



**Interim Consolidated
Financial Statements and Notes**
For the period ended September 30, 2010

Consolidated Balance Sheets

(Refer to note 1 — Basis of Presentation)

(U.S. dollars in thousands)

(Unaudited)

As at	September 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 111,785	\$ 135,163
Restricted cash (note 4)	10,655	458
Accounts receivable	21,154	1,796
Income taxes receivable	2,381	1,723
Receivable from Reorganized MEC (note 3)	29,454	—
Inventories	5,610	—
Prepaid expenses and other	11,971	1,007
	<u>193,010</u>	<u>140,147</u>
Real estate properties, net (note 6)	1,699,173	1,389,845
Fixed assets, net (note 7)	15,025	233
Other assets (note 8)	61,116	2,065
Loans receivable from MEC, net (note 4)	—	362,404
Deferred rent receivable	13,484	13,607
Intangible assets, net (note 9)	26,591	—
Goodwill (note 10)	15,790	—
Future tax assets (note 11)	10,297	9,850
Total assets	<u><u>\$2,034,486</u></u>	<u><u>\$1,918,151</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness (note 12)	\$ 32,044	\$ —
Accounts payable and accrued liabilities (note 13)	64,311	21,176
Income taxes payable	10,820	10,704
Due to MEC (note 4)	—	458
Long-term debt due within one year (note 12)	2,235	220
Deferred revenue	6,792	5,243
	<u>116,202</u>	<u>37,801</u>
Long-term debt (note 12)	—	2,143
Senior unsecured debentures, net	255,191	250,841
Other long-term liabilities	4,137	—
Future tax liabilities (note 11)	73,708	37,824
Total liabilities	<u>449,238</u>	<u>328,609</u>
Shareholders' equity:		
Class A Subordinate Voting Shares (Shares issued — 46,160,564)	1,506,088	1,506,088
Class B Shares (Shares issued — 547,413) (Convertible to Class A Subordinate Voting Shares)	17,866	17,866
Contributed surplus (note 14)	58,916	58,575
Deficit	(174,885)	(191,169)
Accumulated other comprehensive income (note 15)	177,263	198,182
Total shareholders' equity	<u>1,585,248</u>	<u>1,589,542</u>
Total liabilities and shareholders' equity	<u><u>\$2,034,486</u></u>	<u><u>\$1,918,151</u></u>

Commitments and contingencies (note 22)

See accompanying notes

Consolidated Statements of Income (Loss)

(U.S. dollars in thousands, except per share figures)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010 ⁽¹⁾ <i>(restated-note 2)</i>	2009 ⁽²⁾	2010 ⁽¹⁾ <i>(restated-note 2)</i>	2009 ⁽²⁾
Revenues				
Rental revenue	\$ 42,767	\$43,761	\$129,001	\$126,151
Interest and other income from MEC (note 4)	—	13,251	1,824	30,205
Racing, gaming and other revenue	48,414	—	118,084	152,935
	<u>91,181</u>	<u>57,012</u>	<u>248,909</u>	<u>309,291</u>
Operating costs, expenses and income				
Purses, awards and other	27,694	—	63,848	82,150
Operating costs	26,286	—	55,437	55,274
General and administrative	18,548	13,053	49,777	32,621
Depreciation and amortization	13,384	10,583	36,390	37,464
Interest expense, net	4,335	3,558	12,249	15,290
Foreign exchange losses (gains)	150	(107)	(260)	8,512
Equity loss (income) (note 8)	5,404	—	5,896	(65)
Impairment recovery relating to loans receivable from MEC (notes 2, 4(a))	—	—	(9,987)	—
Operating income (loss)	(4,620)	29,925	35,559	78,045
Deconsolidation adjustment to the carrying values of MID's investment in, and amounts due from, MEC (note 1(c))	—	—	—	(46,677)
Gain (loss) on disposal of real estate (note 6(b))	(1,205)	263	(1,205)	263
Other gains (losses) (notes 4(b), 8)	(58)	—	1,871	—
Purchase price consideration adjustment (notes 2, 3(c))	—	—	18,698	—
Income (loss) before income taxes	(5,883)	30,188	54,923	31,631
Income tax expense (note 11)	4,642	2,161	19,956	8,655
Income (loss) from continuing operations	(10,525)	28,027	34,967	22,976
Income from discontinued operations (note 5)	—	—	—	1,227
Net income (loss)	(10,525)	28,027	34,967	24,203
Add net loss attributable to the noncontrolling interest (note 16)	—	—	—	6,308
Net income (loss) attributable to MID	<u>\$(10,525)</u>	<u>\$28,027</u>	<u>\$ 34,967</u>	<u>\$ 30,511</u>
Income (loss) attributable to MID from — continuing operations	<u>\$(10,525)</u>	<u>\$28,027</u>	<u>\$ 34,967</u>	<u>\$ 29,647</u>
— discontinued operations	—	—	—	864
Net income (loss) attributable to MID	<u>\$(10,525)</u>	<u>\$28,027</u>	<u>\$ 34,967</u>	<u>\$ 30,511</u>
Basic and diluted earnings (loss) attributable to each MID Class A Subordinate Voting or Class B Share (note 18) — continuing operations	\$ (0.23)	\$ 0.60	\$ 0.75	\$ 0.63
— discontinued operations	—	—	—	0.02
Total	<u>\$ (0.23)</u>	<u>\$ 0.60</u>	<u>\$ 0.75</u>	<u>\$ 0.65</u>
Average number of Class A Subordinate Voting and Class B Shares outstanding during the period (in thousands) (note 18) — Basic and diluted	<u>46,708</u>	<u>46,708</u>	<u>46,708</u>	<u>46,708</u>

See accompanying notes

(1) The results for the three-month period ended September 30, 2010 include the results of the Transferred Assets, while the results for the nine-month period ended September 30, 2010 include the results of the Transferred Assets from the date of transfer of April 30, 2010 (note 3(c)).

(2) The results for the three-month period ended September 30, 2009 do not include the results of MEC, while the results for the nine-month period ended September 30, 2009 include the results of MEC up to the Petition Date of March 5, 2009 (note 1(c)).

Consolidated Statements of Comprehensive Income

(U.S. dollars in thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	<i>(restated-note 2)</i>			
Net income (loss)	\$(10,525)	\$ 28,027	\$ 34,967	\$ 24,203
Other comprehensive income (loss):				
Change in fair value of interest rate swaps, net of taxes (notes 15, 16)	—	—	—	171
Foreign currency translation adjustment (notes 15, 16)	55,217	38,148	(20,919)	49,549
Reclassification to income of MEC's accumulated other comprehensive income upon deconsolidation of MEC (notes 1(c), 15) .	—	—	—	(19,850)
Comprehensive income	44,692	66,175	14,048	54,073
Add comprehensive loss attributable to the noncontrolling interest (note 16)	—	—	—	6,303
Comprehensive income attributable to MID	\$ 44,692	\$ 66,175	\$ 14,048	\$ 60,376

See accompanying notes

Consolidated Statements of Changes in Deficit

(U.S. dollars in thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	<i>(restated-note 2)</i>			
Deficit, beginning of period as previously stated	\$(178,387)	\$(132,383)	\$(191,169)	\$(120,855)
Retrospective application of purchase price consideration adjustment (notes 2, 3(c))	18,698	—	—	—
Deficit, beginning of period	(159,689)	(132,383)	(191,169)	(120,855)
Net income (loss) attributable to MID	(10,525)	28,027	34,967	30,511
Dividends	(4,671)	(7,007)	(18,683)	(21,019)
Deficit, end of period	\$(174,885)	\$(111,363)	\$(174,885)	\$(111,363)

See accompanying notes

Consolidated Statements of Cash Flows

(U.S. dollars in thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010 ⁽¹⁾	2009 ⁽²⁾	2010 ⁽¹⁾	2009 ⁽²⁾
	<i>(restated-note 2)</i>			
OPERATING ACTIVITIES				
Income (loss) from continuing operations	\$ (10,525)	\$ 28,027	\$ 34,967	\$ 22,976
Items not involving current cash flows				
(note 19(a))	22,842	(832)	27,633	56,413
Changes in non-cash working capital balances				
(note 19(b))	40,612	5,039	17,166	(6,080)
Cash provided by operating activities	52,929	32,234	79,766	73,309
INVESTING ACTIVITIES				
Acquisition of Transferred Assets, net of cash				
acquired (note 3)	—	—	(50,520)	—
Proceeds from the sale of 49% interest in The				
Maryland Jockey Club, net of cash disposed				
(note 8)	22,696	—	22,696	—
Real estate and fixed asset additions	(4,388)	(1,272)	(10,103)	(8,274)
Proceeds on disposal of real estate and fixed				
assets, net	—	749	—	749
Increase in other assets	(7,314)	(241)	(9,191)	(9,992)
Loan repayments from MEC	—	—	60,794	26
Loan advances to MEC, net	—	(11,009)	(13,804)	(31,470)
Reduction in cash from deconsolidation of MEC	—	—	—	(31,693)
Cash provided by (used in) investing				
 activities	10,994	(11,773)	(128)	(80,654)
FINANCING ACTIVITIES				
Proceeds from bank indebtedness	34,118	—	71,122	18,048
Repayment of bank indebtedness	(27,026)	—	(80,335)	(18,597)
Repayment of long-term debt	(55,947)	(48)	(74,205)	(5,053)
Disgorgement payment received from				
noncontrolling interest (note 16)	—	—	—	420
Dividends paid	(4,671)	(7,007)	(18,683)	(21,019)
Cash used in financing activities	(53,526)	(7,055)	(102,101)	(26,201)
Effect of exchange rate changes on cash and				
cash equivalents	3,423	4,477	(915)	4,819
Net cash flows provided by (used in)				
 continuing operations	13,820	17,883	(23,378)	(28,727)
DISCONTINUED OPERATIONS				
Cash provided by operating activities	—	—	—	1,788
Cash used in investing activities	—	—	—	(230)
Net cash flows provided by discontinued				
 operations	—	—	—	1,558
Net increase (decrease) in cash and cash				
equivalents during the period	13,820	17,883	(23,378)	(27,169)
Cash and cash equivalents, beginning of period	97,965	109,822	135,163	154,874
Cash and cash equivalents, end of period . . .	\$111,785	\$127,705	\$ 111,785	\$127,705

See accompanying notes

(1) The results for the three-month period ended September 30, 2010 include the results of the Transferred Assets, while the results for the nine-month period ended September 30, 2010 include the results of the Transferred Assets from the date of transfer of April 30, 2010 (note 3(c)).

(2) The results for the three-month period ended September 30, 2009 do not include the results of MEC, while the results for the nine-month period ended September 30, 2009 include the results of MEC up to the Petition Date of March 5, 2009 (note 1(c)).

Notes to Interim Consolidated Financial Statements

(All amounts in U.S. dollars and all tabular amounts in thousands unless otherwise noted)

(All amounts as at September 30, 2010 and December 31, 2009 and for the three-month and nine-month periods ended September 30, 2010 and 2009 are unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Organization, Segmented Information and Basis of Presentation

Organization

MI Developments Inc. ("MID" or the "Company") is the successor to Magna International Inc.'s ("Magna") real estate division, which prior to its spin-off from Magna on August 29, 2003 was organized as an autonomous business unit within Magna. MID was formed as a result of four companies that amalgamated on August 29, 2003 under the *Business Corporations Act* (Ontario): 1305291 Ontario Inc., 1305272 Ontario Inc., 1276073 Ontario Inc. and MID. These companies were wholly-owned subsidiaries of Magna and held Magna's real estate division and the controlling interest in Magna Entertainment Corp. ("MEC"). All of MID's Class A Subordinate Voting Shares and Class B Shares were distributed to the shareholders of Magna of record on August 29, 2003 on the basis of one of MID's 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. MID acquired Magna's controlling interest in MEC as a result of this spin-off transaction.

On March 5, 2009 (the "Petition Date"), MEC and certain of its subsidiaries (collectively, the "Debtors") filed voluntary petitions for reorganization under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Court") and were granted recognition of the Chapter 11 proceedings from the Ontario Superior Court of Justice under section 18.6 of the Companies' Creditors Arrangement Act in Canada. On February 18, 2010, MID announced that MEC had filed the Joint Plan of Affiliated Debtors, the Official Committee of Unsecured Creditors (the "Creditors' Committee"), MID and MI Developments US Financing Inc. pursuant to the Bankruptcy Code (as amended, the "Plan") and related Disclosure Statement (the "Disclosure Statement") in connection with the MEC Chapter 11 proceedings which provided for, among other things, the assets of MEC remaining after certain asset sales to be transferred to MID, including, among other assets, Santa Anita Park, Golden Gate Fields, Gulfstream Park (including MEC's interest in The Village at Gulfstream Park™, a joint venture between MEC and Forest City Enterprises, Inc.), Portland Meadows, AmTote International, Inc. ("AmTote") and XpressBet, Inc. ("XpressBet"). On March 23, 2010, the Plan was amended to include the transfer of The Maryland Jockey Club ("MJC") to MID (together with the assets referred to in the preceding sentence, the "Transferred Assets"). On April 30, 2010, the closing conditions of the Plan were satisfied or waived, and the Plan became effective following the close of business on April 30, 2010 (note 3).

Under the Plan, on the date the shares of MEC Lone Star, LP ("Lone Star LP") or substantially all the assets of Lone Star LP are sold, all MEC stock will be cancelled and the holders of MEC shares will not be entitled to nor will receive or retain any property or interest in property under the Plan, and the stock of the Reorganized MEC will be issued and distributed to the administrator retained by the Debtors as of the effective date to administer the Plan.

As a result of the Plan becoming effective following the close of business on April 30, 2010, the results of operations of the assets transferred to MID as noted above have been included in the accompanying unaudited interim consolidated financial statements since that date in the Racing & Gaming Business reportable segment.

Segmented Information

The Company's reportable segments reflect the manner in which the Company is organized and managed by its senior management. Subsequent to the effective date of the Plan on April 30, 2010, the

Company operates in two segments, the “Real Estate Business” and the “Racing & Gaming Business”. In the accompanying unaudited interim consolidated financial statements, the Company uses the terms “Real Estate Business” and “Racing & Gaming Business” to analyze the financial results for the three and nine-month periods ended September 30, 2010 and 2009. The results of operations of the Racing & Gaming Business for the three and nine-month periods ended September 30, 2010 include the results of the Transferred Assets from April 30, 2010, the date the assets were acquired by MID. The results of operations of the Racing & Gaming Business for the nine-month period ended September 30, 2009 also include MEC’s results for the period up to March 5, 2009, the Petition Date.

Prior to the deconsolidation of MEC at the Petition Date, the Company’s operations were segmented in the Company’s internal financial reports between wholly-owned operations (“Real Estate Business”) and publicly-traded operations (“MEC”). This segregation of operations between wholly-owned and publicly-traded operations recognized the fact that, in the case of the Real Estate Business, the Company’s Board of Directors (the “Board”) and executive management have direct responsibility for the key operating, financing and resource allocation decisions, whereas, in the case of MEC, such responsibility resided with MEC’s separate Board of Directors and executive management.

Real Estate Business

MID’s real estate operations are engaged primarily in the acquisition, development, construction, leasing, management and ownership of a predominantly industrial rental portfolio leased primarily to Magna and its automotive operating units. In addition, MID owns land for industrial development and owns and acquires land that it intends to develop for mixed-use and residential projects.

At September 30, 2010, the Real Estate Business portfolio consists of 106 income-producing industrial and commercial properties, representing 27.5 million square feet of leaseable area located in nine countries: Canada, the United States, Mexico, Austria, Germany, the Czech Republic, the United Kingdom, Spain and Poland. Substantially all of these real estate assets are leased to Magna’s automotive operating units. The Real Estate Business also owns approximately 1,400 acres of land held for future development, including approximately 900 acres in the United States, 300 acres in Canada, 100 acres in Mexico and 100 acres in Europe.

Racing & Gaming Business (certain former Magna Entertainment Corp. assets)

Effective following the close of business on April 30, 2010, as a result of the Plan, MID became the owner and operator of horse racetracks and a supplier, via simulcasting, of live horse racing content to the inter-track, off-track and account wagering markets through the transfer of certain former MEC assets as outlined above.

