
LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

It is always good to look back at last year's Letter to Shareholders to evaluate our progress against what we intended to do. In 2005, we had expected to reduce our cash investment in both our CoreCard Software and VISAer subsidiaries, while building on the strong base of business at our more established, profitable companies, ChemFree and QS Technologies. Overall, we made good progress in some areas while falling short of our goals in others.

Our VISAer subsidiary delivered its planned "Go-Live" software release in late 2005 and used considerably less cash than in 2004, although more than budgeted. VISAer has been successful selling professional services and additional licenses to its existing customer base and expects this trend to continue in 2006. VISAer's experienced and dedicated management team is focused on meeting its software delivery milestones on customer contracts in 2006 and further controlling its cash flow, while recognizing that a variety of external factors may continue to create volatility in the worldwide commercial aviation market.

CoreCard Software installed its core software offering at several small customers during 2005 and signed a significant new software contract with a planned installation in late 2006. Complex customer requirements and software development tasks delayed the implementation on another major contract originally planned for 2005 and completion of the project is now targeted for mid-2006. With the existing customer contracts and pipeline of professional services and maintenance contracts, 2006 should be a solid year for CoreCard Software. Despite postponing a planned increase in marketing activities in 2005, we continue to receive a number of leads and expect to increase sales activity going into 2007.

Our QS Technologies company had another profitable year, growing both its revenue and earnings as compared to 2004. QS Technologies enters 2006 with a good pipeline of new business and prospects and its installed base of customers provides positive cash flow on an annual basis and recurring service revenue.

ChemFree was a solid, profitable performer during 2005 although its revenue and profit growth was slightly lower than anticipated. High legal expenses due to initiatives to protect ChemFree's intellectual property assets had a significant negative impact on profits and are likely to do so in 2006 as well. We continue to believe this is a prudent use of resources. An emphasis on developing sales to high volume end-users is paying off and, if current trends continue, 2006 results should show renewed revenue momentum in both domestic and international markets.

This year, we are combining in one document our 2005 Annual Report on Form 10-KSB with our Proxy Statement and Notice of the 2006 Annual Shareholders Meeting. This change significantly reduces our printing and mailing costs at a time when it is increasingly expensive to be a small public company. We believe we should be prudent with your money and put our resources into building companies. Our SEC-filed reports are available on a timely basis on our website at www.intelsys.com as well.



J. Leland Strange
President & Chief Executive Officer

March 31, 2006