2008 Special Distribution

On January 2, 2008, Keyera Facilities Income Fund (the “Fund”) completed an internal reorganization (the “Reorganization”). The following information is intended to assist unitholders of the Fund (“Unitholders”) who hold their units ("Units") as capital property in the preparation of their 2008 income tax returns.

This information is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice. Unitholders should consult with their own tax advisors with respect to their particular circumstances.

Overview

On January 2, 2008, in connection with the Reorganization, the Fund made special distributions in the aggregate amount of $0.023529 per Unit. These special distributions are considered to be a return of capital for Canadian income tax purposes. The special distributions consisted of:

- cash in the amount of $0.003529 per Unit; and
- securities of certain subsidiaries of the Fund (the “Distributed Securities”) having an aggregate value of $0.02 per Unit.

For Unitholders who were not “designated beneficiaries” for the purposes of the *Income Tax Act* (Canada), the Distributed Securities consisted of one Class A preferred share of Keyera Energy Mutual Fund Corp. (a “Class A Share”) having a value of $0.01 and one special non-voting unit of Keyera Facilities Commercial Trust (a “CT Special Unit”) having a value of $0.01. For Unitholders who were "designated beneficiaries" for the purposes of the *Income Tax Act* (Canada) the Distributed Securities consisted of two Class A Shares, each Class A Share having a value of $0.01.

As part of the Reorganization, each Class A Share was redeemed for one special non-voting unit of the Fund (a "Fund Special Unit") and each CT Special Unit was redeemed for one Fund Special Unit. The Fund Special Units were then converted into Units and the Units were consolidated such that upon completion of the Reorganization, each Unitholder continued to hold the same number of Units as such Unitholder held immediately prior to the Reorganization.

Canadian Tax Consequences - Canadian Resident Unitholders

The special distributions were considered to be a return of capital for Canadian income tax purposes and should not be included in income of a Unitholder.

A Unitholder who is resident in Canada is initially required to reduce the adjusted cost base of each Unit held by an amount equal to the per Unit return of capital (i.e. $0.023529). However, because of transactions completed as part of the Reorganization, a Canadian resident Unitholder will then increase the adjusted cost base of the Units they hold by $0.02 per Unit. The net result of the completion of the Reorganization for Canadian resident Unitholders is a reduction of $0.003529 to the adjusted cost base of each Unit.

In summary, the adjusted cost base of a Unit held by a Canadian resident Unitholder immediately following the Reorganization was equal to the adjusted cost base of the Unit immediately prior to the Reorganization less $0.003529. The Canadian resident Unitholder will receive cash in the amount of $0.003529 per Unit.

Canadian Tax Reporting

The special distributions will be reported by the Fund as a return of capital for the 2008 taxation year. For Canadian resident Unitholders, this means that the amount of the return of capital will be included in a separate T3 slip issued for 2008 taxation year. In calculating the adjusted cost base of his or her Units for taxation years that include January 2, 2008, a Unitholder should reflect both the decrease to the adjusted cost base (i.e $0.023529 per Unit) and the subsequent increase to the adjusted cost base ($0.02 per Unit) attributable to the transactions completed in the course of the Reorganization. Each Unitholder will be receiving two T5008 slips in relation to the Reorganization. The slips will come from two different entities: Keyera Facilities Income Fund, and Keyera Energy Mutual Fund Corp. In addition, Unitholders that are not "designated beneficiaries" will receive a third T5008 slip from Keyera Facilities Commercial Trust. The net effect of these T5008 slips is to report the increase to the adjusted cost base of $.02 per Unit.

The file below includes a chart which shows the details described above

Chart

Canadian Tax Consequences - Non-Residents of Canada

Non-resident Unitholders are subject to a 15% withholding tax on the aggregate value of the special distributions (i.e. the aggregate amount of $0.023529) under Part XIII.2 of the *Income Tax Act* (Canada). The aggregate amount of withholding tax due is $0.003529 (i.e. 15% of $0.023529) per Unit and**, as a result, the entire cash portion of the special distributions paid to a non-resident Unitholder must be withheld and remitted to the Receiver General for Canada on account of withholding taxes.**