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Dear Shareholder,

I am writing to you in relation to the recently announced cash offer by Archer Capital for all your shares in Keycorp.

This offer values Keycorp at $0.58 per share with the proposed acquisition to be implemented by a Scheme of Arrangement which will require shareholder approval ('the Offer'). The price per share is over and above the $0.02 dividend announced on 27 August 2010. In the absence of receiving a superior offer and subject to the independent expert's report, all Directors intend to vote in favour of the scheme and recommend that shareholders accept the Offer.

Given that all Directors are in support of the Offer, I would like to provide you with some background information regarding how this Offer came into being and also to explain why your board believes this to be a fair offer for all shareholders.

The Board has received several indicative offers

Following the recent completion of our corporate restructuring program, Keycorp has been stabilised as a business with profitability restored to a sustainable level of earnings as reported in the company's recent financial report. The lower FY11 forecast compared to the previous year represents the level of earnings the board believes is sustainable and which forms the basis for the board's support for an offer at the value made.

We have assessed the options currently available to us to grow the business and have concluded that organic growth is limited due to the small size of the current EFTPOS services market and given that we already have a healthy share of this market. We believe that future profit growth rests largely with acquisitions in segments that are compatible with our current business or which otherwise enable us to leverage current capabilities. The board's preferred option has been to utilise the company's cash reserves to fund acquisitions that are value accretive, however significant levels of additional funding would still be required to effect meaningful growth.

The key challenge is that our current modest size restricts our ability to source significant levels of debt at an acceptable cost and risk profile and, further, the suboptimal composition of our shareholding structure and public company status means that any large scale equity raising cannot be achieved without significant dilution or impact to current shareholders.

These issues, coupled with the ongoing high costs involved in operating a listed public company, prompted the board to conclude that action was required to protect the current interests of shareholders.

Over the past 12 months, the board has undertaken a thorough assessment of the various options available to the company with the support of independent corporate and legal advice. We engaged in discussions with numerous parties regarding a variety of possible alternatives and received a number of indicative approaches. Upon completion of this process, the board is firmly of the view that the current Offer by Archer Capital offers a superior outcome relative to other options, and that it clearly represents a fair and reasonable outcome for all shareholders.

Archer's offer represents an attractive opportunity to realise value for shareholders

The key reasons why the board believes Archer's offer price of $0.58 per share to be the best available outcome for shareholders are that the Offer:

- represents an attractive 42% premium for shareholders on the underlying enterprise value of the business of $0.19 per share based on the last close price before announcement of the Offer (this premium calculation appropriately excludes cash reserves as it would be illogical to pay any premium for cash);
- is a premium of 20.8% to the 12 month volume weighted average price to the last close price before announcement of Offer of $0.48 per share; and
- represents the highest share price for Keycorp shares since February 2007.

In addition, we consider the Offer by Archer to be attractive for the following reasons:

- The Offer provides a liquidity event for shareholders whereby they can exit their shareholding in return for cash. This is important given Keycorp is a very thinly traded stock. It is also important to note that approximately 25% of current cash reserves are required to fund working capital, lease finance and other commitments that cannot be released except via a takeover.
- The opportunity for profitable growth going forward now rests largely with acquisitions. If the Offer is not accepted, the reality is that we will require significant additional funding both through debt and equity capital raising, in addition to the use of the existing cash balance.
- The proposed transaction allows shareholders the opportunity to realise the full value of the Company. This is because the Board is planning to retain current cash reserves for either acquisitions or working capital requirements. The alternative, to return surplus cash to shareholders would only realise part of the value of the company. Such a scenario would leave the business with insufficient capital to fund any meaningful growth.
- The Offer has a high degree of certainty around completion.

Documentation will be dispatched to you over the coming weeks setting out in more detail further supporting rationale and the timetable of events leading up to the shareholders' meeting to vote on the proposed Scheme of Arrangement. If you have any queries or require further information please call our information line on 1800 648 622 or +61 2 8256 3377.

In conclusion, your board is firmly of the view, until the independent expert's view is received, that the current Offer is fair and reasonable and is in the best interests of all shareholders and we urge you to join us in voting in favour of the Scheme of Arrangement.

Yours sincerely,

Rob Bishop
Chairman