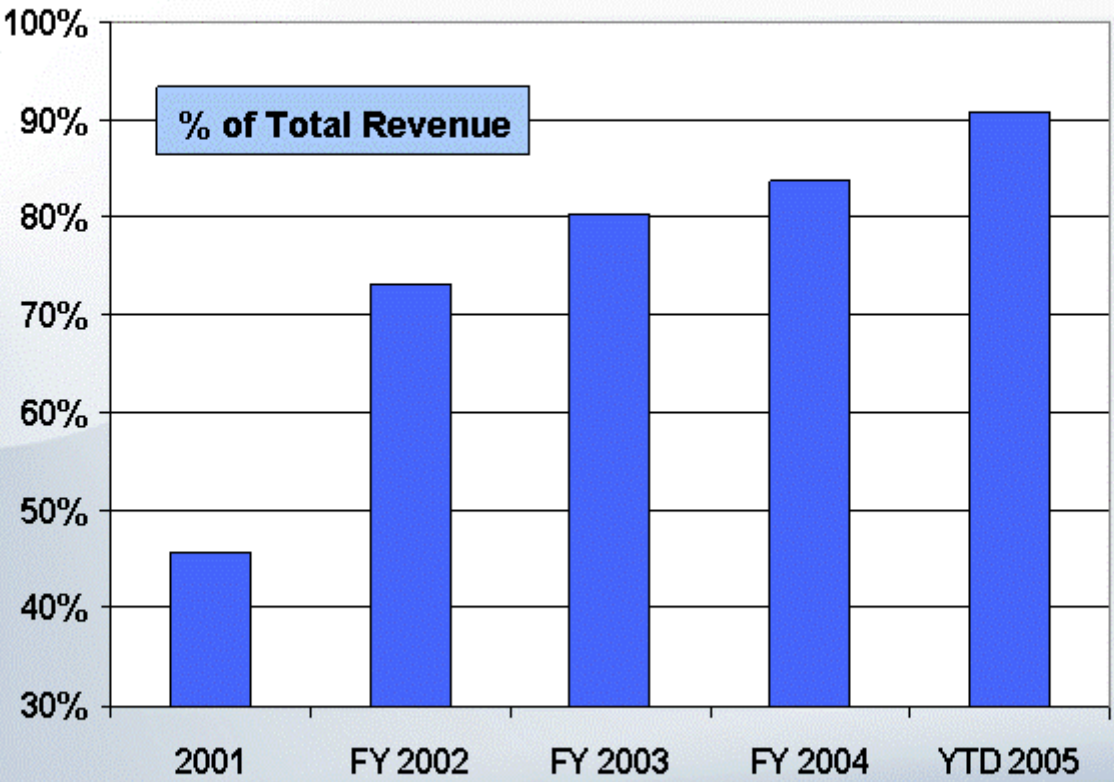
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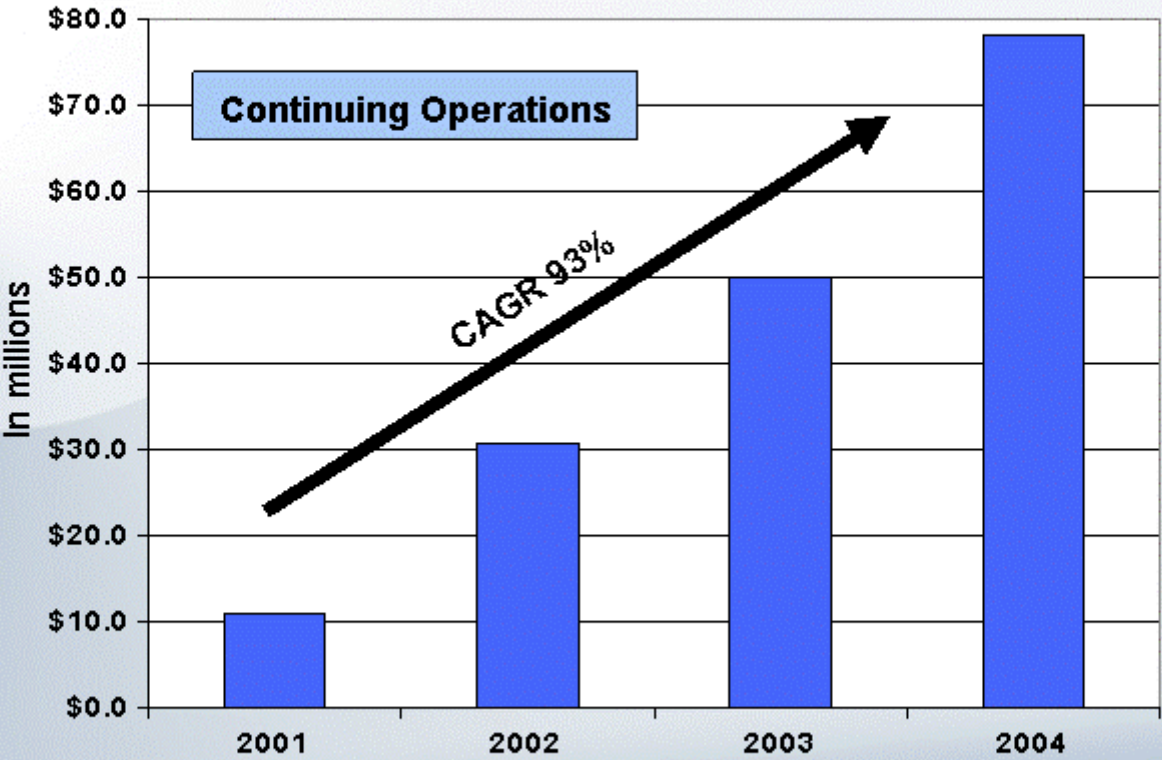
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IP Communications - Core Business Unit



