
LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

2009 was a year of stabilization of the economy in general and a year of stabilization, perhaps even an uptick, for the Intelligent Systems' companies.

Our companies took the necessary cost cutting actions in 2008 in anticipation of a difficult 2009. While 2009 will not be remembered as an outstanding year, under the circumstances we are pleased with the performance of each of our subsidiaries and investments.

ChemFree had a record year of profitability and maintained a solid level of sales throughout 2009, growing revenue by 14 percent in the second half of the year compared to the first half, as the economy strengthened. Sales of consumable supplies increased year-over-year reflecting a growing customer base of ChemFree's SmartWasher® bioremediating parts washers. ChemFree completed a patent trial in the summer of 2009, in which it was the Plaintiff charging patent infringement against a competitor. We received positive rulings at the conclusion of the trial with respect to infringement and inventorship and had expected a decision in the fall of 2009 on the remaining important issues. However, the federal judge has yet to issue his final rulings. We have no insight as to the reason for the delay and continue to wait patiently.

CoreCard Software continues to expand its product capabilities and customer base. We now have an international reference customer for our private label revolving credit product. We continue to work closely with our largest (in terms of number of accounts) customer, Bluestem Brands (formerly Fingerhut Direct Marketing), to provide additional capabilities to the world class revolving credit and collections platform that they have licensed from CoreCard. Our fleet software, designed to handle the complex processing requirements of fleet card management, is supporting a growing number of fleets while continuing to expand in features and functionality. A new retailer has signed on with CoreCard, moving its portfolio of consumer cards from a well known processor to our platform to take advantage of the cost savings and flexibility associated with in-house processing. Prepaid card processors using CoreCard's software continue to grow their card portfolios. We believe CoreCard is unique, with a full array of card management solutions (such as prepaid, bank card, accounts receivable, fleet, government, rewards and private label credit), all of which are available for in-house license or, on an outsourced basis, as software-as-a-service or platform-as-a-service. There has been progress in many areas as we build a reference base in each of our market segments.

We are particularly grateful to our shareholders, including the company's executives and directors, who participated in the oversubscribed shareholder rights offering in July of 2009. We are carefully deploying the proceeds of the offering principally to support CoreCard's initiatives.

All in all, 2009 was a reasonably good year considering the circumstances. We enter 2010 optimistic that we will continue to make steady progress in each of our focus areas.



J. Leland Strange
President and Chief Executive Officer