

INTELLIGENT SYSTEMS CORP

Form DEF 14A

April 04, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant

Field by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

INTELLIGENT SYSTEMS CORPORATION

(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant))

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No fee required.

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- (1) Amount previously paid:
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- (3) Filing Party:
- (4) Date Filed:

4355 Shackleford Road

Norcross, Georgia 30093

Notice of annual meeting of shareholders

YOU ARE INVITED TO attend the Annual Meeting of Shareholders of Intelligent Systems Corporation on Thursday, May 22, 2014 at 4:00 p.m., local time, at our principal executive offices located at 4355 Shackleford Road, Norcross, Georgia 30093. At the Annual Meeting, shareholders will consider and vote on:

1. The election of two directors to the Board of Directors to serve until the 2017 Annual Meeting;
2. Approval, by a non-binding, advisory vote, of the compensation of our named executive officers; and
3. Other matters that may properly come before the meeting or any adjournment thereof.

Only shareholders of record at the close of business on April 4, 2014 will receive notice of and be entitled to vote at the meeting or any adjournment thereof.

A Proxy Statement and a proxy solicited by the Board of Directors are enclosed with this mailing. **To ensure a quorum for the meeting and that your vote may be recorded, please sign, date and return the proxy promptly in the enclosed business reply envelope. If you attend the meeting, you may revoke your proxy and vote in person.** Our 2013 Annual Report to Shareholders is enclosed in the same document as the Proxy Statement.

By order of the Board of Directors,

Bonnie L. Herron

Secretary

April 10, 2014

Please complete and return the enclosed proxy promptly so that your vote may be recorded.

PROXY STATEMENT

FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD MAY 22, 2014

We are sending this Proxy Statement to the shareholders of Intelligent Systems Corporation (the “company”) in connection with the solicitation of proxies by the Board of Directors to be voted at the 2014 Annual Meeting of Shareholders (the “Annual Meeting”) of Intelligent Systems Corporation and any adjournment thereof. The Annual Meeting will be held on May 22, 2014 at our principal executive offices located at 4355 Shackleford Road, Norcross, Georgia 30093 at 4:00 p.m. local time. We expect to first mail this Proxy Statement and the accompanying proxy to shareholders on or about April 10, 2014.

voting

General

The securities that can be voted at the Annual Meeting consist of common stock of Intelligent Systems Corporation, \$.01 par value per share. Each share entitles its owner to one vote on each matter submitted to the shareholders. There are no cumulative voting rights. The record of shareholders entitled to vote at the Annual Meeting was taken as of the close of business on April 4, 2014. On that date, we had outstanding and entitled to vote 8,958,025 shares of common stock with each share entitled to one vote.

Quorum

A majority of the outstanding shares of our common stock must be present, in person or by proxy, to constitute a quorum at the Annual Meeting. We will treat shares that are withheld or abstain from voting as present at the Annual Meeting for purposes of determining a quorum. If your shares are held by a broker, bank, custodian, nominee or other record holder of our common stock and you fail to instruct such record holder how to vote your shares with respect to the director election, your shares will not be counted as present in determining whether we have a quorum.

Proxies

At the Annual Meeting, the persons named as proxies will vote all properly executed proxy cards delivered in connection with this solicitation and not revoked in accordance with the directions given. Shareholders should specify their choices with regard to each proposal to be voted upon on the accompanying proxy card. **If no specific instructions are given with regard to a proposal to be voted upon, then the shares represented by a signed proxy card will be voted “FOR” such proposal.** If any other matters properly come before the Annual Meeting, the persons named as proxies will vote upon such matters according to their judgment.

Some of our shareholders hold their shares through a broker, bank, custodian or other nominee, rather than directly in their own name. This is commonly referred to as holding shares in “street name.” If you hold shares in street name, these proxy materials are being forwarded to you by your broker, bank, custodian or other nominee, which is considered, with respect to such shares, to be the shareholder of record. As the beneficial owner of shares held in street name, you have the right to direct the nominee how such shares should be voted. You also have the right to attend the Annual Meeting. However, since you are not the shareholder of record, you must first obtain a signed proxy from the shareholder of record giving you the right to vote the shares at the Annual Meeting. Your broker, bank, custodian or other nominee has enclosed or provided you a voting instruction card for you to use in directing the nominee how to vote your shares or obtain a proxy from the nominee.

You may revoke your proxy card in connection with this solicitation at any time prior to voting at the Annual Meeting by:

giving written notice to the Secretary of the company at 4355 Shackleford Road, Norcross, Georgia 30093, for shareholders of record, or
executing and delivering to the Secretary a later dated proxy, or
voting in person at the Annual Meeting.