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IP Communications Business Unit Growth



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IP Centric Revenue Components

Cisco-Centric Products

- Cisco centric
- Network Infrastructure
- IP Telephony
- Network storage

Implementation Services

- Assessment
- Design
- Installation
- Training

NetSurant Managed Support Services

- SureMonitor
- SureManage
- SureNotify

Customer Solutions = Opportunity

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- One of Cisco's top IP Telephony partners in the U.S.
- Purpose built to deliver state-of-the-art enterprise IP Telephony solutions.
- Comprehensive suite of IP Telephony services.
- Best possible Cisco pricing discounts.
- Highest level of technical competence certification for IP Telephony.
- Ex-Cisco management and senior account executive staff.
- Our President/COO sits on several Cisco advisory councils.



Sampling Of Our Customers

Education

Dallas ISD
Houston ISD
Bryan ISD
Caldwell ISD
Pasadena ISD
Garland ISD
Katy ISD
El Paso ISD

Contractor

IBM
Qwest
Verizon
EDS

Government

US Army
Homeland Security
National Guard
Department of Justice
City of Houston
City of Plano
City of Georgetown
City of Albuquerque

Corporate

Stewart and Stevenson
Halliburton
Burlington Resources
Dean Foods
Tyco
Ingersoll Rand
St. Lukes Hospital
Children's Medical
Anadarko
Hunt Petroleum
Container Store
TXU
Haynes and Boone
Silicon Labs
United Texas Bank
ENSCO
Beck Construction
Darling International
Caprock Communications
Community Credit Union

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Plans, Goals and Strategy

- Continue to leverage general and administrative expenses to improve operating margins.
- Increase services revenue and expand gross margins.
- Expand offerings - Expand Netsurant support offerings and expand practice offerings in the IP Communications market segment
- National expansion through accretive acquisitions to add revenue, customer base and geographic coverage.

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Accretive Acquisitions Opportunity

- Highly fragmented private regional Cisco partners environment.
- Financing is limited for smaller solution providers, constraining growth relative to demand in the IP Communications sector.
- Purchase prices for smaller, capital constrained, private firms are modest relative to revenue generation potential.
- Opportunity to acquire early in period of “mass adoption” of IP Telephony allows for growth of acquired organizations.
- We will add value to organizations we acquire:
 - Highly focused IP Telephony strategy and experience.
 - Strong Cisco relationship.
 - “Gold” level pricing and terms on Cisco products.
 - Enhance services capability with long term support offerings.

