

INTELLIGENT SYSTEMS CORP  
Form DEF 14A  
April 12, 2019

---

---

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)

---

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(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 23, 2019 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 one director to the Board of Directors to serve until the 2022 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 5, 2019 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 2018 Annual Report to Shareholders is enclosed in the same document as the Proxy Statement.

By order of the Board of Directors,

Matthew A. White

*Secretary*

*April 12, 2019*

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

2

---

## **PROXY STATEMENT**

### **FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD MAY 23, 2019**

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 2019 Annual Meeting of Shareholders (the “Annual Meeting”) of Intelligent Systems Corporation and any adjournment thereof. The Annual Meeting will be held on May 23, 2019 at our principal executive offices located at 4355 Shackleford Road, Norcross, Georgia 30093 at 4:00 p.m. local time. We expect to mail this Proxy Statement and the accompanying proxy to shareholders on or about April 12, 2019.

#### **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 5, 2019. On that date, we had outstanding and entitled to vote 8,850,988 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 subject to abstentions or broker non-votes as present at the Annual Meeting for purposes of determining a quorum. Abstentions and broker non-votes occur when a bank, broker, or other nominee of shares held in street name is not permitted to vote without instructions from the shareholder and such instructions have not been given.

##### **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 voting instructions 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 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, 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, 2019, and the ownership of our common stock as of that date by each director, 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.

<b>Beneficial Owner</b>	<b>Address</b>	<b>Shares Beneficially Owned<sup>a, f</sup></b>	<b>Percent of Class<sup>a</sup></b>
J. Leland Strange <sup>b</sup> <i>Chairman of the Board, President, CEO</i>	4355 Shackleford Road Norcross, GA 30093 1125 South 103rd St.	2,065,300	23.3%
Wallace R. Weitz & Company <sup>c</sup>	Suite 200 Omaha, NE 68124 729 7 <sup>th</sup> Avenue	2,270,000	25.8%
Clifford N. Burnstein <sup>d</sup>	New York, NY 10019 Five Concourse Pkwy	835,445	9.5%
James C. Kieffer <sup>e</sup>	Suite 2200 Atlanta, GA 30328	460,443	5.2%
A. Russell Chandler, III, <i>Director</i>		27,500	*
Philip H. Moise, <i>Director</i>		20,000	*
Parker H. Petit, <i>Director</i>		85,315	*
Karen J. Reynolds <i>Chief Financial Officer and Corporate Secretary</i>		20,000	*
All Directors and Named Executive Officers		2,218,115	24.9%

as a Group (5 persons)

Except as otherwise noted, beneficial ownership is determined on the basis of 8,797,988 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 a. dispose of or to direct the disposition of a security. An asterisk indicates beneficial ownership of less than 1 percent. In computing the number of shares of common stock beneficially owned by a person or entity and the percentage ownership of that person or entity, we deemed to be outstanding all shares of common stock subject to options or other convertible securities held by that person or entity that are currently exercisable or that will become exercisable within 60 days of March 15, 2019. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person or entity.

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

c. Based on information set forth in a Schedule 13G filed on January 11, 2019, 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.

d. 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.

e. Based on information set forth in a Schedule 13G filed on February 14, 2019, in which James C. Kieffer, an individual, reported beneficial ownership of 460,443 shares of common stock, of which James C. Kieffer has the sole power to vote and to dispose.

f. Includes 126,500 shares reserved for issuance to officers and directors pursuant to stock options that were exercisable at March 15, 2019 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 Mr. Petit include 34,000 shares for shares underlying stock options exercisable at March 15, 2019 or within sixty days of such date. The amounts reported above for Mr. Strange include 67,500 shares, for shares underlying stock options exercisable at March 15, 2019 or within sixty days of such date. The amount reported for Mr. Moise includes 19,000 shares for shares underlying stock options exercisable at March 15, 2019, or within sixty days of such date. The amount reported for Mr. Chandler includes 2,500 shares for shares underlying stock options exercisable at March 15, 2019, or within sixty days of such date.