You cannot revoke your proxy or voting instructions as to any matter upon which, prior to such revocation, a vote has been cast in accordance with the authority conferred by such proxy or voting instructions.

We will pay all expenses incurred in connection with the solicitation of proxies. Such costs include charges by brokers, fiduciaries and custodians for forwarding proxy materials to beneficial owners of stock held in their names. We may solicit proxies by mail, telephone and personal contact by directors, officers, and employees of the company without additional compensation.

Dissenters' Rights of Appraisal

There are no dissenters' rights of appraisal with respect to the matters being acted upon at the Annual Meeting.

Security Ownership of Certain Beneficial Owners and Management

The following table contains information concerning the persons who are known to us to be beneficial owners of more than 5 percent of our common stock as of March 15, 2014, and the ownership of our common stock as of that date by each director, nominee, each executive officer named in the Summary Compensation Table and by all directors and named executive officers as a group. There are no arrangements known to us which may result in change of control of the company.

Beneficial Owner	Address	Shares Beneficially Owned a, e	Percent of Class a
J. Leland Strange ^b <i>Chairman of the Board, President, CEO</i>	4355 Shackelford Road Norcross, GA 30093	2,050,300	22.75%
Wallace R. Weitz & Company ^c	1125 South 103rd St., Suite 200 Omaha, NE 68124	2,270,000	25.34%
Clifford N. Burnstein ^d	729 7 th Avenue New York, NY 10019	835,445	9.33%
Cherie M. Fuzzell, <i>Director</i>		2,500	*

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Philip H. Moise, <i>Director</i>	1,000	*
James V. Napier, <i>Director</i>	63,300	*
Parker H. Petit, <i>Director</i>	77,315	*
Francis A. Marks, <i>Vice President</i>	193,227	2.16%
Bonnie L. Herron <i>Vice President, Chief Financial Officer and Corporate Secretary</i>	142,658	1.58%
All Directors and Named Executive Officers as a Group (7 persons)	2,530,300	28.18%

Except as otherwise noted, beneficial ownership is determined on the basis of 8,958,028 shares of common stock issued and outstanding plus securities deemed outstanding pursuant to Rule 13d-3(d)(1) of the Securities Exchange Act of 1934, as amended. Pursuant to the rules of the Securities and Exchange Commission (the "SEC"), a person is deemed to beneficially own shares of the company's common stock if that person has or shares "voting power", which includes the power to vote or to direct the voting of a security, or "investment power", which includes the power to dispose of or to direct the disposition of a security. An asterisk indicates beneficial ownership of less than 1 percent.

a. Includes 293,906 shares owned by Jane H. Strange, Mr. Strange's wife. Mr. Strange disclaims any beneficial interest in the shares.

b. Based on information set forth in a Schedule 13G filed on January 23, 2014, in which Wallace R. Weitz and Company, an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, reported beneficial ownership of 2,270,000 shares of common stock, of which Wallace R. Weitz and Company has the sole power to vote and to dispose.

c. Based on information set forth in a Schedule 13D filed on August 3, 2009, in which Clifford N. Burnstein, an individual, reported beneficial ownership of 835,445 shares of common stock, of which Clifford N. Burnstein has the sole power to vote and to dispose.

d. Includes 165,833 shares reserved for issuance to officers and directors pursuant to stock options that were exercisable at March 15, 2014 or within sixty days of such date which are deemed beneficially owned by such person pursuant to Rule 13d-3(d)(1) of the Exchange Act. The amounts reported above for Messrs. Napier and Petit include 30,000 shares each for shares underlying stock options exercisable at March 15, 2014 or within sixty days of such date. The amounts reported above for Mr. Strange and Ms. Herron include 52,500 and 50,833 shares, respectively, for shares underlying stock options exercisable at March 15, 2014 or within sixty days of such date. The amount reported for Ms. Fuzzell includes 2,500 shares for shares underlying stock options exercisable at March 15, 2014.

PROPOSAL 1 – THE ELECTION OF TWO DIRECTORS**Nominees**

At the Annual Meeting of Shareholders, shareholders will elect two directors to the Board to serve a three-year term until the 2017 Annual Meeting of Shareholders. The other directors' terms expire at the Annual Meeting of Shareholders listed in the following table for each category of directors, or upon their earlier death, resignation or removal from office. Directors are elected by a plurality of the shares present and voting at the meeting. A "plurality" means that the individuals who receive the largest number of votes cast are elected as directors up to the maximum number of directors to be chosen at the meeting. Therefore, shares that are withheld or abstain from voting and broker non-votes will have no effect on the outcome of the vote. Unless contrary instructions are given, the persons named as proxies will vote the shares represented by a signed proxy card "FOR" the nominees.