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Two Recent Acquisitions

- Acquired Network Architechcs May 2005
 - Dominant network solutions company in New Mexico
 - \$20 million in annual revenues prior to acquisition.
 - Adds operations in Albuquerque, NM and El Paso, TX
- Acquired InfoGroup Northwest June 2005
 - Significant growth opportunity in two large metropolitan markets
 - \$10 million in annual revenues prior to acquisition.
 - Adds operations in Portland and Eugene, OR and Seattle, WA.
- Two acquisitions increased number of markets served from 5 to 10.

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Selected Balance Sheet Information

| | <u>Dec 31,</u> <u>2004</u> | <u>Mar 31,</u> <u>2005</u> | <u>Jun 30,</u> <u>2005</u> | <u>Sep 30,</u> <u>2005</u> |
|-----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Assets: | | | | |
| Cash | \$ 4,773 | \$ 7,185 | \$ 4,888 | \$ 1,091 |
| Accounts receivables, net | 28,855 | 25,630 | 33,194 | 36,821 |
| Inventory | 1,159 | 849 | 8,711 | 879 |
| Non-current tangible assets | 1,994 | 1,838 | 2,597 | 2,588 |
| Liabilities: | | | | |
| Debt | 8,342 | 195 | 8,126 | 9,147 |
| Accounts payable | 10,675 | 15,926 | 24,499 | 16,034 |
| Other current liabilities | 5,931 | 6,992 | 8,127 | 7,094 |
| Stockholders' equity | 15,849 | 16,612 | 18,957 | 18,726 |
| Tangible net asset value | 14,736 | 14,197 | 10,588 | 10,459 |
| Working capital | 13,143 | 12,453 | 8,056 | 7,906 |

AMEX: ISR

In thousands

I-Sector

Year Ended December 31 Consolidated Results

| | <u>2003</u> | <u>2004</u> | <u>% Change</u> |
|---------------------|--------------|--------------|-----------------|
| Revenue | \$62,152 | \$93,069 | 50% |
| Gross profit | 12,727 | 19,952 | 57% |
| <i>Gross margin</i> | <i>20.5%</i> | <i>21.4%</i> | |
| SG&A expense | 15,061 | 18,254 | 21% |
| Operating income | (2,334) | 1,698 | n/a |
| Net (loss) income | (1,836) | 1,530 | n/a |
| | | | |
| Shares (diluted) | 3,691 | 5,004 | 36% |
| Diluted EPS | (0.50) | 0.31 | n/a |

AMEX: ISR

in thousands, except EPS

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9 Months Ended September 30 Consolidated Results

| | <u>2004</u> | <u>2005</u> | <u>% Change</u> |
|-------------------------|-------------|-----------------------|-----------------|
| Revenue | \$68,774 | \$101,273 | 47% |
| Gross profit | 13,944 | 17,073 | 22% |
| <i>Gross margin</i> | 20.3% | 16.9% | |
| SG&A expenses | 13,191 | 17,723 ⁽¹⁾ | 34% |
| Operating income (loss) | 753 | (650) ⁽¹⁾ | n/a |
| Net income (loss) | 708 | (866) ⁽¹⁾ | n/a |
| Shares (diluted) | 5,014 | 5,614 | 12% |
| Diluted EPS | 0.14 | (1.28) | n/a |

(1) Excludes one-time, non cash charges

AMEX: ISR

dollars in thousands, except EPS

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3 Months Ended September 30 Consolidated Results

| | <u>2004</u> | <u>2005</u> | <u>% Change</u> |
|-------------------------|-------------|-------------|-----------------|
| Revenue | \$32,612 | \$39,157 | 20% |
| Gross profit | 6,109 | 6,301 | 3% |
| <i>Gross margin</i> | 18.7% | 16.1% | |
| SG&A expenses | 5,456 | 6,321 | 16% |
| Operating income (loss) | 653 | (20) | n/a |
| Net income (loss) | 618 | (235) | n/a |
| Shares (diluted) | 5,548 | 5,975 | 8% |
| Diluted EPS | 0.11 | (0.04) | n/a |