At September 30, 2010, the Racing & Gaming Business owns and operates four thoroughbred racetracks located in the United States, as well as the simulcast wagering venues at these tracks, which consist of: Santa Anita Park, Golden Gate Fields, Gulfstream Park (which includes a casino with alternative gaming machines) and Portland Meadows. In addition, the Racing & Gaming Business operates: XpressBet®, a United States based national account wagering business; AmTote, a provider of totalisator services to the pari-mutuel industry; and a thoroughbred training centre in Palm Meadows, Florida. The Racing & Gaming Business also includes: a 50% joint venture interest in The Village at Gulfstream Park™, an outdoor shopping and entertainment centre located adjacent to Gulfstream Park; a 50% joint venture interest in HRTV, LLC, which owns Horse Racing TV®, a television network focused on horse racing and, effective July 1, 2010, a 51% interest in Maryland RE & R LLC, a joint venture with real estate and racing operations in Maryland, including Pimlico Race Course, Laurel Park and a thoroughbred training centre and a 49% joint venture interest in Laurel Gaming LLC, a joint venture established to pursue gaming opportunities at the Maryland properties (note 8).

Basis of Presentation

The accompanying unaudited interim consolidated financial statements include the accounts of MI Developments Inc. and its subsidiaries (references to “MID” or the “Company” include MID’s subsidiaries).

(b) Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements have been prepared in U.S. dollars following United States generally accepted accounting principles (“U.S. GAAP”) and the accounting policies as set out in note 1 to the annual consolidated financial statements for the year ended December 31, 2009.

The accompanying unaudited interim consolidated financial statements do not conform in all respects to the requirements of U.S. GAAP for annual financial statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2009.

The preparation of interim consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and accompanying notes. Actual results could differ from these estimates. In the opinion of management, the accompanying unaudited interim consolidated financial statements reflect all adjustments, which are of a normal recurring nature except as disclosed in note 1(c), necessary to present fairly the financial position at September 30, 2010 and December 31, 2009, and the results of operations and cash flows for the three and nine-month periods ended September 30, 2010 and 2009.

(c) Deconsolidation of MEC

As a result of the MEC Chapter 11 filing on the Petition Date as described in note 3 to the accompanying unaudited interim consolidated financial statements, the Company concluded that, under U.S. GAAP, it ceased to have the ability to exert control over MEC on or about the Petition Date. Accordingly, the Company’s investment in MEC was deconsolidated from the Company’s results beginning on the Petition Date.

Prior to the Petition Date, MEC’s results were consolidated with the Company’s results, with outside ownership accounted for as a noncontrolling interest. As of the Petition Date, the Company’s consolidated balance sheet included MEC’s net assets of \$84.3 million. As of the Petition Date, the Company’s total equity also included accumulated other comprehensive income of \$19.8 million and a noncontrolling interest of \$18.3 million related to MEC.

Upon deconsolidation of MEC, the Company recorded a \$46.7 million reduction to the carrying values of its investment in, and amounts due from, MEC, which is computed as follows:

Reversal of MEC’s net assets	\$ (84,345)
Reclassification to income of MEC’s accumulated other comprehensive income (note 15)	19,850
Reclassification to income of the noncontrolling interest in MEC (note 16)	18,322
	<u>(46,173)</u>
Fair value adjustment to loans receivable from MEC	(504)
Deconsolidation adjustment to the carrying values of MID’s investment in, and amounts due from, MEC	<u><u>\$ (46,677)</u></u>

U.S. GAAP requires the carrying values of any investment in, and amounts due from, a deconsolidated subsidiary to be adjusted to their fair value at the date of deconsolidation. In light of the significant uncertainty, at the Petition Date, as to whether MEC shareholders, including MID, would receive any recovery at the conclusion of MEC’s Chapter 11 process, the carrying value of MID’s equity investment in

MEC was reduced to zero. Although, subject to the uncertainties of MEC's Chapter 11 process, MID management believed at the Petition Date that the claims of MID Islandi s.f. (the "MID Lender") were adequately secured and therefore had no reason to believe that the amount of the MEC loan facilities with the MID Lender was impaired upon deconsolidation of MEC, a reduction in the carrying values of the MEC loan facilities (note 4(a)) was required under U.S. GAAP, reflecting the fact that certain of the MEC loan facilities bore interest at a fixed rate of 10.5% per annum, which was not considered to be reflective of the market rate of interest that would have been used had such facilities been established on the Petition Date. The fair value of the loans receivable from MEC was determined at the Petition Date based on the estimated future cash flows of the loans receivable from MEC being discounted to the Petition Date using a discount rate equal to the London Interbank Offered Rate ("LIBOR") plus 12.0%. The discount rate was equal to the interest rate charged to MEC on the secured non-revolving debtor-in-possession financing facility (the "DIP Loan") that was implemented as of the Petition Date, and therefore was considered to approximate a reasonable market interest rate for the MEC loan facilities for this purpose. Accordingly, upon deconsolidation of MEC, the Company reduced its carrying values of the MEC loan facilities by \$0.5 million (net of derecognizing \$1.9 million of unamortized deferred arrangement fees at the Petition Date). As a result, the adjusted aggregate carrying values of the MEC loan facilities at the Petition Date was \$2.4 million less than the aggregate face value of the MEC loan facilities. The adjusted carrying values were accreted up to the face value of the MEC loan facilities over the estimated period of time before the loans were expected to be repaid, with such accretion being recognized in "interest and other income from MEC" on the accompanying unaudited interim consolidated statements of income (loss).

(d) Seasonality

The Racing & Gaming Business is seasonal in nature and racing revenues and operating results for any period are not indicative of the racing revenues and operating results for any year. The racing operations historically operate at a loss in the second half of the year, with the third quarter typically generating the largest operating loss. This seasonality results in large quarterly fluctuations in revenues, operating results and cash flows.

(e) Accounting Changes

Consolidation of Variable Interest Entities

In June 2009, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 167 ("SFAS 167"), which is now codified in Accounting Standards Codification 810-10, "Consolidation". SFAS 167 requires a qualitative rather than a quantitative analysis to determine the primary beneficiary of a variable interest entity ("VIE"), amends the variable interest model's consideration of related party relationships in the determination of the primary beneficiary of a VIE by providing, among other things, an exception with respect to de facto agency relationships in certain circumstances, amends the criteria for determining whether fees paid to a decision maker and other service contracts are variable interests, requires continuous assessments of whether an enterprise is the primary beneficiary of a VIE and requires enhanced disclosures about an enterprise's involvement with a VIE. These amendments are effective as of the beginning of an enterprise's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The adoption of SFAS 167, effective January 1, 2010, did not have any impact on the Company's consolidated financial statements.

Fair Value Measurements

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, "Improving Disclosures about Fair Value Measurements" ("ASU 2010-06"), which amends Accounting Standards Codification 820, "Fair Value Measurements and Disclosures" ("ASC 820"), to require various additional disclosures regarding fair value measurements and also clarify certain existing disclosure requirements. Under ASU 2010-06, an enterprise is required to: (i) disclose separately the amounts of significant transfers between Level 1 and Level 2 of the fair value hierarchy, (ii) disclose activity in Level 3 fair value measurements including transfers into and out of Level 3 and the reasons for such transfers and

(iii) present separately in the reconciliation of recurring Level 3 measurements information about purchases, sales, issuances and settlements on a gross basis. The amendments prescribed by ASU 2010-06 are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements of recurring Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010. The adoption of ASU 2010-06, effective January 1, 2010, did not have any impact on the Company's consolidated financial statements, except for the additional disclosure requirements prescribed by ASU 2010-06.

Subsequent Events

In February 2010, the FASB issued Accounting Standards Update No. 2010-09, "Subsequent Events — Topic 855 — Amendments to Certain Recognition and Disclosure Requirements" ("ASU 2010-09"). ASU 2010-09 removes the requirement for a Securities and Exchange Commission ("SEC") filer to disclose the date through which subsequent events have been evaluated. Additionally, ASU 2010-09 clarifies that if the financial statements have been revised, then an entity that is not an SEC filer should disclose both the date that the financial statements were issued or available to be issued and the date the revised financial statements were issued or available to be issued. These amendments remove potential conflicts with the SEC's literature. The amendments were effective upon issuance of the final update to ASU 2010-09. The adoption of ASU 2010-09 did not have any impact on the Company's consolidated financial statements other than the Company no longer disclosing the date through which subsequent events have been evaluated.

2. RESTATEMENT OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Subsequent to the issuance of the unaudited interim consolidated financial statements for the three and nine-month periods ended September 30, 2010, an error was identified that affected the Company's reported results for the three-month period ended September 30, 2010. In the three-month period ended September 30, 2010, the Company recorded an impairment recovery relating to loans receivable from MEC of \$18.7 million. The \$18.7 million represents a measurement period adjustment and should have been retrospectively applied to the three-month period ended June 30, 2010 when the transfer of the assets was first recorded as an adjustment to the purchase price consideration and related allocation to the Transferred Assets. As a consequence of the error being identified, the accompanying unaudited interim consolidated financial statements for the three and nine-month periods ended September 30, 2010 have been restated from amounts previously reported.

On April 30, 2010, the Company acquired the Transferred Assets in satisfaction of certain loans from MEC. The fair values of the Transferred Assets were determined as at April 30, 2010 resulting in a \$10.0 million impairment recovery relating to the loans receivable from MEC in accordance with Accounting Standards Codification 310, "Receivables" (note 4(a)). Subsequently, the fair values of the Transferred Assets were accounted for in accordance with Accounting Standards Codification 805, "Business Combinations" ("ASC 805"). These fair values were preliminary in nature and subject to change in future reporting periods which would affect the purchase price consideration and the related allocations; such changes in estimates are accounted for on a retrospective basis as at the acquisition date.

The \$18.7 million change in the purchase price consideration and related allocation to the Transferred Assets from the Company's initial determination of the purchase price consideration should have been accounted for retrospectively. The changes in the fair values are disclosed in note 3(c) and are presented as a "Purchase price consideration adjustment" in these restated financial statements. The restatement did not have an impact on the unaudited consolidated balance sheet as of September 30, 2010. The restatement resulted in a reclassification of \$18.7 million, previously reported as an "Impairment recovery relating to loans receivable from MEC" to "Purchase price consideration adjustment" in the consolidated statements of income (loss) and cash flows for the nine-month period ended September 30, 2010, however, this reclassification had no impact on net income attributable to MID and earnings per share for the nine-month period ended September 30, 2010.

The effects of the restatement on the relevant line items of the unaudited consolidated statements of income (loss) and cash flows for the three-month period ended September 30, 2010 are summarized in the following tables:

Three-month period ended September 30, 2010	As Previously Recorded	Restatement	As Restated
Consolidated statement of income (loss)			
Impairment recovery relating to loans receivable from MEC	\$ (18,698)	\$ 18,698	\$ —
Operating income (loss)	14,078	(18,698)	(4,620)
Income (loss) before income taxes	12,815	(18,698)	(5,883)
Income (loss) from continuing operations	8,173	(18,698)	(10,525)
Net income (loss)	8,173	(18,698)	(10,525)
Net income (loss) attributable to MID	8,173	(18,698)	(10,525)
Basic and diluted earnings (loss) attributable to each MID Class A Subordinate Voting or Class B Share	0.18	(0.41)	(0.23)
Consolidated statement of cash flows			
Income (loss) from continuing operations	\$ 8,173	\$ (18,698)	\$ (10,525)
Items not involving current cash flows	4,144	18,698	22,842
Changes in non-cash working capital balances	40,612	—	40,612
Cash provided by operating activities	<u>\$ 52,929</u>	<u>\$ —</u>	<u>\$ 52,929</u>

3. PARTICIPATION IN MEC'S BANKRUPTCY, ASSET SALES AND ASSETS TRANSFERRED TO MID

(a) Chapter 11 Filing and Plan of Reorganization

On the Petition Date, the Debtors filed voluntary petitions for reorganization under the Bankruptcy Code in the Court and were granted recognition of the Chapter 11 proceedings from the Ontario Superior Court of Justice under section 18.6 of the Companies' Creditors Arrangement Act in Canada.

MEC filed for Chapter 11 protection in order to implement a comprehensive financial restructuring and conduct an orderly sales process for its assets. Under Chapter 11, the Debtors operated as "debtors-in-possession" under the jurisdiction of the Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Court. In general, the Debtors were authorized under Chapter 11 to continue to operate as an ongoing business, but could not engage in transactions outside the ordinary course of business without the prior approval of the Court. The filing of the Chapter 11 petitions constituted an event of default under certain of the Debtors' debt obligations, including those with the MID Lender, and those debt obligations became automatically and immediately due and payable. However, subject to certain exceptions under the Bankruptcy Code, the Debtors' Chapter 11 filing automatically enjoined, or stayed, the continuation of any judicial or administrative proceedings or other actions against the Debtors or their property to recover on, collect or secure a claim arising prior to the Petition Date. The Company did not guarantee any of the Debtors' debt obligations or other commitments. Under the priority scheme established by the Bankruptcy Code, unless creditors agreed to different treatment, allowed pre-petition claims and allowed post-petition expenses must be satisfied in full before stockholders are entitled to receive any distribution or retain any property in a Chapter 11 proceeding.

As a result of the MEC Chapter 11 filing, the carrying value of MID's equity investment in MEC was reduced to zero at the Petition Date. Under the Plan, on the date the shares of Lone Star LP or substantially all the assets of Lone Star LP are sold, all MEC stock will be cancelled and the holders of MEC shares will not be entitled to nor receive or retain any property or interest in property under the Plan, and the stock of the Reorganized MEC will be issued and distributed to the administrator retained by the Debtors as of the effective date to administer the Plan.

On July 21, 2009, the MID Lender was named as a defendant in an action commenced by the Creditors' Committee in connection with the Debtors' Chapter 11 proceedings asserting, among other things, fraudulent transfer and recharacterization or equitable subordination of MID claims. On August 21, 2009, the Creditors' Committee filed an amended complaint to add MID and Mr. Frank Stronach, among others, as defendants, and to include additional claims for relief, specifically a breach of fiduciary duty claim against all defendants, a breach of fiduciary duty claim against MID and the MID Lender, and a claim for aiding and abetting a breach of fiduciary duty claim against all defendants. On August 24, 2009, MID and the MID Lender filed a motion to dismiss the claims against them by the Creditors' Committee. The Court denied the motion on September 22, 2009. On October 16, 2009, MID and the MID Lender filed their answer to the complaint, denying the allegations asserted against them.

On January 11, 2010, the Company announced that MID, the MID Lender, MEC and the Creditors' Committee had agreed in principle to the terms of a global settlement and release in connection with the action. Under the terms of the settlement, as amended, in exchange for the dismissal of the action with prejudice and releases of MID, the MID Lender, their affiliates, and all current and former officers and directors of MID and MEC and their respective affiliates, the unsecured creditors of MEC received on the effective date of the Plan on April 30, 2010 cash of \$89.0 million plus \$1.5 million as a reimbursement for certain expenses incurred in connection with the action. Under the terms of the settlement, MID received the Transferred Assets. The settlement and release was implemented through the Plan.

On February 18, 2010, MID announced that MEC had filed the Plan and Disclosure Statement in connection with the MEC Chapter 11 proceedings which provided for, among other things, the assets of MEC remaining after certain asset sales to be transferred to MID, including, among other assets, Santa Anita Park, Golden Gate Fields, Gulfstream Park (including MEC's interest in The Village at Gulfstream Park™, a joint venture between MEC and Forest City Enterprises, Inc.), Portland Meadows, AmTote and XpressBet. On March 23, 2010, the Plan was amended to include the transfer of MJC to MID. On April 26, 2010, MID announced that the Plan was confirmed by order of the Court. On April 30, 2010, the closing conditions of the Plan were satisfied or waived, and the Plan became effective following the close of business on April 30, 2010.

