



MI Developments Inc.

Annual Information Form

March 29, 2005

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In this Annual Information Form, unless the context otherwise requires, when we use the terms “we”, “us”, “our” and “MID”, we are referring to MI Developments Inc. and its predecessors and subsidiaries (other than Magna Entertainment Corp. and its subsidiaries). When we use the term “MEC”, we are referring to Magna Entertainment Corp. and its subsidiaries, unless the context otherwise requires. When we use the terms “Real Estate Business”, “our properties”, “our income-producing properties”, “our real estate assets” or similar expressions, we are referring to the Real Estate Business, properties and assets owned by us, but we are not including the business, real estate properties and assets of MEC or its subsidiaries, unless the context otherwise requires. When we use the term “Magna”, we are referring to Magna International Inc. When we use the term the “Magna group”, unless the context otherwise requires, we are referring to Magna International Inc. and its subsidiaries and jointly controlled entities. In this Annual Information Form, we refer to United States dollars as “dollars”, “\$”, “U.S.\$” or “U.S. dollars”, we refer to Canadian dollars as “Cdn.\$” or “Cdn. dollars”, we refer to euros as “€” or “EUR” and we refer to British pounds sterling as “£” or “GBP”. We publish our financial statements in U.S. dollars.

Cautionary Note Regarding Forward-Looking Statements

Some of the information contained in this Annual Information Form may contain “forward-looking statements” within the meaning of the United States Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Forward-looking statements may include, among others, statements regarding our future plans, costs, objectives or economic performance, or the assumptions underlying any of the foregoing. In this Annual Information Form we use words such as “may”, “would”, “could”, “will”, “likely”, “believe”, “expect”, “anticipate”, “intend”, “plan”, “forecast”, “project”, “estimate” and similar words to identify forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or the times at or by which such future performance will be achieved. Forward-looking statements are based on information available at the time and/or management’s good faith belief with respect to future events and are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond our control. These risks and uncertainties include, but are not limited to, those described under the heading “Risk Factors”, and could cause actual events or results to differ materially from those projected in any forward-looking statements. We do not intend, nor do we undertake any obligation, to update or revise any forward-looking statements contained in this Annual Information Form to reflect subsequent information, events or circumstances or otherwise.

CORPORATE STRUCTURE

Our Company

We are a real estate operating company engaged in the ownership, development, management, leasing and acquisition of income-producing industrial and commercial real estate properties (which we refer to in this Annual Information Form as the Real Estate Business). We also have other operations held through a controlling interest in Magna Entertainment Corp. (“Magna Entertainment” or “MEC”), a publicly traded company.

We are the successor corporation to four companies that amalgamated on August 29, 2003 under the *Business Corporations Act* (Ontario): 1305291 Ontario Inc., 1305272 Ontario Inc., 1276073 Ontario Inc. and MI Developments Inc. These companies were wholly-owned subsidiaries of Magna International Inc. (“Magna”) and held Magna’s real estate division and the controlling investment in MEC. All of our Class A Subordinate Voting Shares and Class B Shares were distributed to the shareholders of Magna of record at 5 p.m. on August 29, 2003 on the basis of one of our Class A Subordinate Voting Shares for every two Class A Subordinate Voting Shares of Magna held, and one Class B Share for every two Class B Shares of Magna held. As a result of this spin-off transaction, we acquired Magna’s controlling interest in MEC.

Our registered and head office is located at 455 Magna Drive, Aurora, Ontario and our general telephone number is (905) 713-6322.

Corporate Structure and Subsidiaries

The following is a list of our principal subsidiaries and their respective jurisdictions of incorporation, as of March 17, 2005. Parent/subsidiary relationships are identified by indentation. The percentages of the votes attaching to all voting securities beneficially owned by us or over which control or direction is exercised by us is also indicated. Subsidiaries not shown individually each represent less than 10% of our total 2004 consolidated revenues and total 2004 consolidated assets and, if considered in the aggregate, represent less than 20% of our total 2004 consolidated revenues and total consolidated assets. Except as described in note 1, our percentage voting interest is equivalent to our economic interest in each subsidiary listed below.

	<u>Voting Securities</u>	<u>Jurisdiction of Incorporation</u>
MI Developments (America) Inc.	100%	Delaware
MI Developments de Mexico, S.A. de C.V.	100%	Mexico
MI Developments Austria GmbH.....	100%	Austria
1346457 Ontario Inc.	100%	Ontario
Magna Entertainment Corp.(1).....	96%	Delaware
The Santa Anita Companies Inc.	100%	Delaware
The Los Angeles Turf Club, Incorporated	100%	California
MEC Projektentwicklungs AG.....	99.9%	Austria
MEC Grundstücksentwicklungs GmbH.....	99.8%	Austria

Note:

- (1) We own 53,253,145 shares of Class B Stock and 4,362,328 shares of Class A Subordinate Voting Stock of MEC directly, and hold an additional 5,212,911 shares of Class B Stock of MEC through our wholly-owned subsidiary 1346457 Ontario Inc. These holdings represent in aggregate an approximately 59% equity interest and 96% voting interest in MEC. See “Magna Entertainment Corp.”

COMPANY OVERVIEW

Overview

Our Company

We are a real estate operating company engaged in the ownership, management, leasing, development and acquisition of industrial and commercial real estate properties in North America and Europe. In addition to our Real Estate Business operation, we have other operations held through a controlling interest in Magna Entertainment Corp., a publicly traded company. Based on revenues, MEC is North America's number one owner and operator of horse racetracks, and is one of the world's leading suppliers, via simulcasting, of live horse racing content to the growing inter-track, off-track and account wagering markets. Several of MEC's racetrack properties, including the surrounding "under-utilized" lands, are located in premier urban real estate markets in the United States and are slated by MEC for development. MEC is also well-positioned to add alternative gaming at certain of its racetrack facilities. MID's relationship with MEC provides our Real Estate Business with the opportunity to participate in the development of these properties, including the development of alternative gaming facilities. MEC represented approximately 47% of our consolidated assets at December 31, 2004 and 85% of our consolidated 2004 revenue, and materially affects our consolidated net income.

Our Real Estate Business

We are the successor to Magna's real estate division, which was reorganized as an autonomous business unit within Magna between August 1998 and January 1999. Our real estate assets are comprised of income-producing properties, properties under development, properties held for development and properties held for sale. Income-producing properties are properties leased by way of operating leases or direct financing leases (also referred to as capital leases). All direct financing leases were reclassified as operating leases effective January 1, 2003.

At December 31 2004, our income-producing property portfolio included 107 industrial and commercial properties located in Austria, Canada, the United States, Germany, Mexico and five other European countries, representing approximately 25.6 million square feet of leasable area with an aggregate net book value of approximately \$1.2 billion at December 31, 2004. This portfolio represents approximately 88% of the net book value of our real estate assets at that date. Members of the Magna group are our primary tenants and currently provide in excess of 99% of the annual real estate revenue generated by our income-producing properties.

The primary objective of the Real Estate Business is to increase cash flow from operations, net income and the value of our real estate assets in order to maximize the return on our shareholders' equity over the long term. We intend to use our local market expertise, cost controls and long-established relationships with the Magna group to expand our existing real estate portfolio of industrial and commercial properties. Our development expertise also provides us the opportunity to participate in the development of MEC's under-utilized lands and the development/redevelopment of new and existing MEC properties, including the development of alternative gaming facilities and/or residential projects.

Business and Operations of Magna, Our Principal Tenant

Magna is the most diversified automotive components supplier in the world. Magna designs, develops and manufactures automotive components, assemblies, modules and systems, and engineers and assembles complete vehicles. Its products and services are sold primarily to manufacturers of cars and light trucks in North America, Europe, Asia and South America. The Magna group is the tenant of virtually all of our income-producing properties.

Magna is a public company, with its Class A Subordinate Voting Shares listed for trading on the New York Stock Exchange and the Toronto Stock Exchange and its Class B Shares listed for trading on the Toronto Stock Exchange. Our Chairman, Frank Stronach, is also the founder and Chairman of the Board of Directors of Magna and both we and Magna are controlled by the Stronach Trust. See “Affiliate Relationships and Transactions — Relationship with Our Controlling Shareholder”.

Magna’s sales for the year ended December 31, 2004 were approximately \$21 billion and its net income for the same period was approximately \$692 million. Magna has a strong financial profile. As an investment grade issuer, Magna is currently rated “A” with a stable outlook by Standard & Poor’s (“S&P”) and “A” with a stable outlook by Dominion Bond Rating Service (“DBRS”). As at December 31, 2004, Magna employed over 81,000 people and operated 223 manufacturing facilities, as well as 56 product development and engineering facilities, in 22 countries. Their manufacturing, product development and engineering facilities are organized as autonomous operating divisions, under one of seven automotive systems groups, three of which were, throughout 2004, publicly-traded companies in which they had a controlling interest, and four of which were, throughout 2004, organized among its wholly-owned subsidiaries. Currently, as a result of the recent privatizations described more fully under “Description of Magna International Inc.”, six out of Magna’s seven automotive groups are organized among its wholly-owned subsidiaries.

Magna Entertainment Corp.

MEC is North America’s number one owner and operator of horse racetracks, based on revenues, and among the world’s leading suppliers, via simulcasting, of live horse racing content to the growing inter-track, off-track and account wagering markets.

Throughout 2004, MEC operated or managed twelve thoroughbred racetracks, two standardbred (harness racing) racetracks, two racetracks that run both thoroughbred and standardbred meets and one greyhound racetrack, as well as the simulcast wagering venues at these tracks. Subsequent to December 31, 2004, MEC has ceased operations at one of its thoroughbred racetracks and at its only greyhound racetrack, which it operated in leased facilities under leases that were not renewed for 2005. In addition, MEC operates off-track betting facilities, a U.S. national account wagering business known as XpressBet®, which permits customers to place wagers by telephone and over the Internet on horse races at over 100 North American racetracks and internationally on races in Australia, South Africa and Dubai, and a European-based account wagering business known as MagnaBet™. MEC also owns and operates HorseRacing TV™, a television network focused on horse racing that MEC initially launched on the Racetrack Television Network (“RTN”). RTN, in which MEC has a minority interest, was formed to telecast races from MEC’s racetracks and other racetracks, via private direct-to-home satellite, to paying subscribers. In 2004, MEC launched RaceONTV™ in Europe to provide North American racing content from its racetracks and other U.S. racetracks that have agreed to participate in its international distribution network to locations outside North America. MEC also owns a 30% equity interest in AmTote International, Inc., a provider of totalisator services to the pari-mutuel industry. To support certain of its thoroughbred racetracks, MEC owns and operates thoroughbred training centres situated near San Diego, California, in Palm Beach County, Florida and in the Baltimore, Maryland area. MEC also owns and operates production facilities in Austria and in North Carolina for StreuFex™, a straw-based horse bedding product.

In addition to its racetracks, MEC owns a significant real estate portfolio, which includes two golf courses and related recreational facilities as well as three residential developments in various stages of development in Austria, the United States and Canada. MEC is working with potential developers and strategic partners for the development of leisure and entertainment or retail-based real estate projects on the excess land surrounding, or adjacent to, certain of its premier racetracks. MEC has entered into a

predevelopment management agreement with Forest City Enterprises, Inc. concerning the proposed development of “The Village at Gulfstream Park™”, a mixed-use retail, entertainment and residential project at Gulfstream Park in Florida. MEC has also entered into a letter of intent with Caruso Affiliate Holdings to explore the possibility of joint ventures to develop certain undeveloped lands surrounding its Santa Anita Park and Golden Gate Fields racetracks into retail and entertainment venues. MID provided a project financing facility to MEC with respect to the Gulfstream redevelopment in the amount of \$115 million and we believe that there are opportunities for our Real Estate Business to participate in the mixed-use project at Gulfstream, in the possible development of MEC’s under-utilized lands at Santa Anita and Golden Gate Fields in California, and in other development/redevelopment of new and existing MEC properties, including the development of alternative gaming facilities and/or residential projects.

MEC is continually re-evaluating its substantial holdings of excess racing real estate, revenue-producing non-racing real estate and non-core real estate in relation to its core business activities. MEC will, from time to time, sell or otherwise monetize some or all of these real estate holdings in order to fund the growth of its core racing operations and related businesses.

MEC is a separate public company with its own board of directors (which includes a majority of outside directors and two directors who sit on our board) and management team. As of March 17, 2005, our investment in MEC consists of 58,466,056 shares of its Class B Stock and 4,362,328 shares of its Class A Subordinate Voting Stock, representing approximately 96% of the total voting power of its outstanding stock and approximately 59% of the total equity interest in MEC. The Class B Stock of MEC is entitled to 20 votes per share and is convertible into shares of MEC’s Class A Subordinate Voting Stock on a one-for-one basis. MEC’s Class A Subordinate Voting Stock is entitled to one vote per share and trades on the Nasdaq National Market under the trading symbol “MECA”, and on the Toronto Stock Exchange under the trading symbol “MEC.SV.A”.

We may make further investments in MEC, whether in the form of debt, equity or otherwise, or we may decrease our holdings in MEC. We are not subject to any restrictions regarding future investments in MEC and have not guaranteed any of MEC’s debt obligations or other commitments.

Three-Year History

Real Estate Business

2004 In 2004, we added approximately 1.2 million square feet (net of dispositions) to our income-producing portfolio.

On December 30, 2004, we acquired a 938,000 square foot facility, of which 717,000 square feet was brought on-stream, in Bowling Green, Kentucky from Magna for cash consideration of \$45.6 million and the assumption of related development liabilities of \$15.3 million. This property, which was a greenfield facility developed by MID, was purchased at Magna’s carrying value and recorded at the transaction amount.

We completed and brought on-stream seven expansion projects, totaling approximately 480,000 square feet.

2003 In 2003, we added approximately 0.8 million square feet (net of dispositions) to our income-producing portfolio.

We completed and brought on-stream 11 properties (two greenfield facilities and nine expansions to existing facilities) representing approximately 1.0 million square feet of leasable area.

We acquired the Tesma campus in the Greater Toronto Area, consisting of a head office and two manufacturing facilities, totalling 375,030 square feet. We constructed these facilities on behalf of Tesma in 2001.