AMEX: ISR

dollars in thousands, except EPS

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**Pro Forma Continuing Operations
 Nine Months Ended September 30, 2005**

| | <u>Consolidated Operations</u> | <u>Discontinued Operations</u> ⁽¹⁾ | <u>Adjustments</u> | <u>Continuing Operations</u> |
|-------------------------|------------------------------------|---|--------------------|----------------------------------|
| Total Revenue | 101,273 | 9,350 | | 91,923 |
| Gross Profit | 17,073 | 3,501 | | 13,572 |
| SG&A | 17,723 ⁽³⁾ | 5,853 | 876 ⁽²⁾ | 12,746 |
| Operating Profit | (650) | (2,352) | 876 | 826 |

(1) Represents operations of Stratasoft, Inc. and Valerent, Inc.
 (2) The adjustment represents corporate holding company expense previously allocated to discontinued operations
 (3) Excludes one-time, non-cash charge

AMEX: ISR

dollars in thousands

I-Sector

Pro Forma Continuing Operations
Three Months Ended September 30, 2005

| | <u>Consolidated Operations</u> | <u>Discontinued Operations</u> ⁽¹⁾ | <u>Adjustments</u> | <u>Pro Forma Continuing Operations</u> |
|-------------------------|--------------------------------|---|--------------------|--|
| Total Revenue | 39,157 | 2,690 | | 36,467 |
| Gross Profit | 6,301 | 846 | | 5,455 |
| SG&A | 6,321 | 1,776 | 257 ⁽²⁾ | 4,802 |
| Operating Profit | (20) | (930) | 257 | 653 |

(1) Represents operations of Stratasoft, Inc. and Valerent, Inc.

(2) The adjustment represents corporate holding company expense previously allocated to discontinued operations

dollars in thousands

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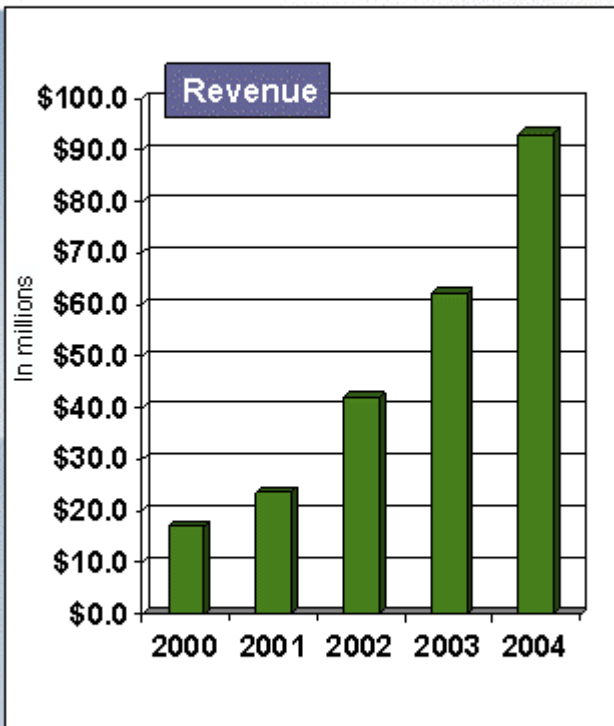
Focused Strategy will Improve Shareholder Value

- Announced intentions to sell Stratasoft and Valerent subsidiaries.
- Stratasoft and Valerent operations will be discontinued operations for 4Q05.
- Announced intent to merge INX subsidiary into parent with a name change so that we have a concise “pure play” investment story.

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Summary



- An exciting, growing industry in which we are a highly focused, unique company, which has enabled us to gain market share.
- Core business history of *and* plan for:
 - Growing revenue organically.
 - Accretive acquisitions.
 - Leveraging SG&A expenses to improve profitability.
- Substantial opportunity for further geographic expansion through accretive acquisitions.

AMEX: ISR

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