
LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

Before I started writing this letter, I read again my last letter to you and it was obvious – and admittedly a little frustrating – that much of what I said then applies to the year just ended. From my insider's view, I know we have made consistent and steady progress at both our ChemFree and CoreCard subsidiaries, but there are no dramatic changes or major breakthroughs that are readily evident in our reported results.

ChemFree continued to post solid financial performance, growing revenue by 7 percent and operating profit by over 25 percent in 2012 compared to 2011. Domestic sales of ChemFree's SmartWasher® parts washer rebounded after a decline in the prior year as the economic recovery took hold while world-wide sales of high margin consumable products for the SmartWasher® posted gains as well. With the long-running patent matters behind us, legal expenses declined, a positive factor in ChemFree's year-over-year profit growth. ChemFree recently introduced its BenchTopPro parts washer, combining bioremediation in an ambient temperature model designed to appeal to the home, hobbyist and small shop markets. Importantly, cash generated by the ChemFree operations continues to fund the corporate expenses and ongoing investment in our CoreCard Software subsidiary.

In 2012, CoreCard Software grew its revenue derived from maintenance, support and professional services to the installed base of customers that have licensed its software solutions to manage their credit, fleet, prepaid, loan or accounts receivable financial programs. Developing robust software capable of handling very complex transactions is hard work and we are one of the few alternatives for those companies that prefer to maintain full control of their programs by licensing software and running it in-house. In 2012, CoreCard began to cautiously expand its new Coreprocessing services business as well, providing transaction processing services for prepaid card programs. Significant effort and resources went into improving our infrastructure and processes, obtaining needed security audits, attaining a direct association network certification, and developing scalable and reliable hardware and software systems. The uncertainty in the current regulatory environment is challenging for all participants in the prepaid card market. However, we believe continued investment in this business will result in increased shareholder value in the next several years.

I would like to recognize Dr. John Peatman, a long-time director of our company, who is retiring at the end of his term at the 2013 Annual Meeting. John has been a diligent and thoughtful member of our board and his insight and dedication to what is best for our shareholders have made a valuable contribution to our company. We thank him for his service and wish him all the best in retirement. We were fortunate to have him on our board for all this time and will miss him. The board has nominated Philip Moise for shareholder approval to fill the vacancy on the board. Phil was Executive Vice President and General Counsel of Immucor, Inc. from 2007 until 2012 and represented Intelligent Systems for approximately 25 years while in private law practice before joining Immucor. I know that Phil's extensive experience with other publicly traded companies and with our own business and history will prove invaluable to the company.

Sincerely,



J. Leland Strange

President and Chief Executive Officer