**PROPOSAL 1 – THE ELECTION OF ONE DIRECTOR**

**Nominee**

At the Annual Meeting of Shareholders, shareholders will elect one director to the Board to serve a three-year term until the 2022 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 nominee.

If the nominee withdraws for any reason or is not able to continue 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 one nominee. The Board has no reason to believe that the nominee will not serve if elected.

The Board has nominated the person named in the following table to serve as a director of the company. The nominee 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 1, 2018.

**The Board of Directors recommends that shareholders vote “FOR” proposal 1 to elect ONE nominee To serve as director of the company.**

<b>Name</b>	<b>Age</b>	<b>Position / Principal Occupation</b>
<b><i>Current director and nominee to serve until the 2022 Annual Meeting</i></b>		
Philip H. Moise <sup>1 &amp; 2</sup>	69	Director, Retired Executive Vice President and General Counsel of Immucor, Inc.
<b><i>Incumbent director elected to serve until the 2020 Annual Meeting</i></b>		
A. Russell Chandler, III <sup>1 &amp; 2</sup>	74	Director, Retired, Chairman of Whitehall Group, Ltd.
Parker H. Petit <sup>1 &amp; 2</sup>	79	President of The Petit Group
<b><i>Incumbent directors elected to serve until the 2020 Annual Meeting</i></b>		
J. Leland Strange	77	Director, Chairman of the Board, President and Chief Executive Officer

1. Audit Committee

## 2. Compensation Committee

*A. Russell Chandler, III*, has served as a director since 2017. Mr. Chandler has served as a director of Miller Industries, Inc., a publicly traded manufacturer of towing and recovery equipment, since April 1994. He is founder and Chairman of Whitehall Group Ltd., a private investment firm based in Atlanta, Georgia. Mr. Chandler served as Chairman of Precyse Technologies Inc. in 2010 and as its Chief Executive Officer through May 2013. Mr. Chandler served as Chairman of Datapath, Inc., a company that built mobile communications trailers for military applications, from October 2004 until June 2006 and he served as the Mayor of the Olympic Village for the Atlanta Committee for the Olympic Games from 1990 through August 1996. From 1987 to 1993, he served as Chairman of United Plastic Films, Inc., a manufacturer and distributor of plastic bags. He founded Qualicare, Inc., a hospital management company, in 1972 and served as its President and Chief Executive Officer until its sale in 1983. The Board considered Mr. Chandler's extensive experience as an executive and long term tenure as a member of the board of directors of a publicly traded company, as well as his operational and strategic insight in determining that he should serve as a director of the company. The Board has determined that Mr. Chandler qualifies as an independent director under the applicable rules of NYSE American.

*Philip H. Moise* has served as a director since 2013. He is being nominated for re-election to the Board for a three year term ending in 2022. 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 American.

*Parker (Pete) H. Petit* has served as a director since 1996. Mr. Petit is the President of The Petit Group, a private investment company. Mr. Petit was previously the CEO of MiMedx Group, Inc., an integrated developer, manufacturer and marketer of bio-material based products. 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. 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 American.

*J. 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 or 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.

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

### **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 four directors of which three are independent, 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 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 consists of the independent directors, 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, 2018 and acted by unanimous consent on one occasion. The Board has established an Audit Committee and a Compensation Committee but has no nominating committee. The Audit Committee of the Board met four times in 2018. During 2018, the Audit Committee consisted of Mr. Chandler (chair) and Messrs. Petit and Moise. In 2018, the Audit Committee appointed the company's independent auditor to review its report on the 2017 audit and the 2018 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 American. The Board has determined that Mr. Petit is a financial expert as defined by the rules of the SEC, and is financially sophisticated as defined in the listing standards of NYSE American. 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.

The Board has a Compensation Committee consisting of three independent directors, Messrs. Chandler, Moise (chair) and Petit. The Compensation Committee met once in 2018. 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 as well as administering the company's option plans. 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.