If a nominee withdraws for any reason or is not able to serve as a director, the proxy will be voted for another person designated by the Board as substitute nominee, but in no event will the proxy be voted for more than two nominees. The Board has no reason to believe that the nominees will not serve if elected.

The Board has nominated the persons named in the following table to serve as directors of the company. The nominees and other directors gave us the following information concerning their current age, other directorships, positions with the company, principal employment and shares of our common stock beneficially owned as of March 15, 2014.

The Board of Directors recommends that shareholders vote "FOR" proposal 1 to elect TWO nominees To serve as directorS of the company.

Name	Age	Position / Principal Occupation
<i>Nominees for election to serve until the 2017 Annual Meeting</i>		
Cherie M. Fuzzell ^{1 & 2}	50	Nominee, CEO of Parkmobile USA, Inc.
Parker H. Petit ^{1 & 2}	74	Nominee, CEO of MiMedx Group and President of The Petit Group
<i>Incumbent director elected to serve until the 2016 Annual Meeting</i>		
Philip H. Moise ^{1 & 2 *}	64	Director, Former Executive Vice President and General Counsel of Immucor, Inc.
<i>Incumbent directors elected to serve until the 2015 Annual Meeting</i>		
James V. Napier ^{1 & 2}	77	Director, Retired, former Chairman of the Board of Scientific Atlanta

J. Leland Strange 72 Director, Chairman of the Board, President and Chief Executive Officer

1. Audit Committee

2. Compensation Committee

*Committee assignments effective March 6, 2014

Cherie M. Fuzzell is nominated for re-election to the board for a three-year term ending at the 2017 Annual Meeting of Shareholders. Ms. Fuzzell has served as a director since 2012. Ms. Fuzzell is Chief Executive Officer of Parkmobile USA, Inc., a provider of mobile payment solutions to municipalities and parking providers around the world. From 2008 to October 2012, Ms. Fuzzell was President and Chief Executive Officer of FirstView, LLC, a vertically integrated processor and program manager providing turnkey prepaid debit card solutions for multiple industries and applications. Prior to 2008, she was an independent industry consultant and from 1999 to 2005 served as Chief Administrative Officer and General Counsel of Nova Information Systems, Inc., an international payments processing company (now operating as Elavon, part of U.S. Bancorp). Other experience includes serving on the board of directors and compensation committee of Otix Global, Inc. [formerly NASDAQ: OTX], a manufacturer of hearing aids, prior to its acquisition in December 2010. The Board considered Ms. Fuzzell's extensive experience in and knowledge of the financial payments industry; her operational and strategic insight; her board and executive service with large and publicly traded companies; her familiarity with the company's CoreCard subsidiary business, products and services; and her educational background in accounting and law in determining that she should serve as a director of the company. The Board has determined that Ms. Fuzzell qualifies as an independent director under the applicable rules of NYSE MKT.

Philip H. Moise was elected to the Board in 2013 for a three-year term ending at the 2016 Annual Meeting of Shareholders. Mr. Moise served as Executive Vice President, General Counsel and Secretary of Immucor, Inc. from 2007 until 2012. Immucor manufactures and sells instruments and reagents used to classify components of human blood prior to blood therapies and transfusions. Previously a publicly-held company, Immucor was acquired and taken private in 2011. Before joining Immucor, Mr. Moise was in the private practice of law for almost 30 years, where he represented public and private companies in the technology and life sciences industries. He represented Intelligent Systems for approximately 25 years before joining Immucor in 2007. The Board considered Mr. Moise's familiarity with the company's business and history; his business experience as an executive with a publicly traded company; his extensive legal background and experience in corporate transactions and corporate governance; and his familiarity with board and regulatory matters impacting publicly traded companies in determining that he should serve as a director of the company. The Board has determined that Mr. Moise qualifies as an independent director under the applicable rules of NYSE MKT.

James V. Napier has served as a director since 1982. Mr. Napier served as Chairman of the Board of Scientific-Atlanta, Inc., a firm involved in cable television electronics and satellite-based communication networks (now part of Cisco Systems, Inc.), from 1993 until his retirement in November 2000. Within the past five years, Mr. Napier has also served as a director of Vulcan Materials Company, Wabtec Corporation, McKesson Corporation, Engelhard Corporation and Personnel Group of America, Inc. The Board considered Mr. Napier's extensive experience as an executive and member of the board of directors of a wide variety of publicly traded companies, his experience as chair of the audit committees of other public companies, and his familiarity with the company since 1982 in determining that he should serve as a director of the company. The Board has determined that Mr. Napier is an independent director under the applicable rules of NYSE MKT.

