
LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

Last year my letter to shareholders closed by saying we were optimistic that in 2010 we would continue to make steady progress in each of our focus areas. I am delighted to let you know we did just that.

Revenue grew by 20 percent to \$15.4 million, expenses were down year-to-year and we earned a profit from continuing operations compared to losses in several recent years. The positive momentum reflects strong performance by our ChemFree operation as well as progress and improved performance at our CoreCard subsidiary.

In 2010, ChemFree achieved solid results and reported record profitability. Revenue grew by nine percent in the domestic U.S. market and over 50 percent in international markets, particularly in Europe and Australia, as the economic recovery and new sales initiatives led to increased demand. Sales of consumable supplies for the SmartWasher® bio-remediating parts washer grew year-over-year reflecting a larger base of SmartWasher® users. Recently, ChemFree received approval by the Environmental Protection Agency for its OzzyJuice® degreasing fluid under their Design for Environment (DfE) program, the only bio-remediating parts washing fluid to be so recognized to date. We still do not have a final ruling in the patent infringement case brought by ChemFree against a competitor due to the case being reassigned to a new judge following the sudden retirement of the judge that had presided over the case for more than five years. Price increases on certain plastic parts and transportation costs are expected to impact ChemFree in 2011 but we believe it will continue to be a solidly profitable business at current or modestly higher revenue levels.

Our CoreCard Software business, which now employs almost 200 technology employees in the U.S., India and Romania, provides a suite of software solutions that help customers manage “end-to-end” their card account programs, whether they involve credit, debit or prepaid cards, fleet cards, loyalty and rewards programs, private label credit, accounts receivable or small revolving loans. While it has taken longer and required more resources to build a platform with the features and flexibility to address multiple markets simultaneously, we believe it will create more value for the company long-term. Revenue from sales of new software licenses grew in 2010, as did revenue from maintenance and professional services for a growing base of installed customers. At year-end 2010, CoreCard had several significant contracts in-process that are expected to go-live in 2011. It has taken about a year longer than planned to initiate our prepaid CoreProcessing services, in part because of the changing regulatory environment. However, we believe we are on a path to implement this new service offering in 2011 as an alternative for customers looking to outsource, rather than license, the CoreCard® Prepaid software solution.

We are fortunate to have employees at our subsidiaries who are dedicated to the success of their respective companies. And we’re also grateful to our customers and to our shareholders for their continued support.



J. Leland Strange

President and Chief Executive Officer