In 2018, each director attended all meetings of the Board and Committee meetings on which he or she served, with the exception of Mr. Petit, who attended 75% of the Board and 75% of the Committee meetings.

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

## Executive Officers

The following information is provided about our non-director executive officer:.

<b>Name</b>	<b>Age</b>	<b>Position / Principal Occupation</b>
Matthew A. White	37	Chief Financial Officer and Secretary

Matthew A. White was elected to succeed Karen J. Reynolds following the resignation of Ms. Reynolds on January 22, 2019, Matthew A. White was elected to succeed Ms. Reynolds as Chief Financial Officer and Corporate Secretary. Mr. White was previously serving as VP Finance and CFO of CoreCard Software, the main operating subsidiary of Intelligent Systems and he will continue to serve in that role. Prior to joining CoreCard Software Mr. White held

various accounting and financial reporting positions at Humana and, most recently, Equifax. Prior to that he was a Senior Manager in the audit practice at Deloitte and is a licensed CPA.

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 Awards	Other Annual Compensation	Total
		\$	\$	\$	\$	\$
J. Leland Strange	2018	300,000	245,000	--	4,125	549,125
<i>President &amp; Chief Executive Officer</i>	2017	300,000	--	--	4,050	304,050
Karen J. Reynolds <sup>1</sup>	2018	180,000	--	--	2,181	182,181
<i>Chief Financial Officer &amp; Secretary</i>	2017	180,000	--	--	2,700	182,700

1. Ms. Reynolds was appointed CFO and Secretary on June 22, 2016. She resigned on January 22, 2019.

The table above sets forth information regarding compensation awarded to, earned by or paid to the company's CEO and the company's most highly compensated person serving as an executive officer during the fiscal year 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, the Compensation Committee believes that a straight-forward compensation plan that is economical to administer and that consists of a reasonable base salary, as well as occasional bonuses and option grants, 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. Mr. Strange was awarded a bonus in 2018 in recognition of the growth of the company in 2018. No bonuses were awarded in 2017. No options were re-priced in the two year period ended December 31, 2018. 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 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	Option	Option
	Number of Underlying Securities	Exercise Price	Expiration Date

Underlying Unexercised Options

	Unexercised(#) Options			
	Unexercisable (#)	Exercisable		
J. Leland	2,500 <sup>1</sup>	0	\$1.72	02/28/2021
Strange	45,000 <sup>2</sup>	0	\$1.52	08/01/2021
Karen J. Reynolds	--	10,000 <sup>3</sup>	\$3.89	08/03/2026

1. Stock options were issued on March 1, 2011 and vested in one third increments on the first, second and third anniversaries of the grant date.

2. Stock options were issued on August 2, 2011 and vested in one third increments on the first, second and third anniversaries of the grant date.

3. Stock options were issued on August 4, 2016 and vest in one third increments on the first, second and third anniversaries of the grant date.

The company does not have any Stock Award Plans and does not have any plans for executive officers that provide for the payment of retirement benefits.



**Securities Authorized for Issuance Under Equity Compensation Plans**

The following table gives information as of December 31, 2018 about the company's common stock that may be issued under the Non-Employee Directors' Stock Option Plan, the 2011 Non-Employee Directors' Stock Option Plan, the 2003 Stock Incentive Plan, as amended in 2011, and the 2015 Stock Incentive Plan. All plans were approved by shareholders except the Non-Employees Directors' Stock Option Plan.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders <sup>1</sup>	199,500	\$ 2.38	805,000
Equity compensation plans not approved by security holders <sup>2</sup>	8,000	\$ 0.94	0
Total	207,500	\$ 2.33	805,000

<sup>1</sup> Information pertains to the 2003 Stock Incentive Plan, the 2011 Non-Employee Directors' Stock Option Plan and the 2015 Stock Incentive Plan.

<sup>2</sup> Information pertains to the Non-Employee Directors' Stock Option Plan.