In October 2003, a subsidiary of ours purchased 211 acres of land in Romulus, Michigan, at a total cost of \$28.8 million. The Company has granted to MEC an option to purchase the shares of the subsidiary that owns the land, as MEC is considering the site as the location of a proposed racetrack to be operated by MEC. MEC is in the process of seeking the necessary regulatory and other approvals for this racetrack. In addition, or in the alternative, all or a portion of this land may be developed for industrial and/or commercial purposes.

2002 In 2002, we added approximately 3.0 million additional square feet (net of dispositions) to our income-producing property portfolio.

We acquired properties totalling approximately 2.1 million square feet, including eight properties from Magna Donnelly totalling approximately 783,000 square feet in October of 2002. We also acquired the 906,207 square foot Magna Steyr (Eurostar) assembly facility in Graz, Austria in July of 2002. We acquired both the Magna Donnelly and Magna Steyr (Eurostar) properties in conjunction with acquisitions by Magna.

We completed one major development project, a 548,101 square foot facility for Cosma (Modatek) in Milton, Ontario, which we completed in August of 2002.

We completed seven expansion projects totalling approximately 604,000 square feet, including a 290,520 square foot expansion for the Magna Steyr (Magna Heavy Stamping) facility in Albersdorf, Austria in December of 2002.

Magna Entertainment Corp.

For information on the development of MEC's business, please refer to the section entitled "Magna Entertainment Corp. – Business of Magna Entertainment Corp.".

DESCRIPTION OF OUR REAL ESTATE BUSINESS

Introduction

Our real estate assets are comprised of income-producing properties, properties under development, properties held for development and properties held for sale.

The following table sets out a summary profile of the aggregate net book value of our real estate assets in millions of dollars as at December 31, 2004.

<u>Location</u>	<u>Income-Producing Property Portfolio</u>	<u>Properties Under Development</u>	<u>Properties Held for Development</u>	<u>Properties Held for Sale</u>	<u>Total</u>
North America					
Canada	\$ 343.5	\$ 12.0	\$ 55.3	\$ 10.2	\$ 421.0
U.S.	235.0	14.4	32.6	21.2	303.2
Mexico	68.6	1.0	5.9	—	75.5
Europe					
Austria	381.8	1.4	11.6	—	394.8
Germany	121.1	—	—	—	121.1
Other	<u>39.4</u>	<u>2.7</u>	<u>—</u>	<u>—</u>	<u>42.1</u>
Total in \$	<u>\$ 1,189.4</u>	<u>\$ 31.5</u>	<u>\$ 105.4</u>	<u>\$ 31.4</u>	<u>\$ 1,357.7</u>
Total as a %	<u>87.6%</u>	<u>2.3%</u>	<u>7.8%</u>	<u>2.3%</u>	<u>100.0%</u>

Description of Our Income-Producing Property Portfolio

Our income-producing property portfolio at December 31, 2004 was comprised of 107 properties located in North America and Europe, representing, in the aggregate, 25.6 million square feet of leasable area, all of which are leased, either by way of operating leases or direct financing leases (also referred to as capital leases). All direct financing leases have been reclassified as operating leases effective January 1, 2003. Our income-producing properties consist of heavy industrial manufacturing facilities, light industrial properties, corporate offices, product development and engineering centres and test facilities. The net book value of our income-producing properties as at December 31, 2004 was approximately \$1.2 billion.

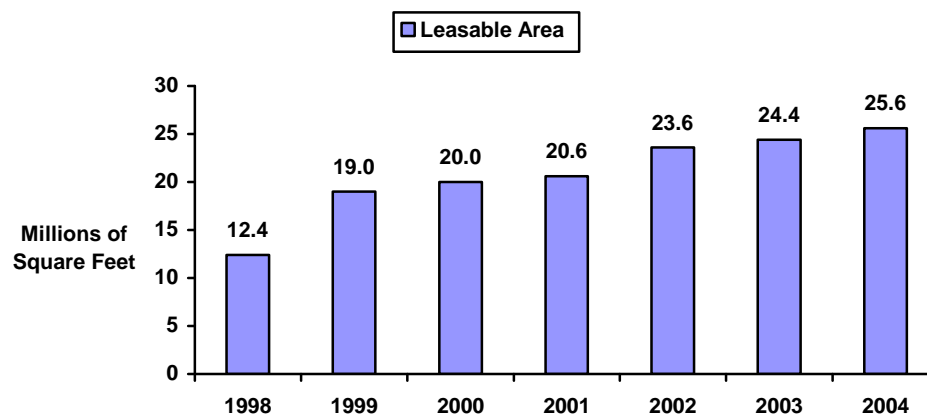
At December 31, 2004, our annualized lease payments were \$141.9 million, representing a return of 10.2% on the gross carrying value of our income-producing property portfolio. For fiscal 2004, two of our properties in Europe collectively accounted for approximately 20% of our total annualized lease payments. When we use the term “annualized lease payments” in this Annual Information Form, we mean, for any fiscal year, the total annual rent payable to the Company if the lease payments as at the last day of such fiscal year were in place for the entire fiscal year. Rents denominated in foreign currencies have been converted to U.S. dollars based on exchange rates in effect as at December 31, 2004. These amounts do not conform to revenue recognition policies under generally accepted accounting principles.

Historical Growth of Our Income-Producing Property Portfolio

The historical growth in our income-producing property portfolio, from 75 properties totalling approximately 12.4 million square feet in 1998 to 107 properties totalling approximately 25.6 million square feet of leasable area as at December 31, 2004, reflects the strong growth in the Magna group’s business. The total leasable area of our income-producing property portfolio has increased by approximately 13.2 million square feet (net of dispositions) between the end of 1998 and December 31, 2004, representing a six-year compound annual growth rate of 12.8%.

The following chart shows the historical growth in total leasable area (net of dispositions) and number of properties within our income-producing property portfolio.

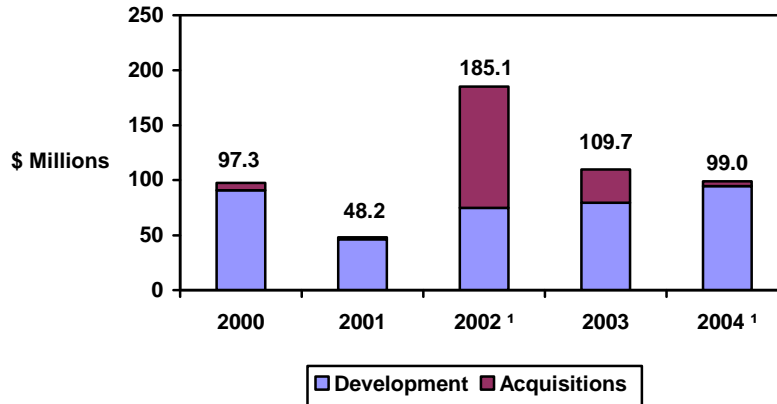
Income-Producing Property Portfolio
Total Leasable Area and Number of Properties



Year	1998	1999	2000	2001	2002	2003	2004
Number of Properties	75	86	89	91	102	106	107

The following chart shows the historical growth of our annual development and acquisition expenditures.

Annual Development and Acquisition Expenditures



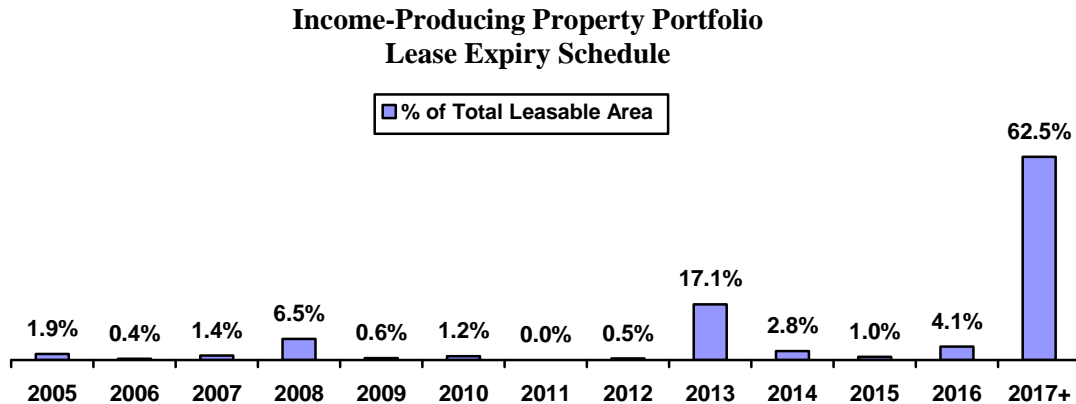
¹ The 2002 expenditures include \$25.0 million of properties acquired as part of Magna's acquisition of Donnelly Corporation, which is not reflected in our 2002 combined statement of cash flows as the acquisition was accounted for as a non-cash contribution by Magna. The 2004 expenditures include \$15.3 of liabilities assumed in connection with the acquisition of the Bowling Green, Kentucky facility from Magna on December 30, 2004. This property was a greenfield facility developed by MID.

Including the items described in footnote 1 above, our average annual expenditures were approximately \$108 million per year over the five-year period ended December 31, 2004, comprised of approximately \$77 million per year in development expenditures and approximately \$31 million per year in acquisitions.

Schedule of Lease Expiries

Leases expiring this year and in each of the next seven years represent no more than 6.5% of the leasable area of our income-producing property portfolio in any particular year. Leases representing approximately 87.5% of our total leasable area expire in 2013 or later. As of December 31, 2004, the weighted average remaining term to expiry based on leasable area for our income-producing property portfolio was approximately 11 years.

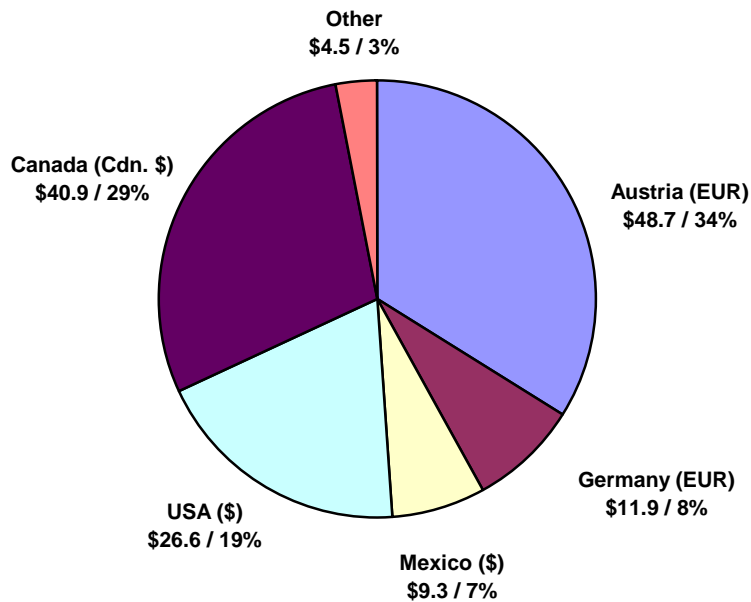
The following chart shows the percentage of leasable area in any particular year that is represented by leases scheduled to expire in that year, disregarding renewal options.



Geographic Diversification of Our Income-Producing Property Portfolio

Our income-producing property portfolio consists of properties located in 10 countries within North America and Europe. The following chart shows a breakdown of our \$141.9 million of annualized lease payments by country at December 31, 2004.

**Income-Producing Property Portfolio
Breakdown of December 2004 Annualized Lease Payments by Country¹
(in millions of U.S. dollars)**

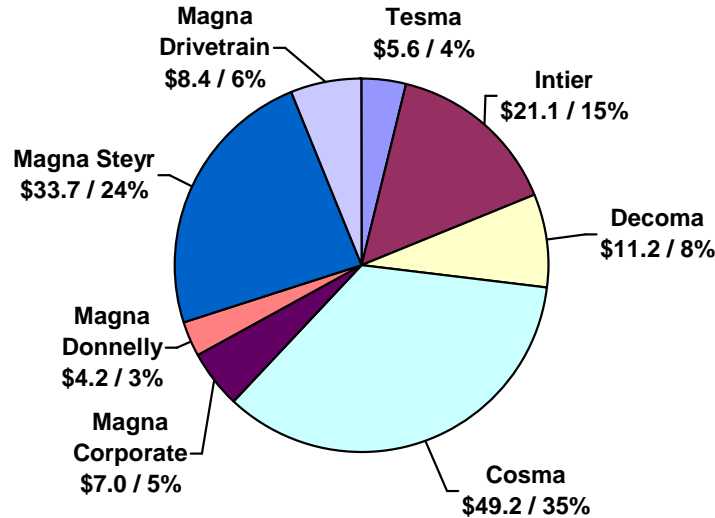


¹ Bracketed items refer to the currency of the lease payments received from properties located in the various countries.

Tenant Mix

Magna and its subsidiaries are the tenants of all but two of our income-producing properties. As at December 31, 2004, Magna and its then wholly-owned subsidiaries and their respective operating units collectively represented approximately 73% of our annualized lease payments, while the then publicly traded subsidiaries of Magna (namely, Intier Automotive Inc. (“Intier”), Decoma International Inc. (“Decoma”) and Tesma International Inc. (“Tesma”) and their respective operating units) collectively represented virtually all of the remaining 27%. The following chart sets out a breakdown of our December 2004 annualized lease payments by the Magna operating group.

**Income-Producing Property Portfolio
Breakdown of December 2004 Annualized Lease Payments by
Magna Operating Group (in millions of U.S. dollars)**



The lease obligations of the tenant for the majority of the properties reside with non-public subsidiaries within the Magna group. As a general business practice, we seek an indemnity with respect to the tenant's obligations from a more senior member of the Magna group where appropriate. See "Description of Magna International Inc."

Principal Markets in Which the Real Estate Business Operates

Income-Producing Properties Located in Canada

Our 38 Canadian income-producing properties are in Ontario, with 34 properties located in the Greater Toronto Area ("GTA"), representing approximately 82% of the Canadian income-producing properties based on 2004 annualized lease payments. The balance of the portfolio is located in Southwestern Ontario. All the leases for properties in Canada are denominated in Canadian dollars.