Parker (Pete) H. Petit has served as a director since 1996 and is nominated for re-election to the Board for a three-year term ending at the 2017 Annual Meeting of Shareholders. Mr. Petit is the Chairman, President and CEO of MiMedx Group, an integrated developer, manufacturer and marketer of bio-material based products. Mr. Petit is also the President of The Petit Group, a private investment company. Mr. Petit served as Chairman of the Board and Chief Executive Officer of Matria Healthcare, Inc., a comprehensive disease management services company from 1996 to 2008. He also served as a director of Logility, Inc. within the past five years. The Board considered Mr. Petit's extensive experience as a successful entrepreneur and as an executive and member of the board of directors of several publicly traded technology and healthcare companies, as well as his familiarity with the company since 1996 in determining that he should serve as a director of the company. The Board has determined that Mr. Petit is an independent director under the applicable rules of NYSE MKT.

Leland Strange has served as our President since 1983 and our Chief Executive Officer and Chairman of the Board since 1985. The Board considered Mr. Strange's many years of experience as the company's CEO, his familiarity with the industries and customers which our operating companies serve, and his past experience on several boards of directors and audit and compensation committees of other publicly traded companies in determining that he should serve as a director of the company.

There are no family relationships among any of the company's directors, nominees and executive officers.

There have been no events under any bankruptcy act, no criminal proceedings and no judgments or injunctions material to an evaluation of the ability and integrity of any director, executive officer or control person of the company during the past ten years. There are no proceedings to which any director, officer, affiliate, any owner of record or beneficially of more than 5 percent of our common stock, or any security holder of the company is an adverse party to the company or has a material interest adverse to the company.

Two of the incumbent directors as well as the nominees and all of the members of the Audit Committee are independent, as such term is defined in the listing standards of the NYSE MKT and the rules of the SEC. The Audit Committee meets the composition requirements of NYSE MKT's listing standards for Small Business Issuers (as defined by the rules of NYSE MKT).

Board Leadership Structure and Role in Risk Oversight

The Chief Executive Officer serves as Chairman of the Board of Directors of the company. Given the small size and limited geographic and industry scope of the company's operations, the company believes that the leadership structure of the board, consisting of five directors of which four are independent (assuming the election of all the nominees), is appropriate. There is no lead independent director because there has been no need for such a role based on the continuity resulting from the long tenure of the directors and the small size of the board. Given the character, size and limited scope of the company's operations and the stability and long tenure of its workforce and management team, there is limited exposure to external risks other than general business, product and market risks. The company has limited, if any, exposure related to financial instruments, environmental issues, off balance sheet entities and such external risks. The Audit Committee, which consisted of three independent directors in 2013, provides risk oversight as part of the company's internal controls process and regularly reviews reports from management and external auditors on risk analysis and tests of the design and effectiveness of the company's internal controls. The Board considered and has determined that risks arising from its compensation policies and practices are not reasonably likely to have a material adverse effect on the company. This determination was based on the limited nature of the company's compensation program.

Meetings and Committees of the Board of Directors

The Board met four times during the year ended December 31, 2013. The Board has established an Audit Committee, a Compensation Committee, and a Plan Committee, but has no nominating committee. The Audit Committee of the Board met four times during 2013. During 2013, the Audit Committee consisted of Ms. Fuzzell and Messrs. Petit and Napier (chair). In 2013, the Audit Committee appointed the company's independent auditor, met with the independent auditor to review its report on the 2012 audit and the 2013 quarterly reviews, and carried out a number of other responsibilities, as outlined in the Audit Committee Charter.

All members of the Audit Committee currently meet the applicable independence and qualifications standards of the NYSE MKT. The Board has determined that Mr. Petit and Mr. Napier are financial experts as defined by the rules of the SEC, and are financially sophisticated as defined in the listing standards of NYSE MKT. The Board based this determination, in part, on Mr. Petit's experience in actively supervising senior financial and accounting personnel and in overseeing the preparation of financial statements as the chief executive officer and chairman of publicly-traded companies. Mr. Napier's experience includes serving on the audit committees of several large publicly traded companies as well as serving in executive positions and as the chairman of publicly traded companies.