**Director Compensation**

The table below sets forth all compensation earned by non-executive directors in the year ended December 31, 2018. The company does not have a stock award plan or non-equity incentive plan for directors. The company has a Non-Employee Directors' Stock Option Plan which expired in 2010. It was replaced by the 2011 Non-Employee Directors' Stock Option Plan, approved by shareholders in 2011.

Name	Fees Earned or Paid in Cash	Option Awards <sup>1</sup>	Total
	\$	\$	\$

Edgar Filing: INTELLIGENT SYSTEMS CORP - Form DEF 14A

A. Russell Chandler, III	16,000	19,457	35,457
Philip H. Moise	16,000	19,457	35,457
Parker H. Petit	10,000	19,457	29,457

Messrs. Moise, Chandler and Petit, were awarded 4,000 stock options at fair market value on the date of grant pursuant to the terms of the 2011 Non-Employee Directors' Stock Option Plan. The amount reported is the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. At December 31, 2018, Mr. Chandler has an aggregate of 9,000 stock options outstanding of which 2,500 are fully vested; Mr. Petit has an aggregate of 44,000 stock options outstanding, of which 38,000 are exercisable; and Mr. Moise has a total of 25,000 options, 19,000 of which are exercisable.

All non-employee directors have the same compensation plan. Non-employee directors earn \$8,000 per year plus a fee of \$2,000 per meeting of the Board of Directors. There is no additional compensation for serving on a committee of the Board of Directors. Total cash compensation for annual board service is capped at \$16,000 annually. Effective January 1, 1992, the company adopted the Outside Directors' Retirement Plan which provided for each non-employee director, upon resignation from the Board after reaching the age of 65, to receive a lump sum cash payment equal to \$5,000 for each full year of service as a director of the company (and its predecessors and successors) up to \$50,000. Effective March 1, 2011, the company terminated the Outside Directors' Retirement Plan and provided that the outside directors then serving would receive the retirement benefits to which they were entitled under the plan before it was terminated. At December 31, 2018 and 2017, we have accrued \$50,000 for future payments under the Outside Directors' Retirement Plan. Effective August 22, 2000, the company adopted a Non-Employee Directors' Stock Option Plan which provided for an initial grant to each director of 5,000 options to purchase common stock of the company and annual grants of 4,000 options on the date of each subsequent Annual Meeting. Options are granted at fair market value on the date of grant. The Non-Employee Directors' Stock Option Plan has expired and was replaced by the 2011 Non-Employee Directors' Stock Option Plan, the terms of which are identical in all material respects to the expired plan and which was approved by shareholders in 2011. In 2018, three directors received a grant of 4,000 options each on May 24, 2018, the date of the Annual Meeting of Shareholders.

### *Audit Committee Report*

The Audit Committee Charter, which is reviewed annually, includes organization and membership requirements, a statement of policy and the Committee's authority and responsibilities.

Management is responsible for our company's internal controls and the financial reporting process. The independent auditors are responsible for performing an independent audit of the company's consolidated financial statements in accordance with auditing standards of the Public Company Accounting Oversight Board (United States) ("PCAOB") and for issuing a report thereon. As outlined in more detail in the Audit Committee Charter, the Audit Committee's responsibility is generally to approve all services provided by and compensation paid to the independent auditors; review the adequacy of the company's internal and disclosure controls and risk management practices; review and monitor the annual audit of the financial statements including the financial statements produced and notes thereto; review SEC filings containing the company's financial statements; regularly meet with the independent auditors and management in separate sessions; and authorize investigations into any matter within the scope of their responsibilities. During fiscal year 2018 and through March 15, 2019, among its other activities, the Audit Committee:

engaged the independent auditors and established their compensation;  
reviewed and discussed with management and the independent auditors the audited financial statements of the company as of December 31, 2018 and 2017 and for the years then ended;  
discussed with the independent auditors their reviews of the quarterly unaudited financial statements of the company for fiscal 2018;  
discussed with the independent auditors the matters required to be discussed by PCAOB standards (SAS No.'s 61, 89 and 90); and  
received from the independent auditors the written disclosures and written affirmation of their independence required by PCAOB Rule 3526 and discussed with the auditors the firm's independence.