In satisfaction of MID's claims relating to the 2007 MEC Bridge Loan, the 2008 MEC Loan and the MEC Project Financing Facilities (each discussed further in note 4(a)), in addition to the assets of MEC that were transferred to MID on the effective date of the Plan, MID received \$19.9 million of the net proceeds from the sale of Thistledown by the Debtors on July 29, 2010 and the unsecured creditors of MEC received the net proceeds in excess of such amount (discussed further in note 3(b)). In addition, the Plan provided that upon the completion of the sale of Lone Star LP by the Debtors pursuant to an agreement previously filed in the Court, the unsecured creditors of MEC will receive the first \$20.0 million of the net proceeds from such sale and MID will receive any net proceeds in excess of such amount, which is estimated to be \$27.0 million. Commencing from and after the effective date of the Plan and until the Lone Star LP sale is consummated, the unsecured creditors and MID will fund the costs and expenses incurred in connection with the operations of Lone Star LP on a pro rata basis based upon their respective proceeds. As such, the Company has determined that it effectively received a variable interest in Lone Star LP. As a result of the bankruptcy, the power to direct the activities that impact Lone Star LP's economic performance ultimately rests with the administrator retained by the Debtors to administer the Plan and, as such, the Company does not control the variable interest in Lone Star LP. Based on the above, the Company has determined that it is a non-primary beneficiary and accordingly, this VIE does not meet the criteria for consolidation. The carrying value of the VIE at September 30, 2010 represents the estimated net proceeds MID is entitled to receive of \$27.0 million from the sale of Lone Star LP. The maximum possible loss exposure is \$27.0 million at September 30, 2010.

The aggregate proceeds from the sale of Lone Star LP are included in "receivable from Reorganized MEC" on the accompanying unaudited interim consolidated balance sheets at September 30, 2010. The risks and uncertainties relating to the sale of Lone Star LP pursuant to the Plan include, among others:

- that the closing does not occur or is delayed;

- if closing does not occur, it is uncertain as to how long the process for the marketing and sale of such asset will take; and
- if closing does not occur, there is uncertainty as to whether or at what price such asset will be sold or whether any bids by any third party for such asset will materialize or be successful.

MID also has the right to receive any proceeds from the litigation by MEC against PA Meadows, LLC currently pending in the Court and future payments under the holdback relating to MEC's prior sale of The Meadows racetrack (note 22(m)) and litigation against Cushion Track Footing USA, LLC relating to the failure to install a racing surface at Santa Anita Park suitable for the purpose for which it was intended (note 22(k)).

Under the Plan, rights of MID and MEC against MEC's directors' and officers' insurers are preserved with regard to the settlement in order to seek appropriate compensation for the releases of all current and former officers and directors of MID and MEC and their respective affiliates. On July 19, 2010, September 2, 2010 and October 29, 2010, MID received \$13.0 million, \$5.9 million and \$2.5 million, respectively, for an aggregate total of \$21.4 million of compensation from MEC's directors' and officers' insurers. The proceeds of \$2.5 million received in October 2010 are included in "receivable from Reorganized MEC" on the accompanying unaudited interim consolidated balance sheets at September 30, 2010. Pursuant to the Plan, on April 30, 2010, MID also received \$51.0 million of the amounts previously segregated by the Debtors from the sale of Remington Park.

For a more detailed discussion of the Plan and the Disclosure Statement, please refer to the "Second Amended Third Modified Joint Plan of the Affiliated Debtors, The Official Committee of Unsecured Creditors, MI Developments Inc. and MI Developments US Financing Inc., pursuant to Chapter 11 of the United States Bankruptcy Code" dated April 28, 2010 and the "Disclosure Statement for the Second Amended Third Modified Joint Plan of Affiliated Debtors, the Official Committee of Unsecured Creditors, MI Developments Inc. and MI Developments US Financing Inc., pursuant to Chapter 11 of the United States Bankruptcy Code". The complete Plan and Disclosure Statement are available on SEDAR at www.sedar.com.

(b) MEC Asset Sales

The Debtors' Chapter 11 filing contemplated the Debtors selling all or substantially all their assets through an auction process and using the proceeds to satisfy claims against the Debtors, including indebtedness owed to the MID Lender. Since the Petition Date, the Debtors have entered into and completed various asset sales, including assets sold pursuant to orders obtained by the Debtors from the Court in the Chapter 11 cases. The auction process was suspended as a result of the Plan, which addressed the disposition of the Debtors' remaining assets.

On July 31, 2009, the Court approved the Debtors' motion for authorization to sell for 6.5 million euros the assets of one of MEC's non-debtor Austrian subsidiaries, which assets include Magna Racino™ and surrounding lands, to an entity affiliated with Fair Enterprise Limited, a company that forms part of an estate planning vehicle for the family of Frank Stronach, certain members of which are trustees of the Stronach Trust, MID's controlling shareholder. The sale transaction was completed on October 1, 2009 and the net proceeds were used to repay existing indebtedness secured by the assets.

On August 26, 2009, the Court approved the sale, by an Austrian non-debtor subsidiary of MEC to a third party, of the company that owns and operates the Austrian plant that manufactures StreuFex™, for certain contingent future payments. The sale was completed on September 1, 2009.

On August 26, 2009, the Court approved the Debtors entering into a stalking horse bid to sell Remington Park to Global Gaming RP, LLC for \$80.25 million, subject to higher and better offers. Following an auction, no additional offers were received, and on September 15, 2009, the Court approved the sale of Remington Park to Global Gaming RP, LLC. The sale of Remington Park was completed on January 1, 2010. On January 4, 2010, the Debtors paid \$27.8 million of the net sale proceeds to the MID Lender as partial repayment of the DIP Loan. The balance of the net sales proceeds of \$51.0 million was distributed to the MID Lender subsequent to the effective date of the Plan, on May 3, 2010.

Following an auction, on September 2, 2009, the Court approved the sale of the Ocala lands to a third party at a price of \$8.1 million and the sale closed on September 17, 2009. On October 28, 2009, the Debtors paid the net sales proceeds of \$7.6 million to the MID Lender as a partial repayment of the DIP Loan.

Following an auction, on October 29, 2009, the Court approved the sale of Lone Star LP to a third party for \$62.8 million, comprised of \$47.7 million of cash and the assumption by the purchaser of the \$15.1 million capital lease for the facility. The sale of Lone Star LP is anticipated to be completed during the first quarter of 2011, subject to regulatory approval.

Following an auction, on November 18, 2009, the Court approved the sale of the Dixon lands to Ocala Meadows Lands LLC, a company controlled by Frank Stronach, for approximately \$3.1 million and the sale closed on November 30, 2009. On November 30, 2009, the Debtors paid the net sales proceeds of \$3.0 million to the MID Lender as a partial repayment of the DIP Loan.

Following an auction, on May 25, 2010, the Court approved the sale of Thistledown to a third party for \$43.0 million and the sale closed on July 27, 2010. On July 29, 2010, the Debtors paid the first \$20.0 million (\$19.9 million, net of transaction costs) of the proceeds to the MID Lender in accordance with the Plan.

(c) Acquisition of Transferred Assets

The Company accounted for the transfer of the Transferred Assets, in satisfaction of MID's claims relating to the 2007 MEC Bridge Loan, the 2008 MEC Loan and the MEC Project Financing Facilities, with an estimated fair value of \$344.7 million less \$40.0 million of cash acquired at April 30, 2010 and the cash payment of \$89.0 million to the unsecured creditors of MEC plus \$1.5 million as a reimbursement for certain expenses incurred in connection with the action commenced by the Creditors' Committee, under the acquisition method of accounting. Accordingly, the fair value of the consideration was allocated to the net assets acquired and liabilities assumed based on the determination of fair values at April 30, 2010. Determination of fair value required the use of significant assumptions and estimates including future expected cash flows and applicable discount rates and the use of third-party valuations. The purchase consideration and related allocations are preliminary due to certain estimates made relating to amounts recoverable from the Reorganized MEC, pre-petition accounts receivable on account of track wagering, insurance recoveries MID is seeking to receive as compensation from MEC's directors' and officers' insurers, the completion of bankruptcy proceedings related to expected allowed administrative, priority and other claims to be paid by the Company under the Plan, the finalization of litigation proceedings, including litigation proceedings against PA Meadows, LLC (note 22(m)) and Cushion Track Footing USA, LLC (note 21(k)), the determination of future tax balances associated with differences between estimated fair value and the tax bases of assets acquired and liabilities assumed. The purchase price is preliminary and will be completed within one year of the acquisition. The Company's preliminary allocation of the fair value of assets acquired and liabilities assumed is as follows:

Assets acquired:	
Restricted cash	\$ 10,190
Accounts receivable	62,924
Receivable from Reorganized MEC	68,252
Other current assets	19,889
Real estate properties	375,944
Fixed assets	17,517
Intangible assets	29,200
Goodwill	44,977
Other non-current assets	39,985
	<u>\$668,878</u>
Liabilities assumed:	
Bank indebtedness	\$ 41,910
Accounts payable and accrued liabilities	111,307
Income taxes payable	1,452
Long-term debt due within one year	74,039
Deferred revenue	5,328
Future tax liabilities	35,264
Other long-term liabilities	4,346
	<u>273,646</u>
Total purchase price consideration (net of \$39,980 of transferred or acquired cash)	<u>\$395,232</u>

The total purchase price consideration of \$395.2 million has been retrospectively restated by \$18.7 million due to additional information obtained in the third quarter of 2010 relating to certain preliminary amounts previously recorded for the above assets acquired and liabilities assumed (note 2).

In satisfaction of MID's claims relating to the 2007 MEC Bridge Loan, the 2008 MEC Loan and the MEC Project Financing Facilities, the Company received the Transferred Assets on April 30, 2010. The fair values of the assets acquired and liabilities assumed were initially determined as at April 30, 2010 resulting in a \$10.0 million impairment recovery relating to the loans receivable from MEC being recognized (note 4(a)). However, as described above, certain of the fair values assigned to the Transferred Assets as at April 30, 2010 were preliminary in nature and subject to change in future reporting periods. As the loans were considered settled on April 30, 2010, any further changes to fair value are no longer considered an adjustment to the previously recognized impairment provision relating to the loans receivable from MEC, but rather are considered an adjustment to the fair values of the purchase price consideration and has been presented as a "Purchase price consideration adjustment" in the consolidated statements of income (loss) on a retrospective basis as at April 30, 2010, with such changes being recorded as an adjustment to the opening deficit of the current period. Accordingly, the changes in the fair values of the Transferred Assets in the three-month period ended September 30, 2010 of \$18.7 million have been recorded as an adjustment to the opening deficit in order to give effect to the retrospective adjustment and are comprised of the following items:

Directors' and officers' insurance proceeds ^(a)	\$ 8,400
Bankruptcy claims ^(b)	8,152
Changes in fair value of net assets retained under the Plan ^(c)	<u>2,146</u>
Purchase price consideration adjustment	<u>\$18,698</u>

(a) Directors' and Officers' Insurance Proceeds

Under the Plan, rights of MID and MEC against MEC's directors' and officers' insurers are preserved with regard to the settlement in order to seek appropriate compensation for the release of all current and former officers and directors of MID and MEC and their respective affiliates. MID is entitled to receive such compensation, if any, from MEC's directors' and officers' insurers. At April 30, 2010,

MID was in continued discussions with the insurers regarding its claim. Given the complex nature of the claim and related discussions, the expected proceeds could not be reasonably estimated. During the measurement period, settlement agreements were subsequently entered into in September 2010 and October 2010 with the insurers, resulting in MID receiving compensation of \$5.9 million and \$2.5 million, respectively. Given that these events confirmed facts and circumstances that existed at April 30, 2010, the Company recognized an adjustment of \$8.4 million to the purchase price consideration and related allocations to the Transferred Assets on April 30, 2010 and is included in "purchase price consideration adjustment" on the consolidated statements of income (loss) for the nine-month period ended September 30, 2010.

(b) Bankruptcy Claims

At April 30, 2010, the settlement of allowed administrative, priority and other claims which the Company assumed under the Plan were ongoing and subject to Bankruptcy Court approval. Consequently, at each interim reporting date during the measurement period, the Company makes estimates of such settlements based on claims that have been resolved, continue to be objected to and/or negotiated and claims which are still pending Bankruptcy Court approval. As a result, the Company revised the estimates related to expected allowed administrative, priority and other claims assumed by the Company under the Plan by approximately \$8.2 million as a result of information received and/or the cash settlement of certain allowed administrative, priority and other claims previously outstanding. Accordingly, the Company recognized an adjustment of \$8.2 million to the purchase price consideration and related allocations to the Transferred Assets on April 30, 2010 and is included in "purchase price consideration adjustment" on the consolidated statements of income (loss) for the nine-month period ended September 30, 2010.

(c) Changes in Fair Value of Net Assets Retained Under the Plan

At April 30, 2010, the Company estimated the working capital, including pre-petition accounts receivable relating to track wagering and litigation accruals and other liabilities, of the Transferred Assets under the Plan. During the measurement period, the Company revised its estimates relating to pre-petition accounts receivable relating to track wagering and litigation accruals and other liabilities as a result of information obtained relating to the estimated and/or actual settlement of such amounts. As a result of changes in fair value of the Transferred Assets, there was a corresponding change in the determination of future tax balances associated with differences between estimated fair value and tax bases of assets acquired and liabilities assumed. Accordingly, the Company recognized an adjustment of \$2.1 million to the purchase price consideration and related allocations to the Transferred Assets on April 30, 2010 and is included in "purchase price consideration adjustment" on the consolidated statements of income (loss) for the nine-month period ended September 30, 2010.

Goodwill arose from the acquisition of XpressBet, MJC and AmTote. Goodwill arising from the acquisition of XpressBet of \$11.6 million is deductible for tax purposes and the remainder arising from the acquisition of MJC and AmTote in the aggregate amount of \$33.4 million is not deductible for tax purposes.

The fair values of the assets of the racing businesses were assessed based on the underlying real estate as this was determined to be the highest and best use. The fair values of the real estate were determined based on external real estate appraisals on a market approach using estimated prices at which comparable assets could be purchased and adjusted in respect of costs associated with conversion to use the properties contemplated in the real estate appraisal. In the case of MJC, the fair values were established based on the sale transaction with Penn National Gaming, Inc. ("Penn") (note 8).

The fair values of fixed assets, which include machinery and equipment and furniture and fixtures, were determined based on a market approach using current prices at which comparable assets could be purchased under similar circumstances.

Intangible assets include customer contracts, software technology and a trademark. The fair values of the intangible assets were determined in consultation with an external valuator. The fair value of the customer contracts was determined using a discounted cash flow analysis under the income valuation

methodology. The income approach required estimating a number of factors including projected revenue growth, customer attrition rates, profit margin and the discount rate. Projected revenue growth, customer attrition rates and profit margin were based upon past experience and management's best estimate of future operating results. The discount rate represents the respective entity's weighted average cost of capital including a risk premium where warranted. Customer contracts of \$12.1 million are amortized over the term of the contract, which range from 3 to 8 years. The fair value of the software technology was based on the relief-from-royalty valuation methodology, which estimates the incremental cash flows accruing to the owner of the software technology by virtue of the fact that the owner does not have to pay a royalty to another party for use of the asset. The incremental cash flows were derived from applying a royalty rate to estimates of the entity's projected revenues. The royalty rate was determined by comparing third-party licensing transactions to the entity's operations. The discount rate applied was based upon the respective entity's weighted average cost of capital including a risk premium where warranted. Software technology of \$13.0 million is amortized on a straight-line basis over 5 years. The trademark was also determined based on the relief-from-royalty valuation methodology using similar inputs described above. The trademark of \$4.1 million, which is active and relates to corporate identification, has an indefinite life and therefore is not amortized.

Other non-current assets primarily represent a 50% joint venture interest in The Village at Gulfstream Park™ ("VGP"). Fair value of VGP was determined based on an external real estate appraisal using a discounted cash flow analysis under the income valuation method.

Due to the short period to maturity, the carrying values of bank indebtedness and long-term debt due within one year approximate fair value.

Other long-term liabilities relate primarily to pension liabilities. The Company, in consultation with actuaries, determined the assumptions used in assessing the fair value of the pension liabilities relating to the two pension plans as follows:

- the assumed discount rate for each pension plan reflects market rates for high quality fixed income investments currently available whose cash flows match the timing and amount of expected benefit payments;
- the expected long-term rate of return on plan assets was determined by considering the plans' current investment mix and the historical and expected future performance of these investment categories; and
- the average rate of increase in compensation levels was determined based on past salary history and expectations on salary progression.