The Board has a Compensation Committee consisting of three independent directors, Messrs. Napier and Petit and Ms. Fuzzell. The Compensation Committee met once in 2013. The Compensation Committee reviews, makes recommendations and approves the appropriate compensation level for the officers of the company and any changes in the company's various benefit plans covering executive officers or directors. The Compensation Committee does not

have a charter. Neither the Compensation Committee nor management has engaged a compensation consultant to provide advice or recommendations on the form or amount of executive or director compensation. From time to time, the Compensation Committee has sought input from publicly available data compiled by executive officers of the company relating to compensation paid to executive officers and directors in similar size, publicly traded companies in the same geographic area as the company is located. The Compensation Committee has also solicited input from the CEO with respect to compensation of non-CEO executive officers.

The Plan Committee, which did not meet in 2013, is responsible for administering the 2003 Stock Incentive Plan and the 2011 Non-Employee Directors' Stock Option Plan. The Plan Committee has the same members as the Compensation Committee.

In 2013, each director attended all meetings of the Board of Directors and Committees of the Board on which he or she serves, with the exception that Mr. Petit was unable to attend two of the meetings of the Board of Directors and the Audit Committee.

The company does not currently have a standing nominating committee. Please see "Nominations Process" below for information regarding the company's policies and procedures for director nominations.

Executive Officers

The following information is provided about our non-director executive officers as of March 15, 2014.

Name	Age	Position / Principal Occupation
Bonnie L. Herron	66	Vice President, Chief Financial Officer and Secretary
Francis A. Marks	80	Vice President

Mr. Marks joined the company in May 1982 as Vice President of Product Line Programs after 26 years with IBM Corporation in a variety of managerial and executive positions. He was appointed Vice President in 1983 and since 1998 has also served as President of ChemFree Corporation, our largest subsidiary, to which he devotes substantially all of his attention. As of February 1, 2014, Mr. Marks' position has been changed to a half-time position.

Ms. Herron joined the company in 1982 as Director of Planning at one of our subsidiaries and subsequently at the corporate level. She was elected Corporate Secretary in 1987, Vice President in 1990, and Chief Financial Officer in 1999.

The Board of Directors elects the executive officers to serve until they are removed, replaced or resign.

Executive Compensation**Summary Compensation Table**

Name and Principal Position	Year	Salary	Bonus	Option	Other Annual Compensation	Total
				Awards		
		\$	\$	\$	\$	\$
J. Leland Strange President & Chief Executive Officer	2013	290,769	--	--	3,825	294,594
	2012	300,000	--	--	3,750	303,750
Francis A. Marks Vice President	2013	145,385	--	--	--	145,385
	2012	150,000	40,000	--	--	190,000
Bonnie L. Herron Vice President, Chief Financial Officer & Secretary	2013	169,615	--	--	2,544	172,160
	2012	175,000	--	--	2,625	177,625

The table above sets forth information regarding compensation awarded to, earned by or paid to the company's CEO and the company's two most highly compensated executive officers other than the CEO (the "Named Executive Officers"). The Compensation Committee endeavors to provide compensation arrangements that are reasonable given the company's size, the nature of its business and the executive's duties; align pay with creating shareholder value; minimize risky behavior; and reward the executive for his/her contribution to achieving our business goals. Given the nature of our business, the small number of executives and the significant ownership held by Mr. Strange and, to a lesser extent the other Named Executive Officers, the Compensation Committee believes that a straight-forward compensation plan that is economical to administer and that consists of a reasonable base salary and option grants, as well as an occasional bonus, is appropriate for the company. None of the Named Executive Officers has an employment agreement with the company and the company does not have any corporate non-equity incentive plans or nonqualified deferred compensation plans. From time to time, officers may be awarded bonuses to recognize achievement of corporate or subsidiary goals or other accomplishments. In 2012, Mr. Marks earned a bonus at our ChemFree subsidiary for which he serves as its president. Based on the subsidiary's achievement of revenue and earnings goals for 2012, Mr. Marks was awarded a bonus of \$40,000, which was paid in the fourth quarter of 2012. No options were granted to executives and no options were re-priced in the two year period ended December 31, 2013. All Other Annual Compensation shown above includes matching contributions by the company to the respective accounts of the executive officers pursuant to the terms of our Tax-Deferred Savings and Protection Plan (the "401(k) Plan"). Such amounts are fully vested. It is our policy to provide executives with the same benefits provided to all other employees with respect to medical, dental, life insurance and 401(k) plans.

Outstanding Equity Awards at Fiscal Year End

Option Awards

Name	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price	Option Expiration Date
	Exercisable	Unexercisable		
J. Leland Strange	15,000 ¹	7,500 ¹	\$1.72	03/01/2021
	30,000 ²	15,000 ²		