Based upon the reviews and discussions summarized above, the Audit Committee recommended to the Board (and the Board has approved) that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2018 for filing with the Securities and Exchange Commission.

### AUDIT COMMITTEE

A. Russell Chandler, III (Chair)

Philip H. Moise

Parker H. Petit

### *Nominations Process*

The Board has not appointed a standing nominating committee or adopted a formal nominating committee charter because the Board has determined that due to the size, make-up, independence, long tenure and relatively low turnover of the current Board, there would be limited benefit to the company or its shareholders to do so. Currently, A. Russell Chandler, III, Parker H. Petit and Philip H. Moise, all of whom meet the applicable NYSE American independence requirements, participate in the consideration of director nominees. The same individuals also nominate the officers of the company for election by the Board.

The Board has not previously formed a policy with respect to consideration of candidates nominated by shareholders since there have been no such nominations. However, it is the Board's intent to consider any security holder nominees that may be properly and timely put forth in the future. The Board has not identified any specific, minimum qualifications or skills that it believes must be met by a nominee for director. The company does not have a specific policy with respect to diversity in identifying nominees for director. In considering nominations for the 2019 Annual Meeting, the Board reviewed the appropriate size of the Board and the skills and characteristics of directors in the context of the current make-up, background and experience of the Board and the requirements and needs of the company in the foreseeable future. Security holders wishing to nominate a candidate for consideration at the Annual Meeting of Shareholders in 2020 should submit the nominee's name, affiliation and other pertinent information along with a statement as to why such person should be considered for nomination. Such nominations should be addressed to the Board in care of the Secretary of the company and be received no later than 14 days before the date of the Annual Meeting of Shareholders. The Board will evaluate any such nominees in a manner similar to that for all director nominees.

*Communication Between Security Holders and the Board of Directors*

Security holders wishing to communicate with members of the Board should send a letter to the Secretary of the company with instructions as to which director(s) is to receive the communication. The Secretary will forward the written communication to each member of the Board identified by the security holder or, if no individual director is identified, to all members of the Board. The company has not in the past required members of the Board to attend each Annual Meeting of Shareholders because the formal meetings have been attended by very few shareholders and have generally been very brief and procedural in nature. The Board will continue to monitor shareholder interest and attendance at future meetings and reevaluate this policy as appropriate.

**PROPOSAL 2 – TO APPROVE, BY A NON-BINDING, ADVISORY VOTE, THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS**

We are asking our shareholders to provide advisory approval of the compensation of our Named Executive Officers, as described in the Executive Compensation section of this Proxy Statement. While this vote is advisory and non-binding on the company, it will provide information to our Compensation Committee regarding investor sentiment about our executive compensation philosophies, policies and practices which the Compensation Committee will be able to consider for the remainder of 2019 and beyond. The compensation of our Named Executive Officers and our compensation philosophies and practices are described in the Executive Compensation discussion and accompanying tables.

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 and that 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 our executives, and the significant ownership held by Mr. Strange, 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.

Neither the approval nor the disapproval of this proposal will be binding on us or the Board or will be construed as overruling decisions by us or the Board.

**The Board of Directors recommends that shareholders vote “FOR” proposal 2 Approving THE COMPENSATION OF OUR NAMED eXECUTIVE oFFICERS.**

## **CODE OF ETHICS**

The company has adopted a Code of Ethics that applies to all directors, officers, and employees. The Code of Ethics is posted on our website at [www.intelsys.com](http://www.intelsys.com). The company discloses on its website, within the time required by the rules of the SEC, any waivers of, or amendments to, the Code of Ethics for the benefit of an executive officer.

## **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, and regulations of the Securities and Exchange Commission thereunder require our executive officers and directors and persons who own more than ten percent of our common stock, as well as certain affiliates of these persons, to file initial reports of ownership of our common stock and changes in such ownership with the Securities and Exchange Commission. The Securities and Exchange Commission also requires executive officers, directors and persons owning more than ten percent of our common stock to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms received by us, we believe that, during the fiscal year ended December 31, 2018, the executive officers, directors, and persons owning more than ten percent of our common stock and affiliates of these persons have complied with all applicable filing requirements in a timely manner.