The remaining identifiable assets and liabilities were primarily cash and cash equivalents, restricted cash, accounts receivable, other current assets, accounts payable and accrued liabilities, income taxes payable and deferred revenue, for which carrying value approximates fair value. Receivable from Reorganized MEC relates to insurance recovery proceeds as well as the proceeds from the sale of Thistledown received subsequent to the date the Transferred Assets were transferred to MID under the Plan and the expected proceeds from the sale of Lone Star LP. Due to the short-term nature of these amounts, the book value approximates fair value. The proceeds from insurance recoveries were received in July 2010, September 2010 and October 2010 and proceeds from the sale of Thistledown were received in July 2010. The proceeds from the sale of Lone Star LP are expected to be received in the first quarter 2011.

The Company has determined that the presentation of pro-forma information is impracticable as the businesses acquired were previously combined with MEC, for which MEC incurred costs that were not reflected in the operations acquired during the Chapter 11 process. The financial results of the Transferred Assets are included in the Company's consolidated financial statements from the date of transfer of April 30, 2010. The following represents revenues and net loss of the Transferred Assets

included in the accompanying unaudited interim consolidated statements of income (loss) since the date of transfer of April 30, 2010:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues	<u>\$ 48,414</u>	<u>\$ —</u>	<u>\$118,084</u>	<u>\$ —</u>
Net loss	<u>\$(23,176)</u>	<u>\$ —</u>	<u>\$(29,391)</u>	<u>\$ —</u>

4. TRANSACTIONS WITH RELATED PARTIES

Mr. Frank Stronach, who serves as the Chairman of the Company, Magna and MEC, and three other members of his family are trustees of the Stronach Trust. The Stronach Trust controls the Company through the right to direct the votes attaching to 66% of the Company's Class B Shares. Prior to August 31, 2010, Magna was controlled by M Unicar Inc. ("M Unicar"), a Canadian holding company whose shareholders consist of the Stronach Trust and certain members of Magna's management. M Unicar indirectly owned Magna Class A Subordinate Voting Shares and Class B Shares representing in aggregate approximately 65% of the total voting power attaching to all Magna's shares. The Stronach Trust indirectly owned the shares carrying the substantial majority of the votes of M Unicar. Effective August 31, 2010, Magna's dual-class share capital structure described above was eliminated pursuant to a court-approved plan of arrangement and approval by Magna's shareholders and the Ontario Superior Court, resulting in the Stronach Trust no longer having a controlling interest in Magna.

(a) Loans to MEC

(i) The Company's loans receivable from MEC, net consist of the following:

<u>As at</u>	<u>September 30, 2010</u>	<u>December 31, 2009</u>
2007 MEC Bridge Loan	\$ —	\$139,166
Gulfstream Park Project Financing	—	185,811
Remington Park Project Financing	—	24,789
2008 MEC Loan	—	58,394
DIP Loan, net of unamortized deferred arrangement fees of nil (2009 — \$1,334)	—	45,044
Total loans outstanding from MEC	—	453,204
Less: valuation allowance	—	(90,800)
Loans receivable from MEC, net	<u>\$ —</u>	<u>\$362,404</u>

A summary of the changes in the valuation allowance due to changes in the fair value of the Transferred Assets at April 30, 2010 related to the loans receivable from MEC is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010 <i>(restated-note 2)</i>	2009	2010 <i>(restated-note 2)</i>	2009
Balance, beginning of period	\$ —	\$ —	\$ 90,800	\$ —
Impairment recovery related to loans receivable from MEC	—	—	(9,987)	—
Release of valuation allowance on settlement under the Plan (note 3(a)) .	—	—	(80,813)	—
Balance, end of period	\$ —	\$ —	\$ —	\$ —

In connection with the development and completion of the Plan (note 3), the Company estimated the values and resulting recoveries of loans receivable from MEC, net of any related obligations, provided to the Company pursuant to the terms of the Plan. As a result of such analysis, the Company estimated that it would be unable to realize on all amounts due in accordance with the contractual terms of the MEC loans. Accordingly, for the year ended December 31, 2009, the Company recorded a \$90.8 million impairment provision related to the loans receivable from MEC, which represented the excess of the carrying amounts of the loans receivable and the estimated recoverable value. As a result of the transfer of the Transferred Assets under the Plan effective April 30, 2010 (note 3(c)), the Company reduced the impairment provision by \$10.0 million in the three-month period ended June 30, 2010 as a result of assessing the fair value of the Transferred Assets on April 30, 2010. Estimated recoverable value was determined based on the future cash flows from expected proceeds to be received from Court-approved sales of MEC's assets, discounted at the loans' effective interest rate, and the fair value of the collateral based on third-party appraisals or other valuation techniques, such as discounted cash flows, for those MEC assets that were transferred to the Company under the Plan or for which the Court has yet to approve for sale under the Plan, net of expected allowed administrative, priority and other claims to be paid by the Company under the Plan.

The estimates of values and recoveries involved complex considerations and judgements concerning various factors that affected the value of MEC's assets. Moreover, the value of MEC's assets were subject to measurement uncertainty and contingencies that were difficult to predict and fluctuated with changes in factors affecting the financial conditions and prospects of such assets. Because valuation recoveries and estimates are made at a specific point in time and are inherently subject to measurement uncertainty, such estimates could differ from actual results.

A reconciliation of the changes in the impairment recovery related to the loans receivable from MEC at the date the Transferred Assets were acquired is presented below:

Directors' and officers' insurance proceeds ^(a)	\$ 13,000
Sale proceeds from liquidated assets under the Plan ^(b)	7,538
Bankruptcy claims ^(c)	(15,907)
Changes in fair value of net assets retained under the Plan ^(d)	5,356
Impairment recovery for the nine-month period ended September 30, 2010	\$ 9,987

The significant changes in facts or circumstances that resulted in the recognition of the \$10.0 million reduction in the impairment provision in the nine-month period ended September 30, 2010 are primarily as a result of the following:

(a) Directors' and Officers' Insurance Proceeds

Under the Plan, rights of MID and MEC against MEC's directors' and officers' insurers are preserved with regard to the settlement in order to seek appropriate compensation for the release of all current and former officers and directors of MID and MEC and their respective affiliates. MID is entitled to receive such compensation, if any, from MEC's directors' and officers' insurers. At December 31, 2009, when the \$90.8 million impairment provision relating to loans receivable from MEC was initially determined, MID was in discussions with the insurers regarding its claim. Given the complex nature of the claim and related discussions, the expected proceeds could not be reasonably estimated. A settlement agreement was subsequently entered into in July 2010 with one of the insurers, resulting in MID receiving compensation of \$13.0 million. Given that these events confirmed facts and circumstances that existed at April 30, 2010, the Company recognized an asset and reduced the impairment provision by \$13.0 million related to the Transferred Assets on April 30, 2010 and is included in "impairment recovery relating to loans receivable from MEC" on the consolidated statements of income (loss) for the nine-month period ended September 30, 2010.

(b) Sale Proceeds from Liquidated Assets Under the Plan

The estimates of sales proceeds from liquidated assets under the Plan increased approximately \$7.5 million primarily as a result of the sale of Thistledown. Thistledown was initially approved for sale in an auction on September 30, 2009; however, the purchaser had the right to terminate the agreement, which it exercised. The sale of Thistledown went back to auction on May 25, 2010 and the Bankruptcy Court approved the sale of Thistledown to a third party which subsequently closed on July 27, 2010. Given that the completion of the sale of Thistledown confirmed facts and circumstances that existed at April 30, 2010, the Company used such information to establish the fair value of Thistledown when assessing the fair value of the underlying collateral of the loans. Accordingly, the Company reduced the impairment provision by \$7.5 million related to the Transferred Assets on April 30, 2010 and is included in "impairment recovery relating to loans receivable from MEC" on the consolidated statements of income (loss) for the nine-month period ended September 30, 2010.

(c) Bankruptcy Claims

The settlement of allowed administrative, priority and other claims which the Company assumed under the Plan is ongoing and subject to Bankruptcy Court approval. Consequently, at each interim reporting date, the Company makes estimates of such settlements based on claims that have been resolved, continue to be objected to and/or negotiated and claims which are still pending Bankruptcy Court approval. As a result, the Company revised the estimates related to expected allowed administrative, priority and other claims assumed by the Company under the Plan by approximately \$15.9 million as a result of additional information received and/or the cash settlement of certain allowed administrative, priority and other claims previously outstanding. Accordingly, the Company increased the impairment provision by \$15.9 million related to the Transferred Assets on April 30, 2010 and is included in "impairment recovery relating to loans receivable from MEC" on the consolidated statements of income (loss) for the nine-month period ended September 30, 2010.

(d) Changes in Fair Value of Net Assets Retained Under the Plan

At each interim reporting date, the Company estimated the working capital of the Transferred Assets under the Plan based on available unaudited internally prepared results and operating projections. On the effective date of the Plan, the fair value of the working capital differed from the original estimates as a result of actual operating results and events related to the bankruptcy process. The Company also estimated the fair value of the real estate of the Transferred Assets

taking into consideration: (i) certain economic and industry information relevant to the Transferred Assets' operating business; (ii) various indications of interest received by MEC in connection with the sales marketing efforts conducted by financial advisors of MEC during the Chapter 11 proceedings; and (iii) third-party real estate appraisals. Throughout the bankruptcy process and to the effective date of the Plan, the Company continually updated such information related to market conditions and assumptions related to the real estate values based on the premise of highest and best use. The appraisals included additional information related to assumptions regarding potential uses, costs related to obtaining appropriate entitlements and demolition costs, and comparable sales data for real estate transactions in each jurisdiction. As a result of changes in fair value of the Transferred Assets, there may be a corresponding change in the determination of future tax balances associated with differences between estimated fair value and tax bases of assets acquired and liabilities assumed. Accordingly, the Company reduced the impairment provision by \$5.4 million related to the Transferred Assets on April 30, 2010 and is included in "impairment recovery relating to loans receivable from MEC" on the consolidated statements of income (loss) for the nine-month periods ended September 30, 2010.

(ii) 2007 MEC Bridge Loan

On September 13, 2007, MID announced that the MID Lender had agreed to provide MEC with a bridge loan of up to \$80.0 million (subsequently increased to \$125.0 million as discussed below) through a non-revolving facility (the "2007 MEC Bridge Loan").

The 2007 MEC Bridge Loan was secured by certain assets of MEC, including first ranking security over the Thistledown land, second ranking security over Golden Gate Fields and third ranking security over Santa Anita Park. In addition, the 2007 MEC Bridge Loan was guaranteed by certain MEC subsidiaries and MEC had pledged the shares and all other interests MEC had in each of the guarantor subsidiaries (or provided negative pledges where a pledge was not possible due to regulatory constraints or due to a pledge to an existing third-party lender).

The 2007 MEC Bridge Loan initially had a maturity date of May 31, 2008 and bore interest at a rate per annum equal to LIBOR plus 10.0% prior to December 31, 2007, at which time the interest rate on outstanding and subsequent advances was increased to LIBOR plus 11.0%. On February 29, 2008, the interest rate on outstanding and subsequent advances under the 2007 MEC Bridge Loan was increased by a further 1.0%.

During the year ended December 31, 2008, the maximum commitment under the 2007 MEC Bridge Loan was increased from \$80.0 million to \$125.0 million, MEC was given the ability to re-borrow \$26.0 million that had been repaid during the year ended December 31, 2008 from proceeds of asset sales and MEC was permitted to use up to \$3.0 million to fund costs associated with the November 2008 gaming referendum in Maryland. In addition, the maturity date of the 2007 MEC Bridge Loan was extended from May 31, 2008 to March 31, 2009. However, as a result of a reorganization proposal announced in November 2008 not proceeding, such maturity date was accelerated to March 20, 2009. As a result of MEC's Chapter 11 filing on March 5, 2009 (note 1(a)), the 2007 MEC Bridge Loan was not repaid when due. On the Petition Date, the balance outstanding under the 2007 MEC Bridge Loan was \$125.6 million. Interest on the 2007 MEC Bridge Loan accrued during the Debtors' Chapter 11 process rather than being paid currently in cash.

The MID Lender received an arrangement fee of \$2.4 million (3% of the commitment) at closing in 2007 and received an additional arrangement fee of \$0.8 million on February 29, 2008 (1% of the then current commitment). In connection with the amendments and maturity extensions during the year ended December 31, 2008, the MID Lender received aggregate fees of \$7.0 million. The MID Lender also received a commitment fee equal to 1% per annum of the undrawn facility. All fees, expenses and closing costs incurred by the MID Lender in connection with the 2007 MEC Bridge Loan and the changes thereto were paid by MEC.

As of the effective date of the Plan, on April 30, 2010, in satisfaction of, among other things, MID's claim relating to the 2007 MEC Bridge Loan, MID received the Transferred Assets and all liens and

security under the 2007 MEC Bridge Loan were released. Accordingly, at September 30, 2010, no amounts remained outstanding under the 2007 MEC Bridge Loan. At December 31, 2009, \$139.2 million due under the fully drawn 2007 MEC Bridge Loan was included in non-current portion of “loans receivable from MEC, net” on the Company’s consolidated balance sheets.

(iii) MEC Project Financings

The MID Lender had made available separate project financing facilities to Gulfstream Park Racing Association, Inc. and Remington Park, Inc., the wholly-owned subsidiaries of MEC that owned and/or operated Gulfstream Park and Remington Park, respectively, in the amounts of \$162.3 million and \$34.2 million, respectively, plus costs and capitalized interest in each case as discussed below (together, the “MEC Project Financing Facilities”). The MEC Project Financing Facilities were established with a term of 10 years (except as described below for the two slot machine tranches of the Gulfstream Park project financing facility) from the relevant completion dates for the construction projects at Gulfstream Park and Remington Park, which occurred in February 2006 and November 2005, respectively.

The Remington Park project financing and the Gulfstream Park project financing contained cross-guarantee, cross-default and cross-collateralization provisions. The Remington Park project financing was secured by all assets of the borrower (including first ranking security over the Remington Park leasehold interest), excluding licences and permits, and was guaranteed by the MEC subsidiaries that owned Gulfstream Park and the Palm Meadows Training Center. The security package also included second ranking security over the lands owned by Gulfstream Park and second ranking security over the Palm Meadows Training Center and the shares of the owner of the Palm Meadows Training Center (in each case, behind security granted for the Gulfstream Park project financing). In addition, the borrower agreed not to pledge any licences or permits held by it and MEC agreed not to pledge the shares of the borrower or the owner of Gulfstream Park. The Gulfstream Park project financing was guaranteed by MEC’s subsidiaries that owned and operated the Palm Meadows Training Center and was secured principally by security over the lands forming part of the operations at Gulfstream Park and the Palm Meadows Training Center and over all other assets of Gulfstream Park and the Palm Meadows Training Center, excluding licences and permits (which were not subject to security under applicable legislation). Prior to the completion of the sale of Remington Park on January 1, 2010 (note 3), the Gulfstream Park project financing was also guaranteed by MEC’s subsidiary that owned and operated Remington Park and was also secured by security over the leasehold interest forming part of the operations at Remington Park and over all other assets of Remington Park, excluding licences and permits (which could not be subjected to security under applicable legislation).

In July 2006 and December 2006, the Gulfstream Park project financing facility was amended to increase the amount available from \$115.0 million (plus costs and capitalized interest) by adding new tranches of up to \$25.8 million (plus costs and capitalized interest) and \$21.5 million (plus costs and capitalized interest), respectively. Both tranches were established to fund MEC’s design and construction of slot machine facilities located in the existing Gulfstream Park clubhouse building, as well as related capital expenditures and start-up costs, including the acquisition and installation of slot machines. The new tranches of the Gulfstream Park project financing facility both were established with a maturity date of December 31, 2011. Interest under the December 2006 tranche was capitalized until May 1, 2007, at which time monthly blended payments of principal and interest became payable to the MID Lender based on a 25-year amortization period commencing on such date. The July 2006 and December 2006 amendments did not affect the fact that the Gulfstream Park project financing facility continued to be cross-guaranteed, cross-defaulted and cross-collateralized with the Remington Park project financing facility.