Income-Producing Properties in the United States

Our income-producing property portfolio includes 30 properties in the United States. All the leases for properties in the United States are denominated in U.S. dollars. Approximately 40% of the 2004 annualized lease payments from our income-producing properties in the United States is derived from properties located in Michigan, 21% is derived from a property in South Carolina, 16% is derived from a property in Kentucky, and 10% is derived from properties located in Iowa. The remainder of our United States annualized lease payments are derived from properties located in Tennessee, Illinois, Missouri and Maryland.

Income-Producing Properties in Mexico

Our income-producing property portfolio includes eight properties in Mexico. All the leases for properties in Mexico are denominated in U.S. dollars. Our Mexican income-producing properties are located in the states of Puebla, Coahuila and Nuevo Leon.

Income-Producing Properties in Austria

Our income-producing property portfolio includes 12 properties in Austria, with all lease payments denominated in euros. The European headquarters of Magna are situated in Oberwaltersdorf near Vienna. Approximately 93% of the Austrian income-producing properties based on 2004 annualized lease payments are located in the Province of Styria. Vehicle manufacturing and electronics are a focus of the Styria area. Magna's Eurostar and Thondorf plants (our two largest income-producing properties globally) are located in Graz, which is located approximately 120 miles south of Vienna.

Income-Producing Properties in Germany

Our income-producing property portfolio includes 11 properties in Germany. All the leases for properties located in Germany are denominated in euros. Our German income-producing properties are located in smaller communities in the south of Germany in close proximity to Frankfurt, Stuttgart and neighbouring Austria. The properties are primarily located in the states of Baden-Württemberg, Hesse, Bavaria, Thüringen/Thuringia and Niedersachsen/Lower Saxony.

Income-Producing Properties in Other European Locations

Our income-producing property portfolio also includes three properties in the United Kingdom, the leases for which are all denominated in British pounds.

We also have two income-producing properties in Belgium, one property in Spain, one property in the Czech Republic and one in Poland. With the exception of Poland, which has lease payments denominated in zlotys, lease payments in respect of these properties are denominated in euros.

Description of Our Development Business

We have completed major development and expansion projects in both the North American and European markets. We undertake each new industrial or commercial development project when a prospective tenant is identified and initiate construction once the tenant enters into a binding commitment to lease property from us. As part of our management of a development project from inception, we review building and location requirements, including building specifications and floor plans, working closely with the tenant to ensure the proposed property meets the tenant's specifications and needs.

Projects are typically identified once a significant new automotive supply contract has been awarded to one of our Magna group tenants. The specifics of the contract are analyzed as to timing for production, location of the tenant's customer and the method of shipment and timing allocated to shipping. "Just-in-time" delivery plants generally require locations in the immediate vicinity of the Magna group customer, while others may be located up to several hundred miles away. Based on these specific criteria, we analyze a number of locations (both greenfield sites and existing vacant plants) in a search area that is defined jointly by ourselves and the tenant. On greenfield sites, we typically short list sites that are fully serviced and zoned when available. Our site analysis also takes into consideration physical, legal and environmental due diligence, as well as an economic analysis of demographics, labour costs, local tax regime, government incentive programs and infrastructure requirements of the proposed development. During due diligence, we fully cost the project and execute a binding term sheet with the tenant that sets out the physical requirements of the project and major terms of the lease.

Once a site has been selected, we work with the tenant to negotiate with local governments for related infrastructure approvals and permits. We also research and apply for local government incentive programs, which provide funding or tax incentives for the proposed investment.

For certain construction projects, we use our experience and local expertise to act as the general contractor or to segregate pricing requirements for specific elements of a project to maximize returns and minimize construction costs. On the remainder of our projects, we outsource the design and construction of our projects. Depending on the nature and location of the project, we either manage our construction with regular on-site supervisory employees, or remotely through cost, scope of work and other management control systems. We do not have long-term contractual commitments with our contractors, consultants or suppliers of materials, who are generally selected on a competitive bid basis. We have established a network of local builders in our principal areas of business in Detroit, Ontario and Mexico, through whom we have confidence in meeting construction budgets and completion timelines. In Europe, our management team in Oberwaltersdorf, Austria, has developed similar relationships to enable us to meet our budgetary and timing requirements in Germany, Austria and elsewhere in Europe. During construction, we closely monitor the construction process and related payments of construction draws. Once construction is complete, we perform a final site review with the tenant and obtain tenant sign-offs in order to identify and remedy any deficiencies before occupancy by the tenant and release of holdback monies to the builder. Our standardized lease documentation is implemented at the end of the project.

We have consistently met the stringent production launch requirements of the Magna group for both greenfield developments and expansions.

Description of Our Properties under Development

At December 31, 2004, there were five properties under development: two in Canada and one in each of the United States, Mexico and the Czech Republic. These developments include new greenfield construction projects and expansions to existing facilities and, when completed, will add 0.6 million square feet to our income-producing portfolio. The total anticipated project costs related to these projects are \$47.1 million, \$31.5 million of which had been spent as of December 31, 2004.

Description of Properties Held for Development or for Sale

We had approximately 719.5 acres available for development, with a net book value of \$105.4 million as at December 31, 2004. At December 31, 2004, properties held for sale had a net book value of \$31.4 million. In the U.S., properties held for sale consisted of three properties totaling 131,000 square feet with a net book value of \$2.1 million and a 273.0-acre parcel of vacant land with a book value of \$19.1 million. In Canada, properties held for sale consisted of three properties totaling 397,000 square feet with a net book value of \$5.0 million and four parcels of vacant land totaling 71.4 acres with a book value of \$5.2 million.

Competitive Advantages

We believe that our Real Estate Business has a number of advantages relative to our competitors, including:

- we are well positioned to receive future development business from the Magna group, based on our successful track record and our long history of property development for the Magna group on a global basis;
- we have a large, geographically diversified portfolio of properties that provides significant opportunities for expansion and income growth;
- we have a strong balance sheet with substantially less leverage than the industry norm, which provides us with the financial flexibility to pursue attractive business and strategic opportunities;

- we have considerable experience in on-time, on-budget land and property development across numerous geographic markets;
- we use customized construction documents that include detailed specifications and cost control measures, which enable us to compress project timelines and improve returns; and
- we have an experienced management team and construction group familiar with the building and infrastructure requirements of our automotive tenants.

Government Regulation

We are subject to a wide range of laws and regulations imposed by governmental authorities, including in particular zoning, building and similar regulations that affect our development.

As an owner and developer of real property, we are also subject to environmental laws and regulations relating to air emissions, soil and ground water quality, wastewater discharge, waste management and storage of hazardous substances. Our standard forms of lease permit us to conduct environmental assessments and audits from time to time at our own expense. We do not generally conduct ongoing environmental assessments of our leased income-producing properties other than at the time of acquisition of a property because our tenants are generally responsible for the environmental integrity of the properties on which they operate, and are also required by the terms of the lease to provide us with copies of any environmental reports they create or obtain. Pursuant to Magna's Health, Safety and Environmental Policy, the members of the Magna group generally cause a Phase I environmental site assessment to be conducted with respect to each of their operations at least once every three years, as well as Phase II environmental audits of properties, as appropriate, to follow up on issues identified by the Phase I assessments. These inspections are conducted by independent recognized environmental consulting firms.

Our standard forms of lease also require the tenant to assume the costs of environmental compliance, including remediation or clean-up of any contamination that they have caused or contributed to on the leased premises. Despite our tenants' obligation to indemnify us, we are responsible under applicable law for ensuring that a particular property complies with environmental laws.

We are also subject to environmental laws and regulations requiring investigation and clean-up of environmental contamination. Our tenants operate certain manufacturing facilities that use environmentally sensitive processes and hazardous materials. From time to time, our tenants' operations and our properties may become the subject of complaints from adjacent landowners, or inquiries or investigations by environmental regulators. All of the costs relating to such complaints, inquiries or investigations to date have been incurred entirely by our tenants pursuant to the terms of our leases with them.

To date, environmental laws and regulations have not had a material adverse effect on our operations or financial condition. However, changes in these government laws and regulations are ongoing and may make environmental compliance increasingly expensive. We cannot predict future costs that we may be required to incur to meet environmental obligations.

Employees

At December 31, 2004, we employed 35 people in the Real Estate Business, the majority of whom are based at our headquarters in Aurora, Canada, and the balance of whom are located in Europe. We are not party to any collective bargaining agreements with any of our employees.

Leasing Arrangements

Negotiations with the Magna Group

As of March 17, 2005, the Stronach Trust beneficially owns approximately 66.3% of our outstanding Class B Shares, as well as 66.4% of the Class B Shares of Magna. Although we are under common control with the operating units of the Magna group, who are our tenants, and were formerly a wholly-owned subsidiary of Magna, all of Magna's operating units operate as autonomous profit centres, with the compensation of the senior management of each unit generally tied to the profitability of that unit. Accordingly, we believe that all our negotiations with our tenants have been conducted on an arm's length basis. Members of the Magna group have in the past engaged in real estate development activities directly or with our competitors, including in circumstances where we have declined opportunities with terms or in locations we did not consider sufficiently attractive. As a general business practice, we contract with operating units of the Magna group that we consider sufficiently creditworthy, and/or we seek an indemnity from a more senior entity within the Magna group.

We expect to enter into additional leases and agreements with Magna from time to time in the future, the terms of which will be determined by negotiations at such time and, in the case of material agreements, will be subject to approval by a special committee comprised of independent members of our Board of Directors.

Triple-Net Leases

Our leases are generally on a "triple-net" basis and provide that the tenant is responsible for all costs of occupancy, including operating costs, property taxes, the costs of maintaining insurance in respect of the property and maintenance costs. The tenant is not responsible for income taxes or capital taxes charged to us.

We are responsible for structural defects and repairs relating to the structural elements of the properties. Some leases provide that we must repair any serious damage to the base building systems. For certain components of a property, such as the roof membrane, parking lot and HVAC systems, we pay for the costs of replacement as necessary and recover such costs, plus interest, from the tenant over the expected useful life of the item replaced, as additional rent. In addition, some leases provide that we are also responsible for vacant land not used in any way by the tenant.

Contractual Step-Ups in Rental Rates

Our existing leases generally provide for periodic rent escalations based either on fixed-rate step increases or on the basis of a consumer price index adjustment (subject to certain caps).

Renewal Options Tied to Market Rental Rates

A significant portion of our portfolio has built-in renewal options, generally tied to either market rental rates or to inflation (generally limited in the latter case to an increase of 10% of the expiry year's rent). The determination of market rent is generally subject to arbitration. In most cases, the market rental rate is calculated without reference to the value of improvements paid for by the tenant and, in some cases, offers to lease made by competitors of the tenant are specifically excluded from the determination of market rent.

Obligation to Restore Premises

Our leases generally provide that the tenant is obligated to restore the premises to a condition consistent with their condition on the commencement date of the lease, subject to reasonable wear and tear. Some leases do not require that the tenant remove minor alterations where our consent was not required for their installation.

Environmental Obligations

Our leases also provide that the tenants must maintain the properties in accordance with applicable laws, including environmental laws. The tenant must remove all hazardous and toxic substances from the premises when and as required by applicable laws, regulations and ordinances and in any event prior to the termination of its occupation of the premises. The leases generally also contain indemnities in our favour with respect to environmental matters. Those indemnities expire after a specified period of time following the termination of the lease. The leases generally provide that we may conduct environmental assessments and audits from time to time at our sole expense. See “— Government Regulation” above.

Restrictions on Sales and Tenant Rights of Refusal

Most of our significant leases include a right of refusal in favour of the tenant with respect to the sale of the property in question. This right typically provides the tenant with a right to match any third party offer within a prescribed period of time, failing which we are free to accept the offer and complete the sale to the third party. Some leases provide that so long as the tenant is controlled, directly or indirectly, by Magna, we may not sell the property to a competitor of the tenant without the tenant’s consent.

Tenant Assignment Rights

The leases contain a restriction on assignment by the tenant without our consent, other than to affiliates or associates of the tenant. Generally, the existing leases do not restrict a change of control of the tenant.

Termination Rights

Due to certain local statutory requirements, some Austrian leases provide that the tenant can terminate the lease at any time upon 12 months’ notice. In these cases, the tenant has provided us with a guarantee from a non-Austrian affiliate with respect to the lease obligations that would arise should such a termination occur.

RISK FACTORS

This section describes the material risks affecting our business, financial condition, operating results and prospects. There may be other risks and uncertainties that are not known to us or that we currently believe are not material, but which also may have a material adverse effect on our business, financial condition, operating results or prospects.

In addition to the other information contained in this Annual Information Form, you should carefully consider the risks described below. If any of these risks actually is realized, our business, financial condition, operating results or prospects could be materially adversely affected.

Risks Related to Our Real Estate Business

Virtually all of the Real Estate Business' revenue comes from payments that we receive under leases with the Magna group, so factors affecting the Magna group's businesses will also affect us.

At December 31, 2004, all but two of our income-producing properties are leased to the Magna group. Magna typically does not guarantee the obligations of its subsidiaries under their leases with us. As a result, our operating and net income and the value of our property portfolio would be materially adversely affected if the members of the Magna group became unable to meet their respective financial obligations under their leases. See "Description of Our Real Estate Business — Description of Our Income-Producing Property Portfolio — Tenant Mix".

We are subject to risks affecting the automotive parts industry.

Since the Magna group operates in the automotive parts industry, our business is, and for the foreseeable future will be, subject to conditions affecting the automotive industry generally. A decrease in the long-term profitability or viability of the automotive parts sector would have a material adverse impact on the financial condition of our tenants and could therefore adversely impact the value of our properties and our operating results. Factors that may adversely affect the Magna group's operations in the automotive parts sector include the following:

- global economic conditions;
- shortages of key commodities or increased prices for key commodities;
- pressure from customers to reduce prices;
- pressure from customers to absorb certain fixed costs;
- increased product warranty, product recall and product liability risk;
- impact of financially distressed sub-suppliers;
- dependence on outsourcing by automobile manufacturers;
- rapid technological and regulatory changes;
- increased crude oil and energy prices;
- dependence on certain customers and vehicle programs;
- fluctuations in relative currency values;
- unionization activity;
- threat of work stoppages;
- competitive automotive components supply market;
- cancellation of vehicle programs and delays in launching new programs;
- delays in constructing new facilities;

- changes in laws and governmental regulations; and
- impact of environmental laws and regulations.

Although we intend to lease properties to tenants other than the Magna group, it is unlikely that our dependence on the Magna group, and therefore the automotive industry, will be reduced significantly in the foreseeable future.

We have no agreement with the Magna group that it will continue to do business with us in the same manner as it has in the past or at all.

Virtually all the growth of the Real Estate Business has been dependent on our relationship with the members of the Magna group as the tenants of our income-producing properties, as the customers for our development projects and as the source of our acquired properties. Although we have acted as the developer, real estate advisor, property manager and owner of most of the industrial facilities of the Magna group since our inception, we have no assurance that we will continue to do so. We will be required to compete for any future business with the Magna group without any contractual preferential treatment.

Members of the Magna group have determined on occasion in the past and may increasingly in the future determine not to lease certain properties from us and not to renew certain leases on terms comparable to (or more favourable to us than) our existing arrangements with them, or at all. Moreover, we may not continue to be able to acquire new properties from the Magna group as we have done in the past.

Any adverse change in our business relationship with the Magna group could have an adverse effect on the growth and profitability of our business.

The Magna group may not be successful in maintaining its level of growth, which would likely have a corresponding impact on our growth rate.

Virtually all of the growth of the Real Estate Business has resulted from the growth of the automotive parts business operated by the Magna group, including growth as a result of acquisitions. We expect to derive an important portion of our future growth from continuing to build on our relationship with the Magna group so as to benefit from the Magna group's future growth. However, the Magna group may not be successful in maintaining its historical growth rate and may not undertake acquisitions of new facilities at the same rate as in the past. The Magna group's inability to maintain its level of growth would likely adversely affect our growth. See "Description of Our Real Estate Business — Description of Our Income-Producing Property Portfolio — Historical Growth of Our Income-Producing Property Portfolio".

Our international investments are subject to foreign currency fluctuations, which could reduce our revenues and increase our costs, and any future hedging transactions may limit our gains or result in losses for us.

A substantial majority of our current property portfolio is located outside of the United States and generates lease payments that are not denominated in U.S. dollars. Please see chart titled "Income-Producing Property Portfolio – Breakdown of December 2004 Annualized Lease Payments by Country" in "Description of Our Real Estate Business – Geographic Diversification of Our Income-Producing Property Portfolio" above. Since we report our financial results in U.S. dollars and do not currently hedge our foreign currency exposure against the U.S. dollar, we are subject to foreign currency fluctuations that could, from time to time, have an adverse impact on our financial position or operating results.

From time to time, we may attempt to minimize or hedge our exposure to the impact that changes in foreign currency rates or interest rates may have on the Real Estate Business' revenue and debt liabilities through the use of derivative investments. The use of derivative instruments, including forwards, futures,

swaps and options, in our risk management strategy carries certain risks, including the risk that losses on a hedge position will reduce our profits and the cash available for development projects or dividends. A hedge may not be effective in eliminating all the risks inherent in any particular position. Our profitability may be adversely affected during any period as a result of the use of derivatives.

The terms of our leases limit our ability to increase rents in response to market conditions, so we may receive rents at levels below current fair market values.

A substantial majority of the leases for our income-producing properties have terms expiring after 2017. Our leases generally provide for periodic rent escalations based on specified percentage increases or a consumer price index adjustment, subject in some cases to a cap. As a result, the long-term nature of these lease agreements limits our ability to increase rents contemporaneously with increases in market rates and may therefore limit our revenue growth and the market value of our income-producing property portfolio.

Most of our significant leases provide our tenants with rights of first refusal, which may adversely affect the marketability and market value of our income-producing property portfolio.

The rights of first refusal that we have granted to our tenants in most of our significant leases may deter third parties from incurring the time and expense that would be necessary for them to bid on our properties in the event that we desire to sell those properties. Accordingly, these rights of first refusal may adversely affect our ability to sell our properties or the prices that we receive for them upon any sale. In addition, the rights of first refusal may adversely affect the market value of our income-producing property portfolio. See “Description of Our Real Estate Business — Leasing Arrangements — Restrictions on Sales and Tenant Rights to Purchase”.

We are subject to competition for the acquisition of new properties and we may not compete successfully, which would limit our ability to invest in and develop new properties.

We compete for suitable real estate investments with many other parties, including real estate investment trusts, insurance companies and other investors (both Canadian and foreign), which are currently seeking, or which may seek in the future, real estate investments similar to those desired by us. Some of our competitors may have greater financial and operational resources than we do. Accordingly, we may not be able to compete successfully for these investments. Increased competition for real estate investments resulting, for example, from increases in the availability of investment funds or reductions in financing costs would tend to increase purchase prices and reduce the yields from the investments.

We have a limited operating history as an independent operating company.

We had not operated as a stand-alone company prior to our spin-off from Magna on August 29, 2003. We now function as an operating company independent of Magna, and Magna has no obligation to provide assistance to us or any of our subsidiaries, except as described in “Affiliate Relationships and Transactions — Related Party Transactions”. Our limited independent operating history may have a material adverse effect on our operating results.

Risks Related to Our Controlling Shareholder

We are controlled by the Stronach Trust.

As of March 17, 2005, the Stronach Trust beneficially owns approximately 66.3% of our outstanding Class B Shares. Those shares represent approximately 0.75% of our total outstanding shares and approximately 56.5% of the aggregate voting power of our outstanding shares. Accordingly, the Stronach Trust is deemed to control MID and is able to elect all our directors. Subject to applicable law, the Stronach Trust may, as a practical matter, be able to cause us to effect corporate transactions without the

consent of our other shareholders and to control the amount and timing of dividends. In addition, the Stronach Trust is able to cause or prevent a change in our control.

Our controlling shareholder and our Chairman have interests in Magna and MEC that could conflict with the interests of other holders of our shares.

Mr. Frank Stronach, our Chairman and the Chairman of Magna, and three other members of his family are the trustees of the Stronach Trust, and are also members of the class of potential beneficiaries of the Stronach Trust. Accordingly, Mr. Stronach may be deemed to beneficially own the shares owned by the Stronach Trust, although he disclaims beneficial ownership for purposes other than for U.S. securities law purposes. Taking into account the shares directly or indirectly owned by, or over which control or direction is exercised by, the Stronach Trust, certain Magna employee compensatory plans, acquisition corporations and estate planning vehicles, associates of Mr. Stronach control approximately 76.1% of the votes carried by MID's outstanding Class A Subordinate Voting and Class B Shares.

As of March 17, 2005, the Stronach Trust beneficially owns approximately 66.4% of the outstanding Class B Shares of Magna. Those shares represent approximately 55.7% of the aggregate voting power of Magna's outstanding shares.

Mr. Stronach is also the Chairman and founder of MEC. Taking into account the Class A Subordinate Voting Stock of MEC held or controlled by MID, certain Magna employee compensatory plans, acquisition corporations and estate planning vehicles, Mr. Stronach's associates control approximately 17.8% of the outstanding Class A Subordinate Voting Stock of MEC. In addition, MID, controlled by the Stronach Trust (an associate of Mr. Stronach), holds 58,466,056 shares of MEC Class B Stock, which, when combined with MID's Class A shareholdings, represents in aggregate an approximately 59% equity interest and 96% voting interest in MEC. Mr. Stronach also holds personally the right to acquire 1,000,000 shares of Class A Subordinate Voting Stock of MEC issuable upon the exercise of stock options.

As a result of these relationships, the interests of the Stronach Trust and our Chairman may not be the same as those of our other shareholders, particularly in connection with corporate transactions that might involve a change in our control, which the Stronach Trust might not favour even if our other shareholders would. Subject to applicable laws regarding related party transactions and the protection of minority shareholders, the fiduciary duties of our directors to act in the best interests of our company and our internal governance procedures, those conflicts of interest could influence decisions made regarding transactions and investments that we effect or choose not to effect in the future, particularly with Magna and MEC. Furthermore, under the applicable laws of Ontario, as a shareholder, the Stronach Trust does not have a fiduciary duty to us or any of our shareholders.

Our transactions with the Magna group may not be on an arm's length basis.

Virtually all the Real Estate Business' revenue is generated pursuant to leases with the Magna group. Most of these leases were entered into by our predecessor entities while they were wholly-owned subsidiaries of Magna. Although we intended for these leases to be on arm's length commercial terms, there can be no assurance that independent parties negotiating at arm's length would have arrived at the same terms. Since we are under common control with the Magna group, there is a risk that any decisions or actions taken by either of us regarding these leases (including with respect to renewals, amendments, disputes or enforcement proceedings) may not be the same as if we operated on an arm's length basis.

Risks Related to the Real Estate Industry

Real estate investments are subject to numerous risks that could adversely affect our operating results, many of which are beyond our control.

Because we own, lease and develop real property, we are subject to the risks generally incident to investments in real property. The investment returns available from investments in real estate depend in large part on the amount of income earned and capital appreciation generated by the properties, as well as the expenses incurred. We may experience delays and incur substantial costs in enforcing our rights as lessor under defaulted leases, including costs associated with being unable to rent unleased properties to new tenants on a timely basis or with making improvements or repairs required by a new tenant. In addition, a variety of other factors outside of our control affect income from properties and real estate values, including environmental laws and other governmental regulations, real estate, zoning, tax and eminent domain laws, interest rate levels and the availability of financing. For example, new or existing environmental, real estate, zoning or tax laws can make it more expensive or time consuming to develop real property or expand, modify or renovate existing structures. When interest rates increase, the cost of acquiring, developing, expanding or renovating real property increases and real property values may decrease as the number of potential buyers decreases. In addition, real estate investments are often difficult to sell quickly. Similarly, if financing becomes less available, it becomes more difficult both to acquire and to sell real property. Moreover, governments can, under eminent domain laws, take real property. Sometimes this taking is for less compensation than the owner believes the property is worth. Although we are geographically diversified, any of these factors could have a material adverse impact on our results of operations or financial condition in a particular market.

Real estate development is subject to timing, budgeting and other risks that could adversely affect our operating results.

We intend to develop properties as suitable opportunities arise, taking into consideration the general economic climate. Real estate development has a number of risks, including risks associated with:

- construction delays or cost overruns that may increase project costs;
- receipt of zoning, occupancy and other required governmental permits and authorizations;
- development costs incurred for projects that are not pursued to completion;
- so-called acts of God, such as earthquakes, hurricanes, floods or fires that could adversely impact a project;
- ability to raise capital; and
- governmental restrictions on the nature or size of a project.

Our development projects may not be completed on time or within budget, which could adversely affect our operating results.

We may be unable to renew leases on favourable terms or find new tenants for vacant properties.

We may be unable to lease a vacant property in our portfolio on economically favourable terms. In addition, we may not be able to renew an expiring lease or to find a new tenant for the property for which the lease has expired, in each case on terms at least as favourable as the expired lease. Renewal options are generally based on changes in the consumer price index or prevailing market rates. Market rates may be lower at the time of the renewal options, and accordingly, leases may be renewed at lower levels of rent than are currently in place. Our tenants may fail to renew their leases if they need to relocate their

operations as a result of changes in location of their customers' operations or if they choose to discontinue operations as a result of the loss of business.

Many factors will affect our ability to lease vacant properties, and we may incur significant costs in making property improvements or repairs required by a new tenant. In addition, we may incur substantial costs in protecting our investments in leased properties, particularly if we experience delays and limitations in enforcing our rights against defaulting tenants. Furthermore, if one of our tenants rejects or terminates a lease under the protection of bankruptcy, insolvency or similar laws, our cash flow could be materially adversely affected. The failure to maintain a significant number of our income-producing properties under lease would have a material adverse effect on our financial condition and operating results.

Environmental compliance costs and liabilities with respect to our real estate may adversely affect us.

Under various federal, state, provincial and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in an affected property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. In addition, the presence of hazardous or toxic substances, or the failure to remediate properly, may materially impair the value of our real property assets or adversely affect our ability to borrow by using such real property as collateral. Certain environmental laws and common law principles could be used to impose liability for releases of hazardous materials, including asbestos-containing materials, into the environment, and third parties may seek recovery from owners or operators of real properties for personal injury associated with exposure to released asbestos-containing materials or other hazardous materials. As an owner of properties, we are subject to these potential liabilities.

Capital and operating expenditures necessary to comply with environmental laws and regulations, to defend against claims of liability or to remediate contaminated property may have a material adverse effect on our results of operations and financial condition. We may also become subject to more stringent environmental standards as a result of changes to environmental laws and regulations, compliance with which may have a material adverse effect on our results of operations and financial condition. Moreover, environmental laws may impose restrictions on the manner in which a property may be used or transferred or in which businesses may be operated, limiting development or expansion of our property portfolio or requiring significant expenditures.

Risks Related to Our Financial Statements

Certain of our financial statements have been "carved out" from the consolidated financial statements of Magna and may not entirely reflect our financial condition and results of operations on a stand-alone basis.

Our historical financial statements for 2002 and 2003 have been "carved out" from the consolidated financial statements of Magna and may not be indicative of our financial condition and results of operations had we actually operated on a stand-alone basis during the periods presented. In particular, our costs and expenses could have been different had we been operating on a stand-alone basis. The operating costs included in the combined financial statements do not include any allocation of financial reporting, governance, investor relations and other costs that MID now incurs as a stand-alone public company. In addition, interest costs in the combined financial statements are predominantly based on intercompany interest charges from Magna and may not be indicative of interest costs to be incurred by MID as a stand-alone public company.

Risks Related to Our Investment in Magna Entertainment Corp.

Because our holdings in MEC represent approximately 96% of the total voting power of its outstanding stock and approximately 59% of the total equity interest in MEC, we are required to consolidate the financial position and operating results of MEC with those of the Real Estate Business. On a consolidated basis, MEC represented 47% of our assets as at December 31, 2004 and 85% of our 2004 revenue and materially affects our consolidated net income. Accordingly, the risks related to MEC are also risks to our combined financial condition and operating results and the market value of our investment in MEC.

MEC's business is subject to different risk factors than the Real Estate Business. For a discussion of the risks associated with MEC, please refer to the section of MEC's Annual Report for the year ended December 31, 2004 on Form 10-K (the "MEC 10-K") entitled "Risk Factors", which section is hereby incorporated by reference. MEC's complete 10-K is available on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and on the U.S. Securities and Exchange Commission's ("SEC") website at www.sec.gov. We have separately filed on SEDAR all of the portions of MEC's 10-K that we are incorporating by reference into this annual report. MEC has its own Board of Directors and management team, who have prepared MEC's 10-K independently and without our involvement. MID has not verified, nor do we take responsibility for, the accuracy or completeness of the information contained in MEC's 10-K.

The credit rating of our debt may be reduced to below investment-grade as a result of the economic situation and outlook of MEC.

We have been informed by one of the rating agencies that if the overall financial situation at MEC continues to weaken, MID is at risk of having the credit rating of its debt downgraded to below investment-grade. Should this occur, our ability to access the capital markets on favourable terms would be adversely affected and our borrowing costs would significantly increase.

AFFILIATE RELATIONSHIPS AND TRANSACTIONS

Relationship with Our Controlling Shareholder

As of March 17, 2005, the Stronach Trust beneficially owns approximately 66.3% of our outstanding Class B Shares, and as such is able to elect all our directors. Therefore, the Stronach Trust may be able to cause us to effect certain corporate transactions without the consent of our other shareholders and to control the amount and the timing of dividends, subject in each case to applicable laws regarding related party transactions and the protection of minority shareholders, the fiduciary duties of our directors to act in the best interests of our company and our internal governance procedures. In addition, the Stronach Trust is able to cause or prevent a change in our control. Furthermore, under the applicable laws of Ontario, as a shareholder, the Stronach Trust does not have a fiduciary duty to us or any of our shareholders.

The Stronach Trust also controls Magna through the right to direct votes attaching to Class B Shares of Magna, which carry a majority of the votes attaching to the outstanding voting shares of Magna. Magna and MID are related parties due to the fact that both entities are under the control of the Stronach Trust.

Mr. Frank Stronach, our Chairman and the Chairman of Magna and MEC, and three other members of his family are the trustees of the Stronach Trust, and are also members of the class of potential beneficiaries of the Stronach Trust. Accordingly, Mr. Stronach may be deemed to beneficially own the shares owned by the Stronach Trust, although he disclaims beneficial ownership for purposes other than for U.S. securities law purposes. We believe that there are significant benefits derived from Mr. Stronach's role as Chairman of our company. In particular, we are able to benefit from Mr. Stronach's experience and track record in establishing companies with successful and entrepreneurial corporate cultures, and from his substantial experience with the Magna group.

The Company holds an approximate 59% equity and 96% voting interest in MEC, and as such is deemed to control MEC and is able to elect all of MEC's directors. Therefore, the Company is able to cause MEC to effect certain corporate transactions without the consent of MEC's minority stockholders, subject to applicable law and the fiduciary duties of MEC's directors and officers. In addition, the Company is able to cause or prevent a change in control of MEC.

Related Party Transactions

Virtually all the Real Estate Business' revenue is obtained from the Magna group pursuant to our leases with it. We have entered into or propose to enter into various transactions with members of the Magna group, including substantially all our existing leases and certain services arrangements. We expect to enter into additional leases and agreements with Magna from time to time in the future, the terms of which will be determined by negotiations at such time and, in the case of material agreements, will be subject to approval by a special committee comprised of independent members of our Board of Directors. There can be no assurance that transactions between us and Magna have been or will be on the same terms as would be negotiated between arm's length parties. Subject to certain exceptions, rules of applicable Canadian securities regulatory authorities require issuers involved in a "related party transaction" to obtain an independent valuation and the approval of the transaction by a majority of minority shareholders. We intend to comply with these and any other applicable regulatory requirements. See "Risk Factors — Risks Related to Our Controlling Shareholder".

Magna has made a commitment to its shareholders that it will not, during the period ending May 31, 2006, without the prior consent of the holders of a majority of Magna's Class A subordinate voting shares: (i) make any further debt or equity investment in, or otherwise give financial assistance to, MEC or any of MEC's subsidiaries; or (ii) invest in any non-automotive-related businesses or assets other than through its investment in MEC (which investment is now held by the Company as a result of the spin-out of the Company from Magna on August 29, 2003). Magna's commitment is contained in a Forbearance Agreement dated as of February 8, 2000 between MEC and Magna and of which Magna's shareholders are express third-party beneficiaries.

For further information on related party transactions, please refer to notes 3 and 23 to our consolidated financial statements for the year ended December 31, 2004, which notes are hereby incorporated by reference. Our consolidated financial statements for the year ended December 31, 2004 and the notes thereto are available on SEDAR at www.sedar.com.

MAGNA ENTERTAINMENT CORP.

MEC is a separate public company with its own board of directors (which includes a majority of outside directors and two directors who sit on our board) and management team. As of March 17, 2005, our investment in MEC consists of 58,466,056 shares of its Class B Stock and 4,362,328 shares of its Class A Subordinate Voting Stock, representing approximately 96% of the total voting power of its outstanding stock and approximately 59% of the total equity interest in MEC. The Class B Stock of MEC is entitled to 20 votes per share and is convertible into shares of MEC's Class A Subordinate Voting Stock on a one-for-one basis. MEC's Class A Subordinate Voting Stock trades on the Nasdaq National Market under the trading symbol "MECA" and on the Toronto Stock Exchange under the trading symbol "MEC.SV.A".

We may make further investments in MEC, whether in the form of debt, equity or otherwise, or we may decrease our holdings in MEC. We are not subject to any restrictions regarding future investments in MEC and have not guaranteed any of MEC's debt obligations or other commitments.

Business of Magna Entertainment Corp.

For a discussion of MEC's business, please refer to the following sections of MEC's 10-K: (i) the nine introductory paragraphs to the section entitled "Our Business"; (ii) "Our Business – Our History"; (iii) "Our Business – Our Properties"; (iv) "Our Business – Training Centers"; (v) "Our Business – Account Wagering Operations"; (vi) "Our Business – MagnaBet"; (vii) "Our Business – Sunshine Millions"; (viii) "Our Business – Television Distribution"; (ix) "Our Business – Streufex"; (x) "Our Business – Recent Developments"; (xi) "Our Business – Competition"; (xii) "Our Business – Government Regulation"; (xiii) "Our Business – Our Real Estate Portfolio"; (xiv) "Our Business – Environmental Matters"; (xv) "Our Business – Employees"; (x) "Risk Factors"; (xi) "Management's Discussion and Analysis of Financial Condition and Results of Operations – 2004 Developments and Initiatives"; and (xii) "Management's Discussion and Analysis of Financial Condition and Results of Operations – Seasonality", which sections are hereby incorporated by reference. MEC's complete 10-K is available on SEDAR at www.sedar.com and on the SEC's website at www.sec.gov. We have filed on SEDAR all of the portions of MEC's 10-K that we are incorporating by reference into this annual report. MEC has its own Board of Directors and management team, who have prepared MEC's 10-K independently and without our involvement. MID has not verified, nor do we take responsibility for, the accuracy or completeness of the information contained in MEC's 10-K.

During the course of MEC management's assessment of the effectiveness of MEC's internal control over financial reporting, MEC requested a Type II Statement on Auditing Standards 70 ("SAS 70") report from the three companies that provide totalisator services to MEC. Two of the three companies that provide totalisator services to MEC were unable to provide the required SAS 70 reports. The failure of these tote companies to provide the required SAS 70 reports has caused management of MEC to conclude that there is a material weakness in MEC's internal control over financial reporting. This conclusion is based on the fact that significant financial statement balances including gross wagering revenues and settlements receivable and settlements payable, are balances which are impacted by tote information from these companies. Despite the use of these tote systems, MEC performs alternative procedures including money room counts, bank reconciliations and confirmations with other racetracks of settlement balances prior to payment to obtain assurance that the balances in these accounts are appropriate. Although MEC did not identify any accounting adjustments as a result of inaccurate tote information in these accounts in its financial statements for the year ended December 31, 2004, the inability to obtain a Type II SAS 70 report on the applicable controls in operation at these two tote companies is considered a material weakness in MEC's internal control over financial reporting. MEC was able to obtain a Type II SAS 70 report from its third totalisator service provider and it is MEC's intention to use its best efforts to address this material weakness.

DESCRIPTION OF MAGNA INTERNATIONAL INC.

Magna is the most diversified automotive components supplier in the world and, together with its automotive affiliates, is the tenant of virtually all our income-producing properties. Magna is a public company, with its Class A Subordinate Voting Shares listed for trading on the New York Stock Exchange and the Toronto Stock Exchange and its Class B Shares listed for trading on the Toronto Stock Exchange. Our Chairman, Frank Stronach, is also the founder and Chairman of the Board of Directors of Magna and both we and Magna are controlled by the Stronach Trust. See “Affiliate Relationships and Transactions — Relationship with Our Controlling Shareholder”.

Business and Operations of Magna

Magna designs, develops and manufactures automotive components, assemblies, modules and systems, and engineers and assembles complete vehicles. Its products and services are sold primarily to manufacturers of cars and light trucks in North America, Europe, Asia and South America. Magna’s sales for the year ended December 31, 2004 were approximately \$21 billion and its net income for the same period was approximately \$692 million. Magna benefits from a strong financial profile. As an investment grade issuer, Magna is currently rated “A” with a stable outlook by S&P and “A” with a stable outlook by DBRS. As at December 31, 2004, Magna employed over 81,000 people and operated 223 manufacturing facilities, as well as 56 product development and engineering facilities, in 22 countries. Their manufacturing, product development and engineering facilities are organized as autonomous operating divisions, under one of seven automotive systems groups, three of which were, throughout 2004, publicly-traded companies in which they had a controlling interest, and four of which were, throughout 2004, organized among its wholly-owned subsidiaries. Currently, six out of Magna’s seven automotive groups are organized among its wholly-owned subsidiaries.

Privatization of Magna Subsidiaries

In October 2004, Magna announced that it had made separate proposals to the respective boards of directors of its three publicly-traded subsidiaries, Decoma, Intier and Tesma, in each case to acquire all the outstanding Class A Subordinate Voting Shares of each subsidiary not owned by Magna. Each proposal, to be implemented by way of a court-approved plan of arrangement under Ontario law, was independent and not conditional on completion of the other transactions. In addition to court approval, each transaction required the approval of the shareholders of each subsidiary by way of a majority of the votes cast by holders other than Magna and its affiliates and other insiders.

On January 13, 2005, Magna and Decoma jointly announced that they had entered into a definitive agreement pursuant to which Magna would acquire all the outstanding Class A Subordinate Voting Shares of Decoma not owned by Magna. Decoma shareholders approved the plan of arrangement and final court approval was obtained on March 2, 2005. The privatization became effective on March 6, 2005.

On February 4, 2005, Magna and Tesma jointly announced that Magna’s proposed privatization of Tesma received shareholder approval on February 1, 2005 and final court approval on February 3, 2005. The privatization became effective on February 6, 2005.

On February 9, 2005, Magna and Intier jointly announced that they had entered into a definitive agreement pursuant to which Magna would acquire all the outstanding Class A Subordinate Voting Shares of Intier not owned by Magna. The Intier Board of Directors has authorized the submission of the arrangement to a vote of the Intier shareholders. Intier expects to hold the special meeting on March 30, 2005 and expects that the arrangement, if approved, will become effective on April 3, 2005.

Magna Operating Divisions

Automotive Systems Groups

- **Decoma International Inc.** – Decoma designs, engineers and manufactures a variety of automotive exterior components and systems, including fascias (bumper systems), front and rear end modules, plastic body panels, exterior trim components and systems, sealing and greenhouse systems, and lighting components. Decoma operates 47 manufacturing facilities and nine engineering and product development facilities, including two multi-group facilities, in North America, Europe and Asia.
- **Intier Automotive Inc.** – Intier is a global full service supplier and integrator of automotive interior and closure components, systems and modules, including cockpit, sidewall, overhead and complete seating systems, seat hardware and mechanisms, floor and acoustic systems, seating systems, cargo management systems, latching systems, glass moving systems, wiper systems, power sliding doors and liftgates, mid-door and door module technologies, and electro-mechanical systems. Intier operates 74 manufacturing facilities, including one joint venture facility with Magna Steyr, and 15 product development, engineering and testing centres, including one joint venture facility with Magna Steyr and one multi-group facility, in North America, Europe, South America and Asia.
- **Tesma International Inc.** – Tesma designs, engineers, tests and manufactures powertrain (engine, transmission and fuel) components, assemblies, modules and systems for cars and light trucks. Tesma operates 28 manufacturing facilities in North America, Europe, Asia and South America, as well as five tooling, design and research and development centres.
- **Magna Steyr** - Magna Steyr is the automotive industry's leading independent assembler of low-volume derivative, specialty and other vehicles for automobile manufacturers. Magna Steyr also provides complete vehicle design, engineering, validation and testing services. Magna Steyr operates two assembly and two manufacturing facilities, including one joint venture facility with Intier, and eleven engineering and testing facilities, including one joint venture facility with Intier and one multi-group facility, in Europe, North America and Asia.
- **Magna Drivetrain** – Magna Drivetrain, which was formed in early 2004, is one of the world's most advanced developers and suppliers of complete drivetrain technologies, four-wheel and all-wheel drive systems, including transfer cases, power take-off units, axle drives, manual transaxles, traction control devices and all-wheel drive couplings, mass balancing systems and chassis modules. Magna Drivetrain operates eight manufacturing facilities and three engineering and testing facilities in Europe and North America. Magna Drivetrain's operations significantly expanded in September 2004 with the completion of the acquisition of the worldwide operations of DaimlerChrysler's wholly-owned subsidiary, New Venture Gear, Inc.
- **Magna Donnelly** – Magna Donnelly manufactures exterior and interior mirrors, interior lighting and engineered glass systems, electro-mechanical systems and advanced electronics. Magna Donnelly operates 25 manufacturing facilities and three engineering and testing facilities in North America, Europe and Asia.
- **Cosma International** – Cosma manufactures a comprehensive range of stamped, hydroformed and welded metal body systems, components, modules, assemblies, including complete body-in-white assemblies, chassis systems and complete suspension modules. Cosma operates 33 manufacturing facilities and nine engineering and testing facilities in North America, Europe and Asia.

In North America, Magna's primary customers are the "big three" North American automobile manufacturers and their North American operating divisions and subsidiaries, which are General Motors (including Subaru, Isuzu and Suzuki), Ford (including Mazda) and DaimlerChrysler. Magna's North American customers also include certain North American subsidiaries of foreign-based automobile manufacturers, such as Honda, Renault-Nissan, Toyota, BMW, Volkswagen and Mitsubishi. In Europe, Magna's customers include most of the automobile manufacturers, such as BMW (including MINI and Rolls Royce), DaimlerChrysler (including SMART), Volkswagen (including Audi, Skoda, SEAT and Bentley), General Motors and its European affiliates (including Opel and Saab), Ford and its European affiliates (including Jaguar, Volvo and Land Rover), Renault-Nissan, MG Rover Group, Fiat, Porsche, PSA Peugeot Citroën, Toyota, Honda and Mitsubishi.

Trends

The Magna group contributes in excess of 99% of the rental revenues of our Real Estate Business and so the trends in the automotive sector have an impact on our Real Estate Business. A number of trends have had a significant impact on the global automotive industry, including:

- increased pressure by automobile manufacturers on automotive components suppliers to reduce their prices and bear additional costs;
- increased prices for key commodities used in parts production;
- globalization and consolidation of the automotive industry, including both automobile manufacturers and automotive components suppliers;
- the evolving role of independent automotive components suppliers and their progression up the "value chain";
- increased outsourcing and modularization of vehicle production;
- increased prevalence of lower volume "niche" vehicles built off high-volume global vehicle platforms;
- growth of Asian-based automobile manufacturers in North America and Europe; and
- growth of automotive production in emerging markets.

To capitalize on the recent trends in the automotive industry, Magna's business strategy is to achieve and maintain a leading global position with all major automobile manufacturers in North America, South America, Europe and Asia, as a full service supplier of metal body and structural systems, interior and exterior modules, mirrors and electronics, powertrain and drivetrain components and systems, with vehicle engineering and assembly, program management and systems integration capabilities.

DESCRIPTION OF CAPITAL STRUCTURE

Public Debt

In December 2004, we issued Cdn.\$265 million of 6.05% Senior Unsecured Debentures due December 22, 2016 at a price of Cdn.\$995.70 per Cdn.\$1,000 of principal amount.

Share Capital

Our authorized share capital consists of an unlimited number of Class A Subordinate Voting Shares, 706,170 Class B Shares and an unlimited number of Preference Shares issuable in series, all with no par value. As of March 17, 2005, there were 47,712,083 Class A Subordinate Voting Shares (which includes 70,000 shares issued upon exercise of options subsequent to year end), 548,238 Class B Shares and no Preference Shares issued and outstanding, and the votes attached to our Class A Subordinate Voting Shares represented 14.8% of the aggregate voting rights attached to our securities. As at December 31, 2004, options to purchase an aggregate of 320,000 Class A Subordinate Voting Shares at Cdn.\$31.85 per share and options to purchase an aggregate of 170,000 Class A Subordinate Voting Shares at \$35.62 were issued and unexercised under the Stock Option Plan. At December 31, 2004, 2,300,000 Class A Subordinate Voting Shares remained available for future issuance under the Stock Option Plan, excluding securities issuable upon conversion of outstanding options.

Class A Subordinate Voting Shares

The holders of our Class A Subordinate Voting Shares are entitled:

- to one vote for each Class A Subordinate Voting Share held (together with the holders of our Class B Shares, which are entitled to vote at such meetings on the basis of 500 votes per Class B Share held) at all meetings of our shareholders other than meetings of the holders of another class or series of shares;
- on a *pro rata* basis with the holders of our Class B Shares, to receive any dividends (except for stock dividends as described below) that may be declared by our Board of Directors, subject to the preferential rights attaching to shares ranking in priority to our Class A Subordinate Voting Shares and Class B Shares; and
- after the payment of all our liabilities and subject to the rights of the holders of our shares ranking in priority to our Class A Subordinate Voting Shares and our Class B Shares (including holders of our Preference Shares), to receive, on a *pro rata* basis with the holders of our Class B Shares, all our property and net assets available for distribution in the event of our liquidation, dissolution or winding-up, whether voluntary or involuntary, or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs.

Class B Shares

The holders of our Class B Shares are entitled:

- to 500 votes for each Class B Share held (together with the holders of our Class A Subordinate Voting Shares, which are entitled to vote at such meetings on the basis of one vote per share held) at all meetings of our shareholders other than meetings of the holders of another class or series of shares;
- on a *pro rata* basis with the holders of our Class A Subordinate Voting Shares (except for stock dividends as described below), to receive any dividends that may be declared by our

Board of Directors, subject to the preferential rights attaching to shares ranking in priority to our Class B Shares and our Class A Subordinate Voting Shares;

- after the payment of all our liabilities and subject to the rights of the holders of our shares ranking in priority to our Class B Shares and our Class A Subordinate Voting Shares (including holders of our Preference Shares), to receive, on a *pro rata* basis with the holders of our Class A Subordinate Voting Shares, all our property and net assets available for distribution in the event of our liquidation, dissolution or winding-up, whether voluntary or involuntary, or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs; and
- from time to time, to convert our Class B Shares into our Class A Subordinate Voting Shares on a one-for-one basis.

Stock Dividends

Under our articles of amalgamation, our Board of Directors may declare a simultaneous dividend payable on our Class A Subordinate Voting Shares in our Class A Subordinate Voting Shares and payable on our Class B Shares in our Class A Subordinate Voting Shares or in our Class B Shares. No dividend payable in our Class B Shares may be declared on our Class A Subordinate Voting Shares.

Preference Shares

Our Board of Directors may, without the approval of any of our shareholders, fix the number of shares in and determine the attributes of an individual series of Preference Shares and issue shares of such series from time to time. The shares of each such series will be entitled to a preference over our Class A Subordinate Voting Shares and our Class B Shares but will rank equally with the Preference Shares of every other series with respect to the payment of dividends and in the distribution of all our property and net assets available for distribution in the event of our liquidation, dissolution or winding-up, whether voluntary or involuntary, or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs.

Amendments to the Share Provisions and Other Matters

The provisions attaching to our Preference Shares, to a series of Preference Shares, to our Class A Subordinate Voting Shares and to our Class B Shares may not be deleted or varied without the approval of the holders of the class or series concerned. In addition, no shares of a class ranking prior to or on a parity with our Preference Shares, our Class A Subordinate Voting Shares or our Class B Shares may be created without the approval of the holders of the class or each series of the class concerned. Any approval required to be given must be given by the vote of two-thirds of those present or voting at a meeting of the holders of the class or series concerned duly called for that purpose in addition to any other consent or approval required by law.

Neither our Class A Subordinate Voting Shares nor our Class B Shares may be subdivided, consolidated, reclassified or otherwise changed unless, contemporaneously therewith, the other class of shares is subdivided, consolidated, reclassified or otherwise changed in the same proportion and in the same manner.

Takeover Protection

Under applicable Canadian law, an offer to purchase our Class B Shares would not necessarily result in an offer to purchase our Class A Subordinate Voting Shares. Accordingly, our articles of amalgamation provide that our Class A Subordinate Voting Shares are convertible into our Class B Shares on a one-for-

one basis, at the option of the holder, upon an offer being made for our Class B Shares where:

- (1) by reason of applicable securities legislation or stock exchange requirements, the offer must be made to all holders of Class B Shares; and
- (2) no equivalent offer is made for our Class A Subordinate Voting Shares;

for the purpose of allowing the holders of our Class A Subordinate Voting Shares to tender into such offer.

Credit Facility

We have an unsecured senior revolving credit facility in the amount of \$50.0 million. The credit facility is available by way of U.S. or Canadian dollar loans or letters of credit. The credit facility expires on December 23, 2005, unless extended with the consent of both parties. Interest on drawn amounts is calculated based on an applicable margin determined by the Real Estate Business' ratio of funded debt to earnings before interest, income tax expense, depreciation and amortization. Currently, we are subject to the lowest applicable margin available, with drawn amounts incurring interest at LIBOR or bankers' acceptance rates plus 1.0%, or the U.S. base or Canadian prime rate. The credit facility contains negative and affirmative financial and operating covenants. At December 31, 2004, we were in compliance with all of these covenants. At December 31, 2004, we had no borrowings under the facility, but we had issued letters of credit totaling \$0.3 million.

Credit Ratings

Our senior unsecured indebtedness, including our senior unsecured debentures, currently has a rating of BBB (high) from DBRS and a rating of Baa3 from Moody's Investors Service, Inc. ("Moody's").

According to the DBRS rating system, long-term debt rated BBB is of adequate credit quality. Protection of interest and principal is considered acceptable, but the entity is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the entity and its rated securities. Each rating category is denoted by the subcategories "high" and "low". The absence of either a "high" or "low" designation indicates the rating is in the "middle" of the category. DBRS also assigns rating trends to each of its ratings to give investors an understanding of DBRS' opinion regarding the outlook for the rating in question.

According to Moody's rating system, debt securities rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics. Numerical modifiers 1, 2 and 3 are applied to each rating category, with 1 indicating that the obligation ranks in the higher end of the category, 2 indicating a mid-range ranking and 3 indicating a ranking in the lower end of the category.

DIVIDEND POLICY

MID

Holders of our Class A Subordinate Voting Shares and our Class B Shares are entitled to receive such dividends as may be declared by our Board of Directors on a *pro rata* basis, subject to the preferential rights attaching to our Preference Shares (none of which has been issued) and to any other of our shares ranking in priority to our Class A Subordinate Voting Shares and our Class B Shares (none of which has been issued).

Subject to applicable law, we expect to pay dividends on our Class A Subordinate Voting Shares and Class B Shares in accordance with a dividend policy to be determined by our Board of Directors from time to time. The dividend rate will be established by our Board having regard to our financial resources, cash requirements and other relevant factors. During 2004, the Company paid four quarterly dividends of \$0.09 per Class A Subordinate Voting Share and Class B Share in respect of the fourth quarter of fiscal 2003 and each of the first three quarters in fiscal 2004. No dividends were paid in fiscal 2003. The first quarterly dividend of fiscal 2005, \$0.09 per share in respect of the fourth quarter of 2004, is payable on or after April 15, 2005 to shareholders of record at the close of business on March 31, 2005.

MEC

MEC has never declared or paid dividends on its Class A Subordinate Voting Stock or Class B Stock and it does not anticipate declaring or paying cash dividends until it generates after-tax profits, if ever. The holders of MEC's Class A Subordinate Voting Stock and Class B Stock are entitled to receive their proportionate share of dividends declared by MEC's board of directors, except in the case of certain stock dividends. Any dividends will be declared on MEC's Class A Subordinate Voting Stock and Class B Stock in accordance with its restated certificate of incorporation, including its Corporate Constitution, which sets forth certain dividend entitlements for MEC's stockholders if it generates after-tax profits, subject to applicable law.

MARKET FOR SECURITIES

Our Class A Subordinate Voting Shares and our Class B Shares are listed and posted for trading on the Toronto Stock Exchange under the symbols "MIM.SV.A" and "MIM.MV.B", respectively, and our Class A Subordinate Voting Shares are listed and posted for trading on the New York Stock Exchange under the symbol "MIM".

The following table provides information regarding the price range and volume traded for our Class A Subordinate Voting Shares and our Class B Shares on the Toronto Stock Exchange on a monthly basis for each month of the year ended December 31, 2004.

	Class A Subordinate Voting Shares			Class B Shares		
	High (Cdn.\$)	Low (Cdn.\$)	Traded Volume	High (Cdn.\$)	Low (Cdn.\$)	Traded Volume
January 2004	37.10	32.80	2,838,609	41.00	37.00	3,773
February 2004	39.90	35.50	385,039	41.00	38.00	834
March 2004	41.00	34.25	1,471,724	41.25	41.25	210
April 2004	37.50	33.48	1,170,500	-	-	-
May 2004	36.45	33.30	567,489	36.85	36.50	725
June 2004	37.23	35.25	415,356	40.00	39.00	1,150
July 2004	36.20	28.54	1,071,660	41.00	37.50	576
August 2004	31.83	28.77	459,350	46.50	39.00	3,088
September 2004	34.98	30.13	472,718	-	-	-
October 2004	32.36	30.29	447,783	-	-	-
November 2004	35.00	30.96	306,128	-	-	-
December 2004	37.00	33.18	564,041	36.81	36.01	277

In December 2004, we issued Cdn.\$265 million of 6.05% Senior Unsecured Debentures due December 22, 2016 at a price of Cdn.\$995.70 per Cdn.\$1,000 of principal amount.

DIRECTORS AND OFFICERS; AUDIT COMMITTEE

The following table provides the name, province or state and country of residence, the position and office held with us and the present principal occupation (if not with the Company) of each of our directors and executive officers and, with respect to our directors, the date since which such director has served on our board:

Name, Province/State and Country of Residence	Position and Office Held with the Company	Present Principal Occupation (if not with the Company)	Director Since
Frank Stronach ⁽¹⁾ Oberwaltersdorf, Austria	Chairman of the Board and Director	Partner, Stronach & Co. (Consultant)	August 29, 2003
Dennis J. Mills ⁽¹⁾⁽²⁾ Ontario, Canada	Vice-Chairman of the Board and Director	N/A	August 30, 2004
The Honourable M. Douglas Young, P.C. ⁽³⁾⁽⁴⁾ New Brunswick, Canada	Lead Director	Chairman, Summa Strategies Canada Inc., which provides strategic counsel and advice on government relations and the development and management of public policy	August 30, 2004
Barry B. Byrd Florida, USA	Director	Partner, Pineiro, Wortman & Byrd, P.A., a law firm	August 29, 2003
Neil G. Davis ⁽⁴⁾⁽⁵⁾ Ontario, Canada	Director	Partner, Davis Webb Schulze & Moon LLP (Barristers and Solicitors)	March 17, 2005
Philip K. Fricke ⁽³⁾⁽⁴⁾⁽⁵⁾ New Jersey, USA	Director	President, PKF Financial Consultants, Inc., a strategic and financial planning, execution and communications firm for public companies	August 29, 2003
Manfred Jakszus ⁽³⁾ Enzersdorf, Austria	Director	Independent investor and real estate developer	August 29, 2003
Judson D. Whiteside ⁽⁵⁾ Ontario, Canada	Director	Chairman and Chief Executive Officer, Miller Thomson LLP (Barristers and Solicitors)	March 17, 2005
John D. Simonetti Ontario, Canada	Chief Executive Officer; Director	N/A	March 8, 2005
Doug R. Tatters..... Ontario, Canada	Executive Vice-President and Chief Financial Officer	N/A	N/A
Richard J. Crofts Ontario, Canada	Executive Vice-President, Corporate Development, General Counsel and Secretary	N/A	N/A
Robert S. Mintzberg Ontario, Canada	Controllor	N/A	N/A

Notes:

- (1) Member of the Board of Directors of MEC.
- (2) Member of the Executive Management Committee of MEC.
- (3) Member of the Special Committee of Independent Directors, chaired by Douglas Young.
- (4) Member of the Audit Committee, chaired by Philip K. Fricke.
- (5) Member of the Corporate Governance and Compensation Committee, chaired by Judson Whiteside.

As of March 17, 2005, our directors and executive officers as a group (12 persons) beneficially owned, directly or indirectly, or exercised control or direction over, 2,261,622 of our outstanding Class A Subordinate Voting Shares, representing approximately 4.7% of our outstanding Class A Subordinate Voting Shares, 485,006 of our outstanding Class B Shares, representing approximately 88.5% of our outstanding Class B Shares, 8,716,589 shares of Class A Subordinate Voting Stock of MEC, representing approximately 17.8% of the outstanding shares of Class A Subordinate Voting Stock of MEC, and 58,466,056 shares of Class B Stock of MEC, representing all of the outstanding Shares of Class B Stock of MEC. The majority of these shareholdings are attributable to associates of Mr. Stronach.

Directors are elected to serve until the next annual meeting of our shareholders. Officers serve at the pleasure of our board of directors.

Certain background concerning our directors and officers, including their principal occupations over the last five years, is summarized below.

Frank Stronach - Chairman of the Board and Director

Mr. Stronach is the founder and Chairman of Magna, the most diversified automotive components supplier in the world. Mr. Stronach was born in Weiz, Austria and immigrated to Canada in 1954 with a working background in tool and machine engineering. In 1957, he formed a tool and die company in Toronto, Multimatic Investments Limited, which subsequently expanded into the production of automotive components. In 1969, Multimatic Investments Limited merged with Magna Electronics Corporation Limited (which ultimately became Magna International Inc.), with Mr. Stronach as one of the controlling shareholders. Under Mr. Stronach's leadership, Magna launched a major North American expansion in the mid to late 1980s and a major global expansion in the early 1990s, which saw Magna broaden its base of operations in Europe, Asia and South America. In 1999, Mr. Stronach became the founder and Chairman of MEC. Mr. Stronach is also a leading owner of thoroughbred racehorses in North America. He has served on numerous corporate, government and university boards and has provided assistance to a wide range of charitable and community service organizations. Mr. Stronach is the recipient of numerous honorary degrees and awards, including induction into the Canadian Business Hall of Fame.

Dennis J. Mills – Vice-Chairman of the Board and Director

Mr. Mills is a former Vice-President of Magna from 1984 to 1987 and served as a Member of Parliament in Canada's federal parliament from 1988 to 2004. While a Member of Parliament, Mr. Mills was Parliamentary Secretary to the Minister of Industry from 1993 to 1996, the Parliamentary Secretary to the Minister of Consumer and Corporate Affairs from 1993 to 1995 and the Chair of the Committee studying the Industry of sport in Canada. Mr. Mills was the Senior Policy Advisor to the Cabinet Committee on Communications (1980-1984), Advisor to the Minister of Energy (1980-1981), Senior Advisor to the Minister of Multiculturalism (1980), and Senior Communications Advisor to the Prime Minister of Canada, The Right Honourable Pierre Elliott Trudeau (1980-1984). Mr. Mills is Vice-Chairman of MEC and a member of its Executive Management Committee.

The Honourable M. Douglas Young, P.C. - Lead Director

Mr. Young is Chairman of Summa Strategies Canada Inc., Connors Bros. Income Fund and Heating Oil Partners Income Fund. Mr. Young, a former director of Tesma, serves on the Board of Directors of Magellan Aerospace Corporation, Australia Railroad Group PTY Ltd., Genesee & Wyoming Inc., and is Counsel to Atlantic Canada Lawyers, Patterson Palmer. Mr. Young was a federal Member of Parliament from 1988 to 1997 and between 1993 and 1997 he served at various times as Canada's Minister of Transport, Minister of Human Resources Development or Minister of National Defence and Veterans Affairs.

Barry B. Byrd - Director

Mr. Byrd has been a partner of the law firm of Pineiro, Wortman & Byrd, P.A. in Palm Beach Gardens, Florida, since February of 2003. Prior to co-founding his current law firm, Mr. Byrd practised with Watterson, Hyland & Klett, P.A. in Palm Beach Gardens, Florida since 1996. Mr. Byrd has been practising law in the State of Florida for over 23 years and has been certified as a real estate specialist by the Florida Bar Association. He has been involved with numerous civic organizations in Palm Beach County, such as the Northern Palm Beaches Chamber of Commerce, where he acted as both President and director and the Abacoa Partnership for Community, where he is currently a director and the Chairperson. Mr. Byrd earned his B.A. in economics in 1977 and his J.D. in 1979, both from Stetson University, Florida. Mr. Byrd was formerly a director of Tritec Power Systems, Ltd., which ceased doing business in 2001, at which time a cease trade order was issued.

Neil G. Davis – Director

Mr. Davis is a partner with the law firm of Davis Webb Schulze & Moon LLP where he practices with an emphasis on municipal, planning and environmental work and expertise in commercial real estate and corporate law. Mr. Davis is a director of Intier and a former director of Decoma. He also serves as Chairman of the Georgian Bay Land Trust, past Director of the Community Care Access Centre of Peel, past Governor of Sheridan College, past Chair of leadership gifts for YMCA Capital Campaign, and present and past Director of a number of local community organizations.

Philip K. Fricke - Director

Mr. Fricke is the founder and President of PKF Financial Consultants, Inc., a strategic and financial planning, execution and communications firm for public companies that he started in 2001. Prior to that, Mr. Fricke spent more than 25 years working on Wall Street as a "sell side" securities analyst covering the automotive sector, principally at LF Rothschild, Goldman Sachs, and Prudential Securities, and most recently at CIBC Oppenheimer from September 1998 to November 1999 and at First Union Securities from January 2000 to March 2001. Mr. Fricke holds a B.A. in psychology, M.A. in psychology and M.B.A. in finance and economics, all from Fairleigh Dickinson University.

Manfred Jakszus - Director

Mr. Jakszus is an independent investor and developer of real estate projects in Austria. Between 1980 and 1990, he held the position of head of facility management at Austrian Central Bank. Mr. Jakszus co-founded IG-Immobilien, the Austrian Central Bank's real estate subsidiary, in 1991. As managing director of IG-Immobilien from 1991 until 2002, Mr. Jakszus established administration, facilities management and real estate development departments. He also acted as chief executive officer of two real estate companies in Brussels and Amsterdam in the 1990s and has been involved in the development and renting of industrial real estate and shopping malls. Mr. Jakszus retired as managing director of IG-Immobilien in 2002.

Judson D. Whiteside – Director

Mr. Whiteside is a Senior Partner of Miller Thomson LLP, and is currently Chair and Chief Executive Officer of that law firm. Mr. Whiteside is a former director of Tesma. Mr. Whiteside is also Past President of the Canadian Cancer Society, South Central Ontario, Member of the Board of Governors of the University of Waterloo, Chairman of the Board of the Miller Thomson Foundation, Director of the Direct Sellers Association and Honorary Director of the Canadian Professional Golfers' Association.

John D. Simonetti – Chief Executive Officer; Director

Mr. Simonetti has served as our Chief Executive Officer since September 2004 and prior to that as our Vice-President and Chief Financial Officer since August 2003. Mr. Simonetti was appointed to our Board on March 8, 2005. Before joining our company, Mr. Simonetti was employed by Magna, most recently as Vice-President, Taxation. Mr. Simonetti previously held the position of Assistant Vice-President, Taxation of Magna from September 1997 to December 1998, and has been involved in a broad range of financings, acquisitions, restructurings and other transactions for Magna and its operating groups, including our company. Prior to joining Magna, Mr. Simonetti was employed by Coopers & Lybrand in Toronto from 1985 to 1995, where his last position held was that of Tax Principal.

Doug R. Tatters - Executive Vice-President and Chief Financial Officer

Mr. Tatters, a chartered accountant, has served as our Executive Vice-President and Chief Financial Officer since September 2004. Prior to his appointment at MID, Mr. Tatters had been Vice-President and Controller of MEC since March 2001. Prior to joining MEC, Mr. Tatters worked as a consultant with Decoma for approximately six months. From September 1998 to June 2000, he served as Vice-President, Operations and Finance at Canada's largest manufacturer and distributor of paint sundry products. Immediately prior to that, he was the Controller of Magna from February 1996 to September 1998. Prior to joining Magna, Mr. Tatters was a Principal in the General Practice Group at Coopers & Lybrand in Toronto.

Richard J. Crofts - Executive Vice-President, Corporate Development, General Counsel and Secretary

Mr. Crofts has served as our Executive Vice-President, Corporate Development, General Counsel and Secretary since October 2004 after joining the company as Vice-President, Corporate Development, and Assistant General Counsel in September 2004. Prior to that, he served as Vice-President, Legal & Corporate Development of MEC from November 2003 to September 2004, as Vice-President, Corporate Development of MEC from May 2003 to November 2003, and as Corporate Counsel of MEC from April 2002 to May 2003. Prior to joining MEC, Mr. Crofts was an associate attorney with the Toronto office of the New York law firm of Shearman & Sterling LLP from September 1999 to April 2002. He is a member of the bar in both New York State and Ontario.

Robert S. Mintzberg - Controller

Mr. Mintzberg, a chartered accountant, has served as our Controller since December 2004 and was appointed an officer of MID on March 1, 2005. Prior to joining MID, Mr. Mintzberg served as Vice-President and Corporate Controller of Clarke Inc., a leader in North American transportation and logistics services, between November 2003 and November 2004. Mr. Mintzberg joined Clarke Inc. after eight years of experience with Ernst & Young LLP, both in Toronto, Canada and Auckland, New Zealand, where his last position held was that of a Senior Manager in the Assurance and Advisory Business Services Group.

Audit Committee

MID has a separately designated standing audit committee (the “Audit Committee”) comprised of Messrs. Philip Fricke (Chair), Neil Davis and Douglas Young, each of whom has been determined by the Board to be “unrelated” under the Toronto Stock Exchange Guidelines for Effective Corporate Governance and “independent” under Canadian securities rules and the corporate governance standards of the New York Stock Exchange applicable to audit committees. Each member of the Audit Committee is independent and financially literate, as such terms are defined in Multilateral Instrument 52-110 – *Audit Committees*.

The Audit Committee is responsible for the appointment, compensation, retention and oversight of the work of the independent auditor. The Audit Committee has established a policy to pre-approve all audit services and permitted non-audit services provided to us by Ernst & Young LLP, as well as the related fees to be paid to the external auditor. Under this policy, subject to certain conditions, specified audit, audit-related, tax and other services may be presented to the Audit Committee for pre-approval as a well-defined category of services on an annual or project basis. All services not otherwise pre-approved by the Audit Committee must be pre-approved on an individual basis. The Audit Committee has delegated to the Chairman of the Audit Committee the authority to act on behalf of the Audit Committee with respect to the pre-approval of all audit and permitted non-audit services provided by the external auditor from time to time. Any approvals by the Chairman are reported to the full Audit Committee at the following meeting. In pre-approving audit and permitted non-audit services, the Chairman and the Audit Committee consider Canadian and United States rules on auditor independence and whether the external auditor is best positioned to provide the most effective and efficient service to the Company.

The charter of the Audit Committee is attached as Appendix A to this Annual Information Form and has been posted to our website at www.midevelopments.com.

Audit Fees

The following table sets forth the fees billed to us by Ernst & Young LLP and its affiliates for professional services rendered in each of the fiscal years ended December 31, 2004 and December 31, 2003. During these years, Ernst & Young LLP was our only external auditor. All figures are in Canadian dollars.

Fees	2004	2003
Audit Fees (1)	\$757,300	\$504,463
Audit-Related Fees (2).....	\$33,774	\$3,750
Tax Fees (3)	\$123,345	\$33,000
All Other Fees (4)	--	--
Total	\$914,419	\$541,213

Notes:

- (1) Audit Fees consist of fees billed for the annual audit of our consolidated financial statements and services that are normally provided in connection with our statutory and regulatory filings.
- (2) Audit-Related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and that are not included in category (1) above. They include consultations concerning financial accounting and reporting standards, review of security controls and operational effectiveness of systems, due diligence related to acquisitions and employee benefit plan audits.

- (3) Tax Fees include fees billed for tax compliance, tax advice and tax planning services, including the preparation of original and amended tax returns.
- (4) All Other Fees capture fees in respect of all services not falling under any of the foregoing categories.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our Class A Subordinate Voting Shares and our Class B Shares is Computershare Investor Services Inc. at its principal offices in Toronto, Ontario. The co-transfer agent and co-registrar for our Class A Subordinate Voting Shares and our Class B Shares in the United States is Computershare Trust Company, Inc. at its offices in Golden, Colorado.

LEGAL PROCEEDINGS

MID is party to various legal actions and claims arising in the ordinary course of its business, such as litigation with contractors, suppliers, governmental authorities, sellers and purchasers. We believe that none of these actions or claims, either individually or in combination, has had or, in the case of current actions and claims, will have, a material adverse effect on our financial condition or results of operations.

For information in relation to MEC's material legal proceedings, please refer to the section entitled "Legal Proceedings" in MEC's 10-K, which section is hereby incorporated by reference. MEC's complete 10-K is available on SEDAR and on the SEC's website at www.sec.gov. We have separately filed on SEDAR all of the portions of MEC's 10-K that we are incorporating by reference into this annual report. MEC has its own Board of Directors and management team, who have prepared MEC's 10-K independently and without our involvement. MID has not verified, nor do we take responsibility for, the accuracy or completeness of the information contained in MEC's 10-K.

MATERIAL CONTRACTS

In December 2004, we entered into an agreement to provide project financing to MEC of \$115.0 million for the reconstruction of the facilities at Gulfstream Park Racetrack (including the clubhouse/grandstand facility and the backstretch) and \$77.0 million for the reconstruction and development of The Meadows racetrack and slot facility in Pennsylvania (including the clubhouse/grandstand facility and the slot machine facility). For a summary of the terms of the loans, please refer to our material change report dated December 9, 2004, incorporated by reference herein and available on SEDAR at www.sedar.com. The loan agreement dated December 9, 2004 related to the reconstruction of the Gulfstream Park Racetrack is available on SEDAR at www.sedar.com, filed on March 22, 2005, and is hereby incorporated by reference. In addition, the loan agreement has been filed on the SEC's website, www.sec.gov, by MEC.

Also in December 2004, we entered into a trust indenture with BNY Trust Company of Canada, pursuant to which we issued Cdn.\$265 million of 6.05% Senior Unsecured Debentures due December 22, 2016 at a price of Cdn.\$995.70 per Cdn.\$1,000 of principal amount. The Debentures rank equally with all of our existing and future senior unsecured indebtedness. Pursuant to the terms of the indenture, the debentures are redeemable, in whole or in part, at MID's option at any time and from time to time, at a price equal to accrued and unpaid interest plus the greater of (a) the principal amount of the Debentures to be redeemed; and (b) the Canada Yield Price. The Canada Yield Price means, in respect of a Debenture, a price equal to the price which, if the Debenture were to be issued at such price on the redemption date, would provide a yield thereon from the redemption date to its maturity date equal to 42.5 basis points above the yield that a non-callable Government of Canada bond, trading at par, would carry if issued on the redemption date with a maturity date of December 22, 2016. The Indenture also contains covenants that, subject to

specified conditions and exceptions, restrict the ability of MID and certain of its subsidiaries to (i) create, grant or assume liens on property or assets and (ii) create, assume, incur or guarantee additional indebtedness. The Indenture is available on SEDAR at www.sedar.com, filed December 23, 2004, and is hereby incorporated by reference. In addition, we have filed the Indenture on the SEC's website, www.sec.gov, as part of our annual report on Form 40-F.

For details relating to MEC's material contracts, please consult the exhibit index to MEC's 10-K, available on SEDAR at www.sedar.com and on the SEC's website at www.sec.gov.

EXPERTS

The financial statements for the financial year ended December 31, 2004 have been audited by Ernst & Young LLP, Chartered Accountants, our auditor.

ADDITIONAL INFORMATION

Additional information relating to MID may be found on SEDAR at www.sedar.com. Additional information, including directors' and executive officers' compensation and indebtedness, principal holders of our securities and securities authorized for issuance under our equity compensation plans is also contained in our Management Information Circular for our annual and special meeting of shareholders to be held on May 4, 2005. Additional financial information is provided in our Audited Consolidated Financial Statements and Management's Discussion and Analysis of Results of Operations and Financial Condition for the Year Ended December 31, 2004.

Appendix A

Audit Committee Charter

Purpose

- (1) The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of the Corporation shall provide assistance to the Board in fulfilling its oversight responsibilities to the Corporation’s shareholders with respect to the integrity of the Corporation’s financial statements and reports and financial reporting process. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Board, the independent Auditor, the internal auditors of the Corporation (the “Internal Auditors”) and management of the Corporation and monitor their performance, recognizing that the independent Auditor is ultimately responsible to the Committee, the Board and the shareholders of the Corporation.

Organization

- (2) The Committee shall be composed of not less than three (3) nor more than five (5) members, each of whom shall be financially literate and shall have such accounting or financial management expertise as is required to comply with the applicable law and the applicable rules and regulations of the Ontario Securities Commission (“OSC”) and the United States Securities and Exchange Commission (“SEC”), The New York Stock Exchange (“NYSE”) and any other regulator or authority from time to time. Each of such members shall meet the independence standards required by the applicable rules of the OSC, the SEC, the NYSE and any other applicable regulatory authorities which are in effect from time to time. No member of the Committee shall serve as a member of the audit committee of more than three other boards of directors of other public companies. The Board shall annually appoint the members of the Committee and appoint a Chairman from among those appointed, to hold office until the next annual meeting of shareholders of the Corporation. The members of the Committee shall serve at the pleasure of the Board and vacancies occurring from time to time shall be filled by the Board.
- (3) A majority of the members of the Committee shall constitute a quorum and all actions of the Committee shall be taken by a majority of the members present at the meeting.
- (4) Meetings of the Committee shall be called by the Chairman of the Committee, and may be called by any member of the Committee, by the Chairman, the Deputy Chairman, a Vice-Chairman, the Chief Executive Officer, the President, the Chief Financial Officer or the Secretary of the Corporation, by the head of the Corporation’s Internal Audit Department or by the independent Auditor of the Corporation.
- (5) Unless otherwise determined by the Committee, the Secretary or an Assistant Secretary of the Corporation shall act as Secretary of the Committee and shall provide the independent Auditor, the Chairman, the Deputy Chairman, the Chief Executive Officer, the President, any Vice-Chairman, and the Chief Financial Officer of the Corporation as well as the head of the Internal Audit Department and each member of the Committee with notice of each meeting of the Committee, all of whom shall be entitled to attend each Committee meeting. The Secretary of the Committee will keep minutes of the Committee and such minutes will be retained in the corporate records of the Corporation. The Chairman of the Committee or the Committee may request any officer or employee of the Corporation or its affiliates to attend a Committee meeting.

- (6) In addition to any meeting of the Committee called pursuant to Section 4 above, the Committee shall meet with management and the independent Auditor of the Corporation within:
- (a) forty-five (45) days, or such lesser period as may be prescribed by applicable law, following the end of each of the first three financial quarters of the Corporation, but in any event prior to the release of the financial results for each such quarter and their filing with the applicable regulatory authorities, to review and discuss the financial results of the Corporation for the preceding fiscal quarter and the related Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A") as well as the results of the independent Auditor's review of the financial results for such quarter and, if satisfied, report thereon to, and recommend their approval by, the Board and their inclusion in the Corporation's required regulatory filings for such quarter; and
 - (b) ninety (90) days, or such lesser period as may be prescribed by applicable law, following the financial year-end of the Corporation, but in any event prior to the release of the financial results for the financial year and their filing with the applicable regulatory authorities, to review and discuss the audited financial statements of the Corporation for the preceding fiscal year and the related MD&A and, if satisfied, report thereon to, and recommend their approval by, the Board and the Corporation's shareholders as required by applicable law and their inclusion in the Corporation's Annual Report and other required regulatory filings.

In reviewing the quarterly and annual financial results the Committee shall ensure that there are adequate procedures for review of such financial results, including timely review by the independent Auditor.

- (7) For the purpose of performing their duties and responsibilities, the members of the Committee shall have full access to and the right to discuss any matters relating to such duties with management, any employee of the Corporation, the Internal Audit Department staff, the independent Auditor or any advisors to the Corporation as well as the right to inspect all books, records and facilities of the Corporation and its subsidiaries and shall be permitted to discuss such books, records and facilities and other matters relating to the financial position of the Corporation with the employees, management, the independent Auditor and other external advisors of the Corporation as well as the Internal Auditors.
- (8) The Committee may retain outside financial, legal and other experts at the expense of the Corporation as it deems reasonably necessary to assist and advise the Committee in carrying out the Committee's duties and responsibilities.

Duties and Responsibilities

- (9) With respect to audit related matters and in addition to the duties and obligations of the Committee under applicable law, the Committee may examine and consider such matters in relation to the internal and external audit of the Corporation's accounts (including the results of such audits), financial controls, financial reporting and in relation to the general financial affairs of the Corporation as the Committee may deem necessary or desirable except for those matters specifically delegated by the Board to another standing Board committee or retained by the Board.

In carrying out the Committee's responsibilities, the Committee shall:

- (a) be directly responsible for the appointment, compensation, retention and oversight of the work of the independent Auditor, including resolution of disagreements between management and the independent Auditor regarding financial reporting, for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the Corporation;
- (b) pre-approve, or establish procedures and policies for the pre-approval of, the engagement and compensation of the independent Auditor in respect of (i) all audit, audit-related, review or attest engagements required by applicable law and (ii) all non-audit services permitted to be provided by the independent Auditor in accordance with applicable law and the rules of the OSC, the SEC and other applicable regulatory authority;
- (c) review and approve the objectives and general scope of the external audit (including the overall audit plan, the proposed timing and completion dates) and discuss the external audit with the independent Auditor;
- (d) evaluate the performance, quality control procedures and efficiency of the independent Auditor in carrying out its responsibilities, review the experience and qualifications of the independent Auditor team, make annual recommendations to the Board as to the appointment or re-appointment of the independent Auditor, and need for rotation of the independent Auditor (if any) and review such Auditor's independence, including the receipt at least annually of a disclosure report from the independent Auditor regarding such Auditor's independence as required by Independence Standards Board Standard No. 1 "Independence Discussions with Audit Committee", or other applicable regulatory requirements;
- (e) satisfy itself generally that there is a good working relationship between management and the independent Auditor, review any management letters, schedule of unadjusted differences or other reports of the independent Auditor and discuss any material differences of opinion between management and the independent Auditor;
- (f) satisfy itself that management has established and is maintaining an adequate and effective system of internal financial and accounting controls and is responding on a timely basis to any significant weaknesses which have been identified, meet with and review significant reports of the Internal Auditors and the independent Auditor relating to such internal controls and review the appointment, termination and replacement of the senior management of the Internal Auditors, the scope of the Internal Auditor's work plan and the overall performance, staffing and resources of the Internal Auditors;
- (g) review annually management's assessment and report relating to the effectiveness of the Corporation's internal financial controls and procedures in respect of each fiscal year of the Corporation, as well as the Independent Auditor's attestation of such assessment, in each case when required under applicable law;
- (h) review (i) the selection, use and quality of application of, and proposed material changes to, critical accounting principles and practices and related judgments, and (ii) alternative GAAP treatments for policies and practices relating to material items, including the ramifications of such alternative disclosures or treatments and any preferred treatment, to ensure that the critical accounting policies and practices and GAAP treatments adopted are appropriate and consistent with the Corporation's needs and applicable requirements, and discuss the same with the independent Auditor;

- (i) review with management and the independent Auditor any issues raised by regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Corporation's financial statements or accounting or auditing practices;
- (j) review on behalf of the Board, any actual or potential illegal, improper or fraudulent behaviour which may have a negative effect on the integrity or reputation of the Corporation, review the findings of any regulatory authorities in relation to the financial affairs of the Corporation, review the disclosure of all insider and related party transactions and monitor compliance with the Corporation's Code of Conduct which may be in effect from time to time;
- (k) satisfy itself that there is an agreed course of action leading to the resolution of significant unsettled issues that do not affect the audited financial statements (e.g., disagreements regarding correction of internal control weaknesses or the application of accounting principles to proposed transactions), if any;
- (l) assess with management the Corporation's material risk exposures and the Corporation's actions to monitor and control such exposures;
- (m) review and approve the hiring of former employees of the independent Auditor who were engaged on the Corporation's account within the last three years prior to such hiring;
- (n) review all material off-balance sheet transactions and the related accounting presentation and disclosure;
- (o) discuss with the independent Auditor the matters required to be discussed by the Statement of Auditing Standards No. 54, 61, 89 and 90 (and comparable generally accepted auditing standards in Canada) and other applicable standards or requirements in effect from time to time relating to the conduct of the audit and quarterly review of the interim financial results;
- (p) review and assess this Audit Committee Charter/Mandate annually and make recommendations to the Board for such changes to the Charter/Mandate as the Committee shall consider necessary or desirable;
- (q) prepare the Audit Committee report in the form and at the time required by the applicable rules of the OSC, SEC, NYSE or other regulatory authorities which are in effect from time to time for inclusion in the Corporation's Annual Report, Annual Information Form and/or information circular/proxy statement;
- (r) review and approve in advance all non-audit services otherwise permitted at law to be provided by the independent Auditor to the Corporation, provided that the Committee may pre-approve certain services within designated thresholds on an annual basis and further provided that the Committee may delegate to the Chairman of the Committee or such other members of the Committee that it deems appropriate certain pre-approval authority. Any such approval granted by such persons shall be reported at the next regularly scheduled meeting of the Committee;
- (s) review and, where appropriate, approve all public disclosure documents of the Corporation containing financial information or forecasts of the Corporation prior to its release, including all press releases containing such information or forecasts;

- (t) establish procedures for (i) the receipt, retention and handling of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
 - (u) meet separately with management, the Internal Auditors and the independent Auditors, when appropriate, and in any event with the reporting entity each time that the Internal Auditors or the independent Auditor provides a report to the Committee; and
 - (v) perform such other functions as requested or delegated by the Board from time to time or as required by the Corporation's articles and by-laws, applicable law or applicable regulatory agencies.
- (10) Notwithstanding the foregoing and subject to applicable law, the Committee shall not be responsible to plan or conduct internal or external audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles as these are the responsibility of management, the Internal Auditors and the independent Auditor. This Charter/Mandate has been established to assist in ensuring sound business practices within the Corporation and to ensure the Corporation's compliance with applicable laws or regulations; however, nothing contained in this Charter/Mandate is intended to expand applicable standards of liability under statutory and regulatory requirements for the directors of the Corporation or members of the Committee.