## **INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

Nichols, Cauley & Associates, LLC (“Nichols Cauley”) acted as our independent registered public accounting firm for the fiscal years ended December 31, 2018 and 2017. We expect that representatives of Nichols Cauley will be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and to respond to appropriate questions. The Audit Committee has not yet selected auditors for the audit for the fiscal year 2019 because historically this decision is made in the second half of the year. The following is a summary of fees and expenses billed to the company by Nichols Cauley for services during 2018 and 2017:

**Audit Fees** - We were billed aggregate fees of \$83,000 and \$84,000 for review and audit services by Nichols Cauley in the years ended December 31, 2018 and 2017, respectively.

**All Other Fees** - We were billed fees of \$27,000 and \$33,000 in other fees by Nichols Cauley in the years ended December 31, 2018 and 2017, respectively. Such fees were for services provided to a subsidiary of the company related to SSAE-18 Type II reports for the subsidiary’s processing services.

It is the policy of the Audit Committee to approve in advance, either verbally or in writing, all audit services and permitted non-audit services provided to the company by the independent accountants. All such services were pre-approved by the Audit Committee in the two years ended December 31, 2018.

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The lease on our headquarters and primary facility at 4355 Shackelford Road, Norcross, Georgia is held by ISC Properties, LLC, an entity controlled by our Chairman and Chief Executive Officer, J. Leland Strange. Mr. Strange holds a 100% ownership interest in ISC Properties, LLC. In both years ended December 31, 2018 and 2017, we paid \$210,000 in rent to ISC Properties, LLC, which the company believes to be market rate.

## **SHAREHOLDERS’ PROPOSALS FOR THE ANNUAL MEETING IN 2020**

Shareholders who wish to submit a proposal for inclusion in our proxy statement for the 2020 Annual Meeting of Shareholders must submit such proposals so that they are received by the company no later than December 14, 2019. Such proposals must comply with Exchange Act Rule 14a-8 and all other applicable proxy rules and requirements

contained in our Bylaws relating to shareholder proposals to be included in our proxy materials. Shareholders intending to present proposals at the Annual Meeting of Shareholders in 2020 but who do not wish to submit the proposal for inclusion in our proxy statement pursuant to Rule 14a-8 should submit these proposals to the Secretary of the company by certified mail, return receipt requested, at our offices in Norcross, Georgia on or before December 16, 2019. Our bylaws contain an advance notice provision that states that, among other things, in order for business to be brought properly before an annual meeting of shareholders by a shareholder, the shareholder must have given timely notice of the business in writing to the Secretary of the company. To be timely under the Bylaws, a shareholder's notice must be received at our principal offices by December 16, 2019.



## **OTHER MATTERS WHICH MAY COME BEFORE THE MEETING**

The Board is not aware of any matter other than those stated above that are to be brought before the meeting. However, if any other matter should be presented for consideration and voting, the persons named in the enclosed form of proxy intend to vote the proxy in accordance with their judgment of what is in the best interest of the company.

### **Additional Information**

**Any record or beneficial owner of our common stock as of April 5, 2019 may request a copy of our Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2018, including financial statements, schedules and exhibits. Shareholders may also view and download a free copy of our Annual Report on Form 10-K from our web site at [www.intelsys.com](http://www.intelsys.com). Any request for the Form 10-K should be in writing addressed to: Matthew A. White, Intelligent Systems Corporation, 4355 Shackleford Road, Norcross, Georgia 30093. We will provide copies of any exhibits to the Form 10-K upon request and upon the payment of our reasonable expenses in furnishing such exhibits.**

## **IMPORTANT NOTICE CONCERNING THE AVAILABILITY OF PROXY MATERIALS**

**This Proxy Statement and our Annual Report to Shareholders are available at <https://materials.proxyvote.com/45816D>**