Amounts outstanding under each of the MEC Project Financing Facilities bore interest at a fixed rate of 10.5% per annum compounded semi-annually and required repayment in monthly blended payments of principal and interest based on a 25-year amortization period under each of the MEC Project Financing Facilities. Since the completion date for Remington Park, there was also in place a mandatory annual cash flow sweep of not less than 75% of Remington Park’s total excess cash flow,

after permitted capital expenditures and debt service, which was used to pay capitalized interest on the Remington Park project financing facility plus a portion of the principal under the facility equal to the capitalized interest on the Gulfstream Park project financing facility. For the nine-month period ended September 30, 2010, no such payments were made (2009 — \$2.0 million) given the MEC Chapter 11 proceedings.

In September 2007, the terms of the Gulfstream Park project financing facility were amended such that: (i) MEC was added as a guarantor under that facility; (ii) the borrower and all of the guarantors agreed to use commercially reasonable efforts to implement the MEC Debt Elimination Plan (note 5), including the sale of specific assets by the time periods listed in the MEC Debt Elimination Plan; and (iii) the borrower became obligated to repay at least \$100.0 million under the Gulfstream Park project financing facility on or prior to May 31, 2008.

During the year ended December 31, 2008, the deadline for repayment of at least \$100.0 million under the Gulfstream Park project financing facility was extended from May 31, 2008 to March 31, 2009. However, as a result of a reorganization proposal announced in November 2008 not proceeding, such maturity date was accelerated to March 20, 2009. In connection with the amendments and maturity extensions during the year ended December 31, 2008, the MID Lender received aggregate fees of \$3.0 million. As a result of the Debtors' Chapter 11 filing on March 5, 2009 (note 1(a)), the repayment of at least \$100.0 million under the Gulfstream Park project financing facility was not made when due.

On the Petition Date, the balances outstanding under the Gulfstream Park project financing facility and the Remington Park project financing facility were \$170.8 million and \$22.8 million, respectively. During the Debtors' Chapter 11 process, monthly principal and interest payments, as well as the quarterly excess cash flow sweeps, under the MEC Project Financing Facilities were stayed and interest accrued rather than being paid currently in cash.

As of the effective date of the Plan, on April 30, 2010, in satisfaction of, among other things, MID's claim relating to the MEC Project Financings, MID received the Transferred Assets and all liens and security under the MEC Project Financing Facilities were released. Accordingly, at September 30, 2010, no amounts remained outstanding under the MEC Project Financing Facilities. At December 31, 2009, there were balances of \$185.8 million and \$24.8 million due under the Gulfstream Park project financing facility and the Remington Park project financing facility, respectively, which are included in non-current portion of "loans receivable from MEC, net" on the Company's consolidated balance sheets.

In connection with the Gulfstream Park project financing facility, MEC had placed into escrow (the "Gulfstream Escrow") with the MID Lender proceeds from an asset sale which occurred in fiscal 2005 and certain additional amounts necessary to ensure that any remaining Gulfstream Park construction costs (including the settlement of liens on the property) could be funded. At December 31, 2009, the amount held under the Gulfstream Escrow was \$0.5 million. All funds in the Gulfstream Escrow are reflected as "restricted cash" and "due to MEC" on the Company's consolidated balance sheets. As of the effective date of the Plan, on April 30, 2010, in satisfaction of MID's claim relating to the MEC Project Financings, MID retained the escrow proceeds.

(iv) 2008 MEC Loan

On November 26, 2008, concurrent with the announcement of a reorganization proposal, MID announced that the MID Lender had agreed to provide MEC with the 2008 MEC Loan of up to a maximum commitment, subject to certain conditions being met, of \$125.0 million (plus costs and fees). The 2008 MEC Loan bore interest at the rate of LIBOR plus 12.0%, was guaranteed by certain subsidiaries of MEC and was secured by substantially all the assets of MEC (subject to prior encumbrances). The 2008 MEC Loan was made available through two tranches of a non-revolving facility.

- Tranche 1

Tranche 1 in the amount of up to \$50.0 million (plus costs and fees) was made available to MEC solely to fund (i) operations, (ii) payments of principal or interest and other costs under the 2008 MEC Loan and under other loans provided by the MID Lender to MEC, (iii) mandatory payments of interest in connection with other of MEC's existing debt, (iv) maintenance capital expenditures and (v) capital expenditures required pursuant to the terms of certain of MEC's joint venture arrangements with third parties.

In connection with Tranche 1 of the 2008 MEC Loan, the MID Lender charged an arrangement fee of \$1.0 million (2% of the commitment), such amount being capitalized to the outstanding balance of Tranche 1 of the 2008 MEC Loan. The MID Lender was also entitled to a commitment fee equal to 1% per annum of the undrawn facility. All fees, expenses and closing costs incurred by the MID Lender in connection with the 2008 MEC Loan were capitalized to the outstanding balance of Tranche 1 of the 2008 MEC Loan.

Tranche 1 had an initial maturity date of March 31, 2009 but as a result of the reorganization proposal announced in November 2008 not proceeding, such maturity date was accelerated to March 20, 2009. As a result of the Debtors' Chapter 11 filing on March 5, 2009 (note 1(a)), Tranche 1 of the 2008 MEC Loan was not repaid when due.

- Tranche 2

Tranche 2 in the amount of up to \$75.0 million (plus costs and fees) was to be used by MEC solely to fund (i) up to \$45.0 million (plus costs and fees) in connection with the application by MEC's subsidiary, Laurel Park, for a Maryland slots licence and related matters and (ii) up to \$30.0 million (plus costs and fees) in connection with the construction of the temporary slots facility at Laurel Park, following receipt of the Maryland slots licence. In addition to being secured by substantially all the assets of MEC, Tranche 2 of the 2008 MEC Loan was also to be guaranteed by the MJC group of companies and secured by all of such companies' assets.

In February 2009, MEC's subsidiary, Laurel Park, submitted an application for a Maryland video lottery terminal licence (the "MEC VLT Application") and drew \$28.5 million under Tranche 2 of the 2008 MEC Loan in order to place the initial licence fee in escrow pending resolution of certain issues associated with the application. Subsequently, MEC was informed by the Maryland VLT Facility Location Commission that the MEC VLT Application was not accepted for consideration as it had been submitted without payment of the initial licence fee of \$28.5 million. Accordingly, MEC repaid \$28.5 million to the MID Lender under Tranche 2 of the 2008 MEC Loan.

In connection with the February 2009 advance under Tranche 2 of the 2008 MEC Loan, the MID Lender charged an arrangement fee of \$0.6 million, such amount being capitalized to the outstanding balance of Tranche 2 of the 2008 MEC Loan. The MID Lender was also entitled to a commitment fee equal to 1% per annum of the undrawn amount made available under Tranche 2 of the 2008 MEC Loan. All fees, expenses and closing costs incurred by the MID Lender in connection with Tranche 2 were capitalized to the outstanding balance of Tranche 2 under the 2008 MEC Loan.

The initial maturity date of Tranche 2 was December 31, 2011, which, as a result of the MEC VLT Application not being accepted for consideration, was accelerated in accordance with the terms of the loan to May 13, 2009. As a result of the Debtors' Chapter 11 filing on March 5, 2009 (note 1(a)), there was an automatic stay of any action to collect, assert or recover on the 2008 MEC Loan.

On the Petition Date, the balance outstanding under the 2008 MEC Loan was \$52.5 million. Interest and fees on the 2008 MEC Loan accrued during the Debtors' Chapter 11 process rather than being paid currently in cash. As of the effective date of the Plan, on April 30, 2010, in satisfaction of MID's claim relating to the 2008 MEC Loan, MID received the Transferred Assets and all liens and security under the 2008 MEC Loan were released. Accordingly, at September 30, 2010, no amounts remained outstanding under the 2008 MEC Loan. At December 31, 2009, \$58.4 million due under the

2008 MEC Loan was included in non-current portion of “loans receivable from MEC, net” on the Company’s consolidated balance sheets.

(v) DIP Loan

In connection with the Debtors’ Chapter 11 filing (note 1(a)), the MID Lender originally agreed to provide a six-month secured non-revolving DIP Loan to MEC in the amount of up to \$62.5 million. The DIP Loan initial tranche of up to \$13.4 million was made available to MEC on March 6, 2009 pursuant to approval of the Court and an interim order was subsequently entered by the Court on March 13, 2009.

On April 3, 2009, MEC requested an adjournment until April 20, 2009 for the Court to consider the motion for a final order relating to the DIP Loan. The Court granted the request and authorized an additional \$2.5 million being made available to MEC under the DIP Loan pending the April 20, 2009 hearing.

On April 20, 2009, the DIP Loan was amended to, among other things, (i) extend the maturity from September 6, 2009 to November 6, 2009 in order to allow for a longer marketing period in connection with MEC’s asset sales and (ii) reduce the principal amount available from \$62.5 million to \$38.4 million, with the reduction attributable to the fact that interest on the pre-petition loan facilities between MEC and the MID Lender accrued during the Chapter 11 process rather than being paid currently in cash. The final terms of the DIP Loan were presented to the Court on April 20, 2009 and the Court entered a final order authorizing the DIP Loan on the amended terms on April 22, 2009.

Under the terms of the DIP Loan, MEC was required to pay an arrangement fee of 3% (on each tranche as it was made available) and advances bore interest at a rate per annum equal to LIBOR plus 12.0%. MEC was also required to pay a commitment fee equal to 1% per annum on all undrawn amounts.

The DIP Loan was secured by liens on substantially all assets of MEC and its subsidiaries (subject to prior ranking liens of third parties), as well as a pledge of capital stock of certain guarantors. Under the DIP Loan, MEC could request funds to be advanced on a monthly basis and such funds were to be used in accordance with an approved budget. The terms of the DIP Loan contemplated that MEC would sell all or substantially all its assets through an auction process and use the proceeds from the asset sales to repay its creditors, including the MID Lender.

On October 28, 2009, the Court entered a final order authorizing amendments to the DIP Loan, which, among other things, increased the principal amount available thereunder by \$26.0 million to up to \$64.4 million and extended the maturity date to April 30, 2010. The amended DIP Loan contemplated that MEC would use its best efforts to market and sell all its assets, including seeking stalking horse bidders, conducting auctions and obtaining sales orders from the Court. If certain asset sale milestones were not satisfied, there would be an event of default and/or additional arrangement fees would be payable by MEC. The other fees and the interest rate payable by MEC to the MID Lender under the amended DIP Loan were unchanged. All advances under the amended DIP Loan were to be made in accordance with an approved budget.

On March 3, 2010, the DIP Loan was further amended and restated, such that an additional \$7.0 million was approved by the Court and made available to MEC under the DIP Loan. Accordingly, the maximum commitment amount under the DIP Loan was \$71.4 million, of which no amounts remained available to be borrowed by MEC at the effective date of the Plan and \$33.0 million was outstanding as at April 30, 2010, the maturity date of the DIP Loan. Under the Plan, a portion of the amounts held in escrow by the Debtors reflecting the net proceeds from the sale of the assets of Remington Park was used to pay and satisfy in full all outstanding DIP Loan obligations on May 3, 2010. Accordingly, at September 30, 2010, no amounts remained outstanding under the DIP Loan. At December 31, 2009, \$45.0 million, net of \$1.3 million of unamortized deferred arrangement fees, due under the DIP Loan was included in the non-current portion of “loans receivable from MEC, net” on the Company’s consolidated balance sheets.

To the Petition Date (note 1 (a)), approximately \$9.4 million of external third-party costs were incurred in association with these loan facilities between MEC and the MID Lender. Prior to the Petition Date, these costs were recognized as deferred financing costs at the MEC segment level and were amortized into interest expense (of which a portion had been capitalized in the case of the MEC Project Financing Facilities) over the respective term of each of the loan facilities. Prior to the Petition Date, such costs were charged to “general and administrative” expenses at a consolidated level in the periods in which they were incurred.

All interest and fees charged by the Real Estate Business prior to the Petition Date relating to the loan facilities, including any capitalization and subsequent amortization thereof by MEC, and any adjustments to MEC’s related deferred financing costs, have been eliminated from the Company’s consolidated results of operations and financial position.

(b) Magna Lease Termination

During the three-month period ended June 30, 2010, the Company and Magna agreed to terminate the lease on a property in the United States. In conjunction with the lease termination, Magna agreed to pay the Company a fee of \$1.9 million, which amount will be collected based on a repayment schedule over the remaining term of the original lease which was scheduled to expire in September 2013. The amount has been recognized in “other gains (losses)” in the Company’s consolidated statements of income (loss) for the nine-month period ended September 30, 2010.

(c) MEC’s Lease Termination

During the year ended December 31, 2007, the Company acquired a 205 acre parcel of land located in Bonsall, California from MEC, which currently houses the San Luis Rey Downs Thoroughbred Training Facility. This property is being held by MID for future development and MID agreed to lease the property to MEC on a triple-net basis for nominal rent while MID pursues the necessary development entitlements and other approvals. The lease was scheduled to terminate on June 6, 2010, however, on November 11, 2009, MEC elected to exercise its option to terminate the agreement by providing MID four months written notice, as stipulated in the agreement. The lease with MEC was scheduled to terminate on April 11, 2010, however, on March 16, 2010, the property was re-leased to San Luis Racing, Inc., a third party, on a triple-net lease basis for nominal rent while MID continues to pursue the necessary development entitlements and other approvals.

(d) MEC’s Real Estate Sales to Magna

On March 5, 2009, MEC announced that one of its subsidiaries in Austria had entered into an agreement to sell to a subsidiary of Magna approximately 100 acres of real estate located in Oberwaltersdorf, Austria for a purchase price of approximately 4.6 million euros (\$6.0 million). The transaction was completed on April 28, 2009.

5. DISCONTINUED OPERATIONS OF MEC

On September 12, 2007, MEC’s Board of Directors approved a debt elimination plan (the “MEC Debt Elimination Plan”) to generate funds from, among other things, the sale of Great Lakes Downs in Michigan, Thistledown in Ohio, Remington Park in Oklahoma City and MEC’s interest in Portland Meadows in Oregon. In September 2007, MEC engaged a U.S. investment bank to assist in soliciting potential purchasers and managing the sale process for certain of these assets. In October 2007, the U.S. investment bank began marketing Thistledown and Remington Park for sale and initiated an active program to locate potential buyers. However, MEC subsequently took over the sales process from the U.S. investment bank and was in discussions with potential buyers of these assets prior to the Petition Date. For additional details on the sales of Remington Park and Thistledown, refer to note 3.

In November 2007, MEC initiated a program to locate a buyer for Portland Meadows and was marketing for sale its interest in this property prior to the Petition Date.

In March 2008, MEC committed to a plan to sell Magna Racino™. MEC had initiated a program to locate potential buyers and, prior to the Petition Date, was marketing the assets for sale through a real estate agent. For additional details on the sales process for Magna Racino™, refer to note 3.

On July 16, 2008, MEC completed the sale of Great Lakes Downs in Michigan for cash consideration of \$5.0 million.

MEC's results of operations related to discontinued operations for the three and nine-month periods ended September 30, 2010 and 2009 are shown in the following table. There are no assets and liabilities related to MEC's discontinued operations included in the Company's consolidated balance sheets as at September 30, 2010 and December 31, 2009 given the deconsolidation of MEC at the Petition Date.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009⁽¹⁾	2010	2009⁽¹⁾
Revenues	\$ —	\$ —	\$ —	\$21,226
Costs and expenses	—	—	—	19,937
	—	—	—	1,289
Interest expense, net	—	—	—	505
MEC's income from discontinued operations	—	—	—	784
Eliminations (note 4(a))	—	—	—	443
Consolidated income from MEC's discontinued operations	—	—	—	1,227
Deduct income attributable to noncontrolling interest	—	—	—	(363)
Consolidated income from MEC's discontinued operations attributable to MID	\$ —	\$ —	\$ —	\$ 864

(1) The results for the three-month period ended September 30, 2009 do not include the results of MEC's discontinued operations, while the results for the nine-month period ended September 30, 2009 include the results of MEC's discontinued operations up to the Petition Date of March 5, 2009 (note 1(c)).

6. REAL ESTATE PROPERTIES

(a) Real estate properties consist of:

<u>As at</u>	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Real Estate Business — Revenue-producing properties		
Land and improvements	\$ 214,517	\$ 219,962
Buildings, parking lots and roadways — cost	1,402,453	1,418,989
Buildings, parking lots and roadways — accumulated depreciation	<u>(442,637)</u>	<u>(418,922)</u>
	<u>1,174,333</u>	<u>1,220,029</u>
Real Estate Business — Development properties		
Land and improvements	170,838	169,816
Properties under development	<u>3,624</u>	<u>—</u>
	<u>174,462</u>	<u>169,816</u>
Racing and Gaming properties		
Land and improvements	323,370	—
Buildings, parking lots and roadways — cost	27,576	—
Buildings, parking lots and roadways — accumulated depreciation	<u>(568)</u>	<u>—</u>
	<u>350,378</u>	<u>—</u>
	<u>\$1,699,173</u>	<u>\$1,389,845</u>

(b) During the three-month period ended September 30, 2010, the Company recorded a loss of \$1.2 million resulting from the disposition of 8.72 acres of land held for development. In 2004, a wholly-owned subsidiary of the Company entered into an agreement with the municipality in which the land is located that if certain development did not occur within a specified period of time, then the land would convey to the municipality. Such development did not occur, resulting in the conveyance of the land to the municipality. The loss on disposal of \$1.2 million is included in “gain (loss) on disposal of real estate” on the consolidated statements of income (loss) for the three and nine-month periods ended September 30, 2010 and is included in the “Real Estate Business” operations segment.

During the three-month period ended September 30, 2009, the Company completed the sale of land and a vacant building for cash consideration of \$0.8 million and recorded a gain on disposal of \$0.3 million, which is included in “gain (loss) on disposal of real estate” on the consolidated statements of income (loss) for the three and nine-month periods ended September 30, 2009 and is included in the “Real Estate Business” operations segment.

7. FIXED ASSETS

Fixed assets consist of:

<u>As at</u>	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Cost		
Machinery and equipment	\$12,841	\$ —
Furniture and fixtures	6,079	1,968
	<u>18,920</u>	<u>1,968</u>
Accumulated depreciation		
Machinery and equipment	(1,397)	—
Furniture and fixtures	(2,498)	(1,735)
	<u>(3,895)</u>	<u>(1,735)</u>
	<u>\$15,025</u>	<u>\$ 233</u>

8. OTHER ASSETS

Other assets consist of:

<u>As at</u>	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Investments in unconsolidated joint ventures of Racing & Gaming		
Business	\$56,658	\$ —
Deferred leasing costs	1,869	1,511
Long-term receivables	1,078	554
Tenant inducements	1,399	—
Other	112	—
	<u>\$61,116</u>	<u>\$2,065</u>

The Company's ownership percentages and carrying values of its investments in unconsolidated joint ventures at September 30, 2010 and December 31, 2009 are as follows:

	<u>Ownership %</u>	<u>September 30, 2010</u>	<u>December 31, 2009</u>
The Village at Gulfstream Park, LLC	50%	\$33,369	\$ —
HRTV, LLC	50%	309	—
Maryland RE & R LLC	51%	22,980	—
Laurel Gaming LLC	49%	—	—
		<u>\$56,658</u>	<u>\$ —</u>

On May 6, 2010, the Company, through an indirect wholly-owned subsidiary, entered into an agreement with a wholly-owned subsidiary of Penn providing for joint ventures to own and operate the MJC real estate and racing operations and the right to pursue gaming opportunities at MJC properties. On July 1, 2010, all closing conditions relating to this transaction were completed. Accordingly, the Company has recorded a 51% joint venture interest in Maryland RE & R LLC, which owns MJC's real estate and racing operations in Maryland including Pimlico Race Course, Laurel Park and a thoroughbred training centre (the "Real Estate and Racing Venture"). The Real Estate and Racing Venture is managed by MID. The Company has also recorded a 49% joint venture interest in Laurel Gaming LLC, established to develop and operate any future gaming opportunities other than racing at the Maryland properties (the "Gaming Venture"). The Gaming Venture is managed by Penn. Penn paid MID \$26.3 million for Penn's interest in the Real Estate and Racing Venture and the Gaming Venture on closing, which included a working capital adjustment and the reimbursement of certain expenses of approximately \$0.3 million. The Company realized a loss on disposal of \$0.1 million in "other gains (losses)" on the consolidated statements of income (loss) for the three and nine-month periods ended September 30, 2010. MID and Penn have agreed to ensure adequate operating capital at MJC, pursuant to an operating plan as mutually determined by MID and Penn and approved by the Maryland Racing Commission, until December 31, 2011. The operating plan has yet to be developed. The investments in these joint ventures have been accounted for using the equity method of accounting as of July 1, 2010. Investments in entities which the Company does not control, but has the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method of accounting. The Company has also determined that these joint ventures do not constitute VIEs. Accordingly, the results of MJC are no longer consolidated in these consolidated financial statements effective July 1, 2010.

The results of operations related to the Company's investments in unconsolidated joint ventures of the Racing & Gaming Business for the three and nine-month periods ended September 30, 2010 and 2009 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Results of operations				
Revenues	\$ 17,191	\$ —	\$ 21,243	\$2,224
Costs and expenses	27,829	—	32,865	2,094
Net income (loss)	\$(10,638)	\$ —	\$(11,622)	\$ 130
MID's share of net income (loss)	\$ (5,404)	\$ —	\$ (5,896)	\$ 65

The following represents 100% of the assets and liabilities of the Company's investments in unconsolidated joint ventures of the Racing & Gaming Business:

<u>As at</u>	<u>September 30, 2010</u>	<u>December 31, 2009</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,110	\$ —
Restricted cash	1,120	—
Accounts receivable	16,438	—
Income taxes receivable	811	—
Inventories	228	—
Prepaid expenses and other	<u>1,887</u>	<u>—</u>
	25,594	—
Real estate properties, net	205,279	—
Fixed assets, net	968	—
Other assets, net	66,041	—
Goodwill	<u>29,370</u>	<u>—</u>
Total assets	<u>\$327,252</u>	<u>\$ —</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 28,802	\$ —
Long-term debt due within one year	4,204	—
Deferred revenue	<u>56</u>	<u>—</u>
	33,062	—
Long-term debt	101,911	—
Other long-term liabilities	60,285	—
Future tax liabilities	<u>2,586</u>	<u>—</u>
Total liabilities	<u>\$197,844</u>	<u>\$ —</u>

9. INTANGIBLE ASSETS

Intangible assets consist of:

<u>As at</u>	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Racing & Gaming Business		
Cost		
Customer contracts	\$12,086	\$ —
Software technology	13,000	—
Trademark	<u>4,100</u>	<u>—</u>
	29,186	—
Accumulated amortization		
Customer contracts	(1,512)	—
Software technology	(1,083)	—
Trademark	<u>—</u>	<u>—</u>
	(2,595)	—
	<u>\$26,591</u>	<u>\$ —</u>

Amortization expense for each of the following five years is estimated to be as follows:

2011	\$ 6,236
2012	6,236
2013	5,041
2014	3,141
2015	1,673
	<u>\$22,327</u>

10. GOODWILL

Goodwill represents the excess of the purchase price over the fair value of net assets acquired (note 3(c)). Goodwill consists of:

<u>As at</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Racing & Gaming Business		
Cost:		
XpressBet (note 3(c))	\$11,637	\$ —
AmTote (note 3(c))	4,153	—
	<u>\$15,790</u>	<u>\$ —</u>

Goodwill of \$29.2 million resulting from the acquisition of MJC at April 30, 2010 (note 3(c)) is no longer recorded on the consolidated balance sheets as the Company sold a 49% interest in MJC on July 1, 2010 to Penn and as a result the investment is accounted for using the equity method (note 8).

11. INCOME TAXES

(a) The provision for income taxes from continuing operations differs from the expense that would be obtained by applying Canadian statutory rates as a result of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	<i>(restated-note 2)</i>		<i>(restated-note 2)</i>	
MID				
Expected income taxes at Canadian statutory rate of 31% (2009 — 33%)	\$(1,824)	\$ 9,963	\$ 17,026	\$ 30,728
Foreign rate differentials	(3,860)	(7,278)	(10,005)	(22,375)
Losses not benefited	9,035	—	11,521	—
Non-deductible (non-taxable) expenses	101	(135)	123	21
Plan of reorganization costs not tax benefited	364	—	5,435	—
Provision relating to loans receivable and interest and other income from MEC	—	—	1,682	—
Purchase price consideration adjustment	—	—	(7,292)	—
Other	826	(389)	1,466	222
	<u>4,642</u>	<u>2,161</u>	<u>19,956</u>	<u>8,596</u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010 <i>(restated-note 2)</i>	2009	2010 <i>(restated-note 2)</i>	2009
MEC⁽¹⁾				
Expected income taxes at Canadian statutory rate of 31% (2009 — 33%)	—	—	—	(20,254)
Foreign rate differential	—	—	—	45
Losses not benefited	—	—	—	4,994
Non-deductible expenses	—	—	—	37
Deconsolidation adjustment to the carrying value of MID's investment in, and amounts due from, MEC . . .	—	—	—	15,237
	<u>—</u>	<u>—</u>	<u>—</u>	<u>59</u>
	<u>\$ 4,642</u>	<u>\$ 2,161</u>	<u>\$ 19,956</u>	<u>\$ 8,655</u>

(b) Future tax assets consist of the following:

<u>As at</u>	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Future tax assets, net of valuation allowance	<u>\$10,297</u>	<u>\$9,850</u>

As at September 30, 2010, future tax assets include approximately \$7.6 million related to the acquisitions of the Transferred Assets (note 3(c)).

(c) Future tax liabilities consist of the following:

<u>As at</u>	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Book value of assets in excess of tax value	<u>\$67,097</u>	<u>\$32,235</u>
Other	<u>6,611</u>	<u>5,589</u>
Future tax liabilities	<u>\$73,708</u>	<u>\$37,824</u>

As at September 30, 2010, future tax liabilities include approximately \$32.9 million related to the acquisition of the Transferred Assets (note 3(c)).

12. BANK INDEBTEDNESS AND LONG-TERM DEBT

(a) Bank Indebtedness

The Company has an unsecured senior revolving credit facility that is available by way of U.S. or Canadian dollar loans or letters of credit (the "MID Credit Facility") and matures on December 21, 2010, unless further extended with the consent of both parties. The maximum commitment available under the MID Credit Facility is \$75.0 million, which was reduced to \$50.0 million on November 1, 2010. Interest on drawn amounts is calculated based on an applicable margin determined by the ratio of funded debt to earnings before interest, income tax expense, depreciation and amortization. The Company is subject to interest at LIBOR or bankers' acceptance rates, in each case plus 4.50%, or the U.S. base or Canadian prime rate, in each case plus 3.50%. At September 30, 2010, the Company had Cdn. \$33.0 million (\$32.0 million) drawn under the MID Credit Facility (December 31, 2009 — no borrowings) and had issued letters of credit totalling \$2.2 million (December 31, 2009 — \$0.2 million). The weighted average interest rate on the loans outstanding under the MID Credit Facility at September 30, 2010 was 6.50%. At

(1) The results for the three-month period ended September 30, 2009 do not include the results of MEC, while the results for the nine-month period ended September 30, 2009 include the results of MEC up to the Petition Date of March 5, 2009 (note 1(c)).

November 11, 2010, Cdn. \$24.0 million (\$23.3 million) was drawn under the MID Credit Facility and \$1.2 million of letters of credit were issued.

A wholly-owned subsidiary of the Company that owns and operates Santa Anita Park had a \$7.5 million revolving loan facility under its existing credit facility with a U.S. financial institution that required that the aggregate outstanding principal be fully repaid for a period of 60 consecutive days during each year. The revolving loan facility was scheduled to mature on October 31, 2012. However, the facility was due on demand as a result of MEC filing Chapter 11 petitions on March 5, 2009. The revolving loan facility was secured by a first deed of trust on Santa Anita Park and the surrounding real property. In July 2010, the Company fully repaid the \$3.9 million outstanding under the revolving loan facility. Borrowings under the revolving loan facility bore interest at the U.S. prime rate.

(b) Long-term Debt

The Company has a mortgage in the amount of Cdn. \$2.3 million (\$2.2 million), which bears interest at 8.1% per annum and matures in January 2011. The mortgage is repayable in equal blended monthly payments of Cdn. \$35 thousand and is collateralized by the underlying property.

The Company's wholly-owned subsidiary that owns and operates Santa Anita Park also had \$55.9 million outstanding under its fully drawn term loan facility, which bore interest at LIBOR plus 2.0%. In July 2010, the Company fully repaid the \$55.9 million outstanding under the term loan facility. The term loan facility was repayable in monthly principal payments of \$375 thousand until maturity. The term loan facility was scheduled to mature on October 31, 2012. However, the facility was due on demand as a result of MEC filing Chapter 11 petitions on March 5, 2009. The term loan was collateralized by a first deed of trust on Santa Anita Park and the surrounding real property.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

As at	September 30, 2010	December 31, 2009
Accounts payable	\$25,323	\$ 1,263
Accrued salaries and wages	5,391	2,565
Accrued interest payable	4,268	371
Other accrued liabilities	29,329	16,977
	<u>\$64,311</u>	<u>\$21,176</u>

14. CONTRIBUTED SURPLUS

Changes in the Company's contributed surplus are shown in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Contributed surplus, beginning of period	\$58,597	\$57,109	\$58,575	\$57,062
Stock-based compensation	319	19	341	66
Contributed surplus, end of period	<u>\$58,916</u>	<u>\$57,128</u>	<u>\$58,916</u>	<u>\$57,128</u>

15. ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in the Company's accumulated other comprehensive income are shown in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Accumulated other comprehensive income, beginning of period	\$122,046	\$153,544	\$198,182	\$161,827
Change in fair value of interest rate swaps, net of taxes and noncontrolling interest	—	—	—	92
Foreign currency translation adjustment, net of noncontrolling interest ⁽ⁱ⁾	55,217	38,148	(20,919)	49,623
Reclassification to income upon deconsolidation of MEC (note 1(c))	—	—	—	(19,850)
Accumulated other comprehensive income, end of period⁽ⁱⁱ⁾	\$177,263	\$191,692	\$177,263	\$191,692

(i) The Company incurs unrealized foreign currency translation gains and losses related to its self-sustaining operations having functional currencies other than the U.S. dollar. During the three-month period ended September 30, 2010, the Company reported unrealized currency translation gains primarily due to the strengthening of the euro and Canadian dollar against the U.S. dollar. During the nine-month period ended September 30, 2010, the Company reported unrealized currency translation losses primarily due to weakening of the euro against the U.S. dollar. During the three and nine-month periods ended September 30, 2009, the Company reported unrealized currency translation gains primarily due to a strengthening of the euro and Canadian dollar against the U.S. dollar.

(ii) Accumulated other comprehensive income consists of:

<u>As at</u>	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Foreign currency translation adjustment	<u>\$177,263</u>	<u>\$198,182</u>

16. NONCONTROLLING INTEREST

Changes in the noncontrolling interest of MEC are shown in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Noncontrolling interest, beginning of period	\$ —	\$ —	\$ —	\$ 24,182
MEC's stock-based compensation	—	—	—	23
Disgorgement payment received from noncontrolling interest ⁽ⁱ⁾	—	—	—	420
Comprehensive income (loss):				
Net loss attributable to the noncontrolling interest	—	—	—	(6,308)
Other comprehensive income (loss) attributable to the noncontrolling interest:				
Change in fair value of interest rate swaps, net of taxes	—	—	—	79
Foreign currency translation adjustment	—	—	—	(74)
Reclassification to income upon deconsolidation of MEC (note 1(c))	—	—	—	(18,322)
Noncontrolling interest, end of period	\$ —	\$ —	\$ —	\$ —

- (i) In January 2009, MEC received notice from an institutional shareholder holding more than 10% of MEC's outstanding shares that such institution had completed various transactions involving MEC Class A Stock which were determined to be in violation of Section 16 of the Securities Exchange Act of 1934 (the "Act"). In efforts to regain compliance with Section 16 of the Act, the institution was required to file reports with the SEC of the institution's holdings in, and transactions involving, MEC Class A Stock and determined that, based on transactions completed in 2003 and 2004, a disgorgement payment of \$0.4 million, representing "short-swing profits" realized by the institution, was required to be made to MEC. The Company accounted for the cash receipt as an increase to the noncontrolling interest in MEC.

17. STOCK-BASED COMPENSATION

On August 29, 2003, the Board approved the Incentive Stock Option Plan (the "MID Plan"), which allows for the grant of stock options or stock appreciation rights to directors, officers, employees and consultants. Amendments to the MID Plan were approved by the Company's shareholders at the May 11, 2007 Annual and Special Meeting, and became effective on June 6, 2007. At September 30, 2010, a maximum of 2.61 million MID Class A Subordinate Voting Shares are available to be issued under the MID Plan.

MID has granted stock options to certain directors and officers to purchase MID Class A Subordinate Voting Shares. Except for the options granted on November 10, 2009 and August 12, 2010, as described below, such options have generally been granted with 1/5th of the options vesting on the date of grant and the remaining options vesting over a period of four years at a rate of 1/5th on each anniversary of the date of grant. On November 12, 2009, MID granted to the outside directors and to management an aggregate of 455,000 stock options to acquire MID's Class A Subordinate Voting Shares. The options granted vest 50% on the date of grant, 25% on the first anniversary of the date of grant and 25% on the second anniversary of the date of grant. On August 18, 2010, MID granted to outside directors an aggregate of 95,000 stock options to acquire MID's Class A Subordinate Voting Shares. The options granted vest 50% on the date of grant and 50% on the first anniversary of the date of grant. Options expire on the tenth anniversary of the date of grant, subject to earlier cancellation in the events specified in the stock option agreement entered into by MID with each recipient of options.

A reconciliation of the changes in stock options outstanding is presented below:

	2010		2009	
	Number	Weighted Average Exercise Price (Cdn. \$)	Number	Weighted Average Exercise Price (Cdn. \$)
Stock options outstanding, January 1	881,544	24.50	494,544	34.83
Cancelled or forfeited	(121,544)	26.25	(8,000)	39.12
Stock options outstanding, June 30 and March 31	760,000	24.22	486,544	34.76
Granted	95,000	12.90	—	—
Cancelled or forfeited	(20,000)	35.49	(60,000)	32.15
Stock options outstanding, September 30	835,000	22.66	426,544	35.12
Stock options exercisable, September 30	565,000	25.74	376,544	34.56

The Company estimates the fair value of stock options at the date of grant using the Black-Scholes option valuation model. The Black-Scholes option valuation model was developed for use in estimating the fair value of freely traded options, which are fully transferable and have no vesting restrictions. In addition, this model requires the input of subjective assumptions, including expected dividend yields, future stock price volatility and expected time until exercise. Although the assumptions used reflect management's best estimates, they involve inherent uncertainties based on market conditions outside of the Company's control. Because the Company's outstanding stock options have characteristics that are significantly different from those of traded options, and because changes in any of the assumptions can materially affect the fair value estimate, in management's opinion, the existing model does not necessarily provide the only measure of the fair value of the Company's stock options.

The weighted average assumptions used in determining the fair value of the MID stock options granted are shown in the table below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Risk-free interest rate	1.3%	—	1.3%	—
Expected dividend yield	3.3%	—	3.3%	—
Expected volatility of MID's Class A Subordinate Voting Shares	58.7%	—	58.7%	—
Weighted average expected life (years)	2.0	—	2.0	—
Weighted average fair value per option granted	\$ 3.40	\$—	\$ 3.40	\$—

At September 30, 2010, the total unrecognized compensation expense relating to the outstanding stock options is approximately \$104 thousand, which is expected to be recognized as an expense over a period of 1.1 years.

Effective November 3, 2003, MID established a Non-Employee Director Share-Based Compensation Plan (the "DSP"), which provides for a deferral of up to 100% of each outside director's total annual remuneration from the Company, at specified levels elected by each director, until such director ceases to be a director of the Company. The amounts deferred are reflected by notional deferred share units ("DSUs") whose value reflects the market price of the Company's Class A Subordinate Voting Shares at the time that the particular payment(s) to the director is determined. The value of a DSU will appreciate or depreciate with changes in the market price of the Class A Subordinate Voting Shares. The DSP also takes into account any dividends paid on the Class A Subordinate Voting Shares. Effective January 1,

2005, all directors were required to receive at least 50% of their Board and Committee compensation fees (excluding Special Committee fees, effective January 1, 2006) in DSUs. On January 1, 2008, the DSP was amended such that this 50% minimum requirement is only applicable to Board retainer fees. Under the DSP, when a director leaves the Board, the director receives a cash payment at an elected date equal to the value of the accrued DSUs at such date. There is no option under the DSP for directors to receive Class A Subordinate Voting Shares in exchange for DSUs.

A reconciliation of the changes in DSUs outstanding is presented below:

	<u>2010</u>	<u>2009</u>
DSUs outstanding, January 1	115,939	80,948
Granted	14,000	32,815
Redeemed	<u>(11,640)</u>	<u>(11,245)</u>
DSUs outstanding, March 31	118,299	102,518
Granted	9,537	21,540
Redeemed	<u>—</u>	<u>(25,536)</u>
DSUs outstanding, June 30	127,836	98,522
Granted	13,977	15,118
DSUs outstanding, September 30	<u>141,813</u>	<u>113,640</u>

During the nine-month period ended September 30, 2010, 11,640 DSUs were redeemed by a director who left the Board in 2009 for cash proceeds of \$143 thousand. During the nine-month period ended September 30, 2009, 36,781 DSUs were redeemed by four directors, two of which left the Board in 2008 and two of which left the Board in 2009, for aggregate cash proceeds of \$288 thousand.

During the three and nine-month periods ended September 30, 2010, the Company recognized stock-based compensation expense of \$314 thousand (2009 — \$768 thousand) and \$619 thousand (2009 — \$1.3 million), respectively, which includes a recovery of \$5 thousand (2009 — expense of \$749 thousand) and an expense of \$278 thousand (2009 — \$1.2 million), respectively, pertaining to DSUs.

18. EARNINGS (LOSS) PER SHARE

Diluted earnings (loss) per share for the three and nine-month periods ended September 30, 2010 and 2009 are computed as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2010</u>	2009	<u>2010</u>	2009
	<i>(restated-note 2)</i>			
Income (loss) from continuing operations	<u>\$(10,525)</u>	\$28,027	<u>\$34,967</u>	\$29,647
Income from discontinued operations	<u>—</u>	<u>—</u>	<u>—</u>	864
Net income (loss) attributable to MID	<u>\$(10,525)</u>	<u>\$28,027</u>	<u>\$34,967</u>	<u>\$30,511</u>
Weighted average number of Class A Subordinate Voting and Class B Shares outstanding during the period (in thousands)	<u>46,708</u>	<u>46,708</u>	<u>46,708</u>	<u>46,708</u>
Diluted earnings (loss) per Class A Subordinate Voting or Class B Share				
— from continuing operations	<u>\$ (0.23)</u>	\$ 0.60	<u>\$ 0.75</u>	\$ 0.63
— from discontinued operations	<u>—</u>	<u>—</u>	<u>—</u>	0.02
	<u>\$ (0.23)</u>	<u>\$ 0.60</u>	<u>\$ 0.75</u>	<u>\$ 0.65</u>

The computation of diluted earnings (loss) per share for the three and nine-month periods ended September 30, 2010 excludes the effect of the potential exercise of 760,000 (2009 — 486,544) and 881,544

(2009 — 494,544) options, respectively, to acquire Class A Subordinate Voting Shares of the Company because the effect would be anti-dilutive.

19. DETAILS OF CASH FROM OPERATING ACTIVITIES

(a) Items not involving current cash flows are shown in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010 <i>(restated-note 2)</i>	2009	2010 <i>(restated-note 2)</i>	2009
MID				
Straight-line rent adjustment	\$ 170	\$ 237	\$ 534	\$ 553
Interest and other income from MEC	—	(12,362)	—	(31,247)
Stock-based compensation expense	314	768	619	1,265
Depreciation and amortization	13,384	10,583	36,390	30,479
Equity loss	5,404	—	5,896	—
Deconsolidation adjustment to the carrying values of amounts due from MEC	—	—	—	504
Future income taxes	2,291	125	11,298	(1,276)
Impairment recovery relating to loans receivable from MEC	—	—	(9,987)	—
Loss (gain) on disposal of real estate	1,205	(263)	1,205	(263)
Purchase price consideration adjustment	—	—	(18,698)	—
Other	74	80	376	226
	<u>22,842</u>	<u>(832)</u>	<u>27,633</u>	<u>241</u>
MEC⁽¹⁾				
Stock-based compensation expense	—	—	—	23
Depreciation and amortization	—	—	—	7,014
Amortization of debt issuance costs	—	—	—	3,346
Equity income	—	—	—	(65)
Deconsolidation adjustment to the carrying value of the investment in MEC	—	—	—	46,173
Other	—	—	—	20
	<u>—</u>	<u>—</u>	<u>—</u>	<u>56,511</u>
Eliminations (note 4(a))	—	—	—	(339)
	<u>\$22,842</u>	<u>\$ (832)</u>	<u>\$ 27,633</u>	<u>\$ 56,413</u>

(1) The results for the three-month period ended September 30, 2009 do not include the results of MEC, while the results for the nine-month period ended September 30, 2009 include the results of MEC up to the Petition Date of March 5, 2009 (note 1(c)).

(b) Changes in non-cash working capital balances are shown in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
MID				
Restricted cash	\$ (1,349)	\$ —	\$ (520)	\$ —
Accounts receivable	15,884	(1,070)	42,804	(1,246)
Receivable from Reorganized MEC	32,899	—	32,899	—
Inventories	(801)	—	(1,066)	—
Loans receivable from MEC, net	—	(41)	(613)	(720)
Prepaid expenses and other	(592)	350	1,442	(1,142)
Accounts payable and accrued liabilities	(5,074)	5,328	(52,967)	5,264
Income taxes	(1,077)	92	(1,077)	676
Deferred revenue	722	380	(3,736)	(565)
	<u>40,612</u>	<u>5,039</u>	<u>17,166</u>	<u>2,267</u>
MEC⁽¹⁾				
Restricted cash	—	—	—	189
Accounts receivable	—	—	—	(18,624)
Inventories	—	—	—	—
Prepaid expenses and other	—	—	—	(2,076)
Accounts payable and accrued liabilities	—	—	—	11,289
Income taxes	—	—	—	48
Loans payable to MID, net	—	—	—	653
Deferred revenue	—	—	—	217
	<u>—</u>	<u>—</u>	<u>—</u>	<u>(8,304)</u>
Eliminations (note 4(a))	—	—	—	(43)
	<u>\$40,612</u>	<u>\$ 5,039</u>	<u>\$ 17,166</u>	<u>\$ (6,080)</u>

(1) The results for the three-month period ended September 30, 2009 do not include the results of MEC, while the results for the nine-month period ended September 30, 2009 include the results of MEC up to the Petition Date of March 5, 2009 (note 1(c)).

(c) Non-cash investing and financing activities

On April 30, 2010, the Company acquired the Transferred Assets with the purchase price being settled by the outstanding MEC loans of \$344.7 million (note 3(c)) and cash payments aggregating \$90.5 million.

20. DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE INFORMATION

(a) Derivative Financial Instruments

The Company periodically purchases foreign exchange forward contracts to hedge specific anticipated foreign currency transactions. At September 30, 2010, the Company did not have any foreign exchange forward contracts outstanding. At December 31, 2009, the Company held foreign exchange forward contracts to purchase Cdn. \$0.6 million and sell U.S. \$0.5 million. These contracts matured on January 4, 2010 and were entered into by a wholly-owned subsidiary of the Company with a U.S. dollar functional currency to mitigate its foreign exchange exposure to a Canadian dollar denominated payable to the Company's corporate operations having the Canadian dollar as its functional currency. Based on foreign exchange rates at December 31, 2009, the fair value of these foreign exchange forward contracts at December 31, 2009 was a liability of approximately \$10 thousand, which is included in "accounts payable and accrued liabilities" on the Company's consolidated balance sheets.

The following tables summarize the impact of these derivative financial instruments on the Company's unaudited interim consolidated financial statements as at September 30, 2010 and December 31, 2009 and for the three and nine-month periods ended September 30, 2010 and 2009:

<u>As at</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts		
— included in accounts payable and accrued liabilities	<u>\$ —</u>	<u>\$10</u>
	Location of Losses (Gains) Recognized in Income on Derivatives	Amount of Losses (Gains) Recognized in Income on Derivatives
Three Months Ended September 30	2010	2009
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts	Foreign exchange losses (gains)	<u>\$ —</u> <u>\$ 26</u>
	Location of Losses (Gains) Recognized in Income on Derivatives	Amount of Losses (Gains) Recognized in Income on Derivatives
Nine Months Ended September 30	2010	2009
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts	Foreign exchange losses (gains)	<u>\$(10)</u> <u>\$516</u>

(b) Fair Value Measurements

Fair value measurements are based on inputs of observable and unobservable market data that a market participant would use in pricing an asset or liability. ASC 820, "Fair Value Measurements and Disclosures", establishes a fair value hierarchy which is summarized below:

Level 1: Fair value determined based on quoted prices in active markets for identical assets or liabilities.

Level 2: Fair value determined using significant observable inputs, generally either quoted prices in active markets for similar assets or liabilities or quoted prices in markets that are not active.

Level 3: Fair value determined using significant unobservable inputs, such as pricing models, discounted cash flows or similar techniques.

The following table represents information related to the Company's assets and liabilities measured at fair value on a recurring and nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall:

<u>As at September 30, 2010</u>	<u>Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
ASSETS CARRIED AT FAIR VALUE ON A RECURRING BASIS			
Assets carried at fair value			
Cash and cash equivalents	\$111,785	\$ —	\$ —
Restricted cash	<u>10,655</u>	<u>—</u>	<u>—</u>
<u>As at December 31, 2009</u>	<u>Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
ASSETS AND LIABILITIES CARRIED AT FAIR VALUE ON A RECURRING BASIS			
Assets carried at fair value			
Cash and cash equivalents	\$ 135,163	\$ —	\$ —
Restricted cash	458	—	—
Loans receivable from MEC, net (note 4(a)) ⁽ⁱⁱ⁾	—	—	362,404
Liabilities carried at fair value			
Foreign exchange forward contracts ⁽ⁱ⁾	<u>—</u>	<u>10</u>	<u>—</u>
ASSETS CARRIED AT FAIR VALUE ON A NONRECURRING BASIS			
Real estate property	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 10,000</u>

- (i) Foreign exchange forward contracts are a Level 2 fair value measurement as the fair value of the contracts are determined based on foreign exchange rates in effect at December 31, 2009.
- (ii) The following table reconciles the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the nine-month periods ended September 30, 2010 and 2009:

<u>Nine Months Ended September 30,</u>	<u>2010</u>	<u>2009</u>
	<i>(restated-note 2)</i>	
Loans receivable from MEC, net, beginning of period	\$ 362,404	\$ —
Loan advances to MEC	13,804	—
Loan repayments from MEC	(60,794)	—
Non-cash settlement of loan receivable from MEC (note 4(a))	(326,012)	—
Impairment recovery relating to loans receivable from MEC (note 4(a))	9,987	—
Other	<u>611</u>	<u>—</u>
Loans receivable from MEC, net, end of period	<u>\$ —</u>	<u>\$ —</u>

Certain assets are measured at fair value on a nonrecurring basis; that is, the assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment. As at December 31, 2009, loans receivable from MEC, net with an aggregate cost of \$453.2 million were written down to fair value of \$362.4 million. At April 30, 2010, loans receivable from MEC, net were settled. Loans receivable from MEC, net are a Level 3 fair value measurement as estimated recoverability is partially determined based on the value of the collateral based on third-party appraisals or other valuation techniques, such as discounted cash flows, for those MEC assets transferred to the Company under the Plan or for which the Court has yet to approve for sale under the Plan, net of expected administrative, priority and allowed claims to be paid by the Company under the Plan (note 4(a)).

- (iii) The fair value of the senior unsecured debentures is determined using the quoted market price of the senior unsecured debentures. At September 30, 2010, the fair value of the senior unsecured debentures was approximately \$277.8 million.

21. SEGMENTED INFORMATION

The Company's reportable segments are described in note 1(a) to the accompanying unaudited interim consolidated financial statements. The following tables present certain information with respect to the Company's operating segments:

<u>As at</u>	<u>September 30,</u> <u>2010</u>		<u>December 31,</u> <u>2009</u>	
Total assets				
Real Estate Business	\$1,480,183		\$1,918,151	
Racing & Gaming Business	554,303		—	
Total assets	<u>\$2,034,486</u>		<u>\$1,918,151</u>	
	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2010⁽¹⁾</u>	<u>2009⁽²⁾</u>	<u>2010⁽¹⁾</u>	<u>2009⁽²⁾</u>
	<i>(restated-note 2)</i>			
Revenues				
Real Estate Business	\$ 42,767	\$57,012	\$130,825	\$165,992
Racing & Gaming Business	48,414	—	118,084	152,935
	91,181	57,012	248,909	318,927
Eliminations (note 4(a))	—	—	—	(9,636)
Total revenues	<u>\$ 91,181</u>	<u>\$57,012</u>	<u>\$248,909</u>	<u>\$309,291</u>
Net income (loss)				
Real Estate Business	\$ 12,651	\$28,027	\$ 64,358	\$ 84,517
Racing & Gaming Business	(23,176)	—	(29,391)	(54,342)
	(10,525)	28,027	34,967	30,175
Eliminations (note 4(a))	—	—	—	336
Net income (loss) attributable to MID	<u>\$(10,525)</u>	<u>\$28,027</u>	<u>\$ 34,967</u>	<u>\$ 30,511</u>

(1) The results for the three-month period ended September 30, 2010 include the results of the Transferred Assets, while the results for the nine-month period ended September 30, 2010 include the results of the Transferred Assets from the date of transfer of April 30, 2010 (note 3(c)).

(2) The results for the three-month period ended September 30, 2009 do not include the results of MEC, while the results for the nine-month period ended September 30, 2009 include the results of MEC up to the Petition Date of March 5, 2009 (note 1(c)).

22. COMMITMENTS AND CONTINGENCIES

- (a) In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with, among others, customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of the Company.
- (b) The Company has learned of the filing of a Statement of Claim (commenced by a Notice of Action) against it and certain of its current and former directors and officers with the Ontario Superior Court of Justice by certain shareholders alleging, among other things, that directors of MID breached their duties in connection with certain transactions with MEC. MID has not been served with this Statement of Claim or Notice of Action. The Company believes that this claim is entirely without merit. These shareholders filed the claim on May 21, 2010, but did not serve it upon MID or any of the other defendants. If and when the shareholders who have commenced this new claim decide to pursue it, MID will defend the claim vigorously and will seek the highest cost award possible in the circumstances.
- (c) The Company's Racing & Gaming Business operations generate a substantial amount of its revenues from wagering activities and are subject to the risks inherent in the ownership and operation of its racetracks. These include, among others, the risks normally associated with changes in the general economic climate, trends in the gaming industry, including competition from other gaming institutions and state lottery commissions, and changes in tax laws and gaming laws.
- (d) In addition to the letters of credit issued under the Company's credit facilities (note 12), the Company had \$2.2 million of letters of credit issued with various financial institutions at September 30, 2010 to guarantee various construction projects. These letters of credit are secured by cash deposits of the Company.
- (e) The Company has provided indemnities related to surety bonds issued in the process of obtaining licences and permits at certain of the Company's Racing & Gaming Business racetracks and to guarantee various construction projects related to activities of its subsidiaries. At September 30, 2010, these indemnities amount to \$5.2 million, with expiration dates through 2013.
- (f) At September 30, 2010, the Company's contractual commitments related to construction and development projects outstanding amounted to approximately \$3.2 million.
- (g) In August 2010, the Company introduced the creation of the "Preakness 5.5", a bonus program which could award an aggregate of \$5.5 million to the winner of the Preakness Stakes in May 2011. The bonus will be shared between the horse owner and the trainer. In order to qualify for the Preakness 5.5, two pre-qualifying races must be won. XpressBet will also sponsor the "XpressBet .55", a prize of \$550 thousand awarded to the winner of the 2011 Preakness if that horse was not eligible for the Preakness \$5.5 million bonus but was a runner in one of the pre-qualifying races and finished first, second or third at the second pre-qualifying race. The Company is in the process of acquiring appropriate insurance coverage for the Preakness 5.5 program. Should insurance coverage not be obtained, the Company is committed to award \$5.5 million if there is a winner of the Preakness 5.5. In addition, the Company is committed to award \$550 thousand under the XpressBet .55 program should there be a winner as described above.
- (h) In September 2010, the Company announced the introduction of the "Black-Eyed Susan 2.2", a bonus program that could award an aggregate of \$2.2 million to the winning horse owner and trainer of the Black-Eyed Susan Stakes in May 2011. To qualify for the Black-Eyed Susan Stakes, a three-year-old horse must first win two pre-qualifying races plus the Gulfstream Park Oaks race. Also, the Company has committed to award the "XpressBet Consolation Prize", an aggregate of \$220 thousand to the horse owner and trainer if they are a runner in a pre-qualifying race of the Black-Eyed Susan 2.2, finished first, second or third in the Santa Anita Oaks or Gulfstream Park Oaks races and wins the Black-Eyed Susan Stakes. In addition, the Company is committed to award \$50 thousand for the "AmTote Jockey Bonus". This prize is awarded to the Black-Eyed Susan Stakes winning jockey who wins one of the qualifying races and competes in at least one other qualifying race. The Company is in the process of acquiring appropriate insurance coverage for the Black-Eyed Susan 2.2 bonus program. Should insurance

coverage not be obtained, the Company is committed to award \$2.2 million if there is a winner of the Black-Eyed Susan 2.2. In addition, the Company is committed to award the XpressBet Consolation Prize and the AmTote Jockey Bonus should there be a winner as described above.

- (i) On March 4, 2007, certain of the Transferred Assets entered into a series of agreements with Churchill Downs Incorporated (“CDI”) in order to enhance wagering integrity and security, to own and operate HRTV®, to buy and sell horse racing content and to promote the availability of horse racing signals to customers worldwide. These agreements involved the formation of a joint venture, TrackNet Media Group, LLC (“TrackNet”), a reciprocal content swap agreement and the purchase by CDI from the Transferred Assets of a 50% interest in HRTV®. Under the reciprocal content swap agreement, the Company and CDI exchange their respective horse racing signals. Both the Company and CDI are required to make capital contributions, as required, on an equal basis, to fund the operations of HRTV, LLC. The TrackNet joint venture is in the process of being dissolved.
- (j) In May 2005, a Limited Liability Company Agreement was entered into between the Transferred Assets and Forest City concerning the development of The Village at Gulfstream Park™, an outdoor shopping and entertainment centre adjacent to Gulfstream Park that opened in February 2010. Forest City contributed \$15.0 million as an initial capital contribution. The Company is obligated to contribute 50% of any equity amounts in excess of \$15.0 million, as required. If the Company or Forest City fail to make required capital contributions when due, then either party to the agreement may advance such funds to the Limited Liability Company, equal to the required capital contributions, as a recourse loan or as a capital contribution for which the capital accounts of the partners would be adjusted accordingly. Upon the opening of The Village at Gulfstream Park™, annual cash receipts (adjusted for certain disbursements and reserves) will first be distributed to the Forest City partner, subject to certain limitations, until such time as the initial contribution accounts of the partners are equal. Thereafter, the cash receipts are generally expected to be distributed to the partners equally, provided they maintain their equal interest in the partnership. The annual cash payments made to the Forest City partner to equalize the partners’ initial contribution accounts will not exceed the amount of the annual ground rent.
- (k) On May 8, 2008, the Los Angeles Turf Club, Incorporated. (“LATC”) commenced civil litigation in the District Court in Los Angeles for breach of contract. It is seeking damages in excess of \$8.4 million from Cushion Track Footing USA, LLC and other defendants for failure to install a racing surface at Santa Anita Park suitable for the purpose for which it was intended. The defendants were served with the complaint and filed a motion to dismiss the action for lack of personal jurisdiction. On October 20, 2008, the presiding judge denied the defendants’ motions. The defendants have filed answers and cross complaints against all other vendors who participated in the removal and construction of the track. In addition, the defendants filed a counter-claim against LATC, which was dismissed. A court-ordered mediation was held on December 1, 2010 and the mediator has requested the defendants to provide additional documents by December 24, 2010.
- (l) The California Regional Water Quality Control Board (the “Control Board”) requires that Santa Anita Park apply for, and keep in force, a wastewater discharge permit which governs and regulates the amount of contaminated water that may be discharged into the storm drain and water table as a result of maintenance of the horse population on site. With the issuance of the permit in 2006, there were certain compliance efforts the Control Board requested that management address over the five-year permit period. The Control Board did not give deadlines for immediate compliance nor is Santa Anita Park’s current permit at risk for non-compliance. Citations are not expected unless Santa Anita Park does not make an effort to comply. Santa Anita Park is in continual discussions with the Control Board regarding the nature of the compliance requests and the planning process as to how these requirements will be addressed. A number of these requirements have been or are expected to be addressed through planned capital projects. Given the fact that a number of these remediation requirements would be better addressed through capital projects rather than merely a repair or fix of existing facilities, the ultimate cost of remediation will be impacted by the decision on how to best address the remediation requirement. This process will span several years as Santa Anita Park addresses each of these requirements. The exact scope, cost and timing of the remediation efforts have not been finalized and a compliance plan has not been agreed upon with the Control Board. It has been concluded that no accrual is required at September 30, 2010, since the Control Board had granted a permit for a five-year period, there were no

manifestations by the Control Board for immediate compliance and Santa Anita Park had not finalized a compliance plan with the Control Board.

- (m) On November 14, 2006, MEC completed the sale to PA Meadows, LLC of all the outstanding shares of Washington Trotting Association, Inc., Mountain Laurel Racing, Inc. and MEC Pennsylvania Racing, Inc. (collectively “The Meadows”) through which MEC owned and operated The Meadows, a standardbred racetrack in Pennsylvania. On closing, MEC received cash consideration and a holdback agreement (“The Meadows Holdback Agreement”), under which \$25.0 million was payable to MEC over a five-year period, subject to the offset for certain indemnification obligations. In April 2009, MEC estimated \$10.0 million (less certain offsets) was payable based upon certain triggering events in The Meadows Holdback Agreement, however, payment was not made by PA Meadows, LLC. Accordingly, MEC commenced litigation proceedings for collection of the \$10.0 million proceeds plus interest. In addition, in February 2010, an additional \$5.0 million, less certain offsets, was considered owing under the terms of The Meadows Holdback Agreement; again, however, payment was not made. As part of the acquisition of the Transferred Assets (note 3(c)), MID received the right to receive any payments under The Meadows Holdback Agreement currently pending in the Court. A decision by the Court concerning the motions for summary judgments made by the parties with respect to whether any amounts are owed to MID under The Meadows Holdback Agreement is expected prior to the end of 2010.
- (n) At September 30, 2010, the Racing & Gaming Business had commitments under operating leases requiring future minimum annual rental payments as follows:

2011	\$1,830
2012	1,224
2013	1,157
2014	957
2015	805
Thereafter	124
	<u>\$6,097</u>

23. RECONCILIATION TO CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Company’s accounting policies as reflected in these unaudited interim consolidated financial statements do not materially differ from Canadian GAAP except as described in the following tables presenting net income (loss) attributable to MID, earnings (loss) attributable to each MID Class A Subordinate Voting or Class B Share and comprehensive income attributable to MID under Canadian GAAP. The following table reflects the significant differences between U.S. GAAP and Canadian GAAP that impact the financial statements for the reported periods. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2009.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	<i>(restated-note 2)</i>			
Net income (loss) attributable to MID under U.S. GAAP	\$(10,525)	\$28,027	\$34,967	\$ 30,511
Interest expense on subordinated notes ⁽ⁱ⁾	—	—	—	6,570*
Depreciation and amortization ⁽ⁱⁱ⁾	—	—	—	(340)*
Stock-based compensation ⁽ⁱⁱⁱ⁾	—	—	—	3,204*
Foreign currency translation losses ^(iv)	—	95	—	(28,241)
Net income (loss) attributable to MID under Canadian GAAP	\$(10,525)	\$28,122	\$34,967	\$ 11,704
Basic and diluted earnings (loss) attributable to each MID Class A Subordinate Voting or Class B Share				
— continuing operations	\$ (0.23)	\$ 0.60	\$ 0.75	\$ 0.23
— discontinued operations	—	—	—	0.02
	\$ (0.23)	\$ 0.60	\$ 0.75	\$ 0.25
Comprehensive income attributable to MID under U.S. GAAP	\$ 44,692	\$66,175	\$14,048	\$ 60,376
Net adjustments to U.S. GAAP net income (loss) per above table	—	95	—	(18,807)
Translation of development property carrying costs ^(v)	128	55	278	99
Foreign currency translation losses ^(iv)	—	(95)	—	28,241
Employee defined benefit and postretirement plans ^(vi)	—	—	—	(728)*
Comprehensive income attributable to MID under Canadian GAAP	\$ 44,820	\$66,230	\$14,326	\$ 69,181

* Reflects cumulative impact of Canadian GAAP accounting to MID's investment in MEC being adjusted to nil upon deconsolidation of MEC at the Petition Date (note 1(c)).

(i) Financial Instruments and Long-term Debt

Under Canadian GAAP, a portion of the face value of MEC's convertible subordinated notes (the "MEC Notes") attributable to the value of the conversion feature at inception is recorded as part of the noncontrolling interest in MEC, rather than as a liability. The remaining value of the MEC Notes at inception is accreted up to their face value on an effective yield basis over the term of the MEC Notes, with the accretion amount being included in MEC's net interest expense. Under U.S. GAAP, the MEC Notes are recorded entirely as debt, resulting in lower net interest expense than under Canadian GAAP.

(ii) Depreciation and Amortization

Based on the terms of MEC's sale of The Meadows in 2006, the sale of The Meadows' real estate properties and fixed assets is not accounted for as a sale and leaseback, but rather using the financing method of accounting under U.S. GAAP as MEC is deemed to have a continuing interest in the transaction. Accordingly, under U.S. GAAP, such real estate properties and fixed assets were required to remain on the balance sheet and continue to depreciate and \$7.2 million of the sale proceeds were required to be deferred at inception and were included in MEC's "other long-term liabilities" on the Company's consolidated balance sheets at December 31, 2008 and 2007. Under U.S. GAAP, these sale proceeds are to be recognized at the point when the transaction subsequently qualifies for sale

recognition. Under Canadian GAAP, the disposal of such real estate properties and fixed assets was recognized as a sale transaction.

(iii) Stock-based Compensation

Canadian GAAP requires the expensing of all stock-based compensation awards for fiscal years beginning on or after January 1, 2004. The Company also adopted this policy under U.S. GAAP effective January 1, 2004. However, under U.S. GAAP, the cumulative impact on adoption of stock-based compensation is not recognized in the consolidated financial statements as an adjustment to opening deficit. As a result, prior to the deconsolidation of MEC (note 1(c)), \$3.2 million of MEC's stock-based compensation expense related to periods prior to January 1, 2004 are excluded from MID shareholders' equity under U.S. GAAP but not under Canadian GAAP.

(iv) Investment Translation Gains or Losses

Under Canadian GAAP, investment translation gains or losses are accumulated in the "accumulated other comprehensive income" component of shareholders' equity, and the appropriate amounts of the investment translation gains or losses are reflected in income when there is a reduction resulting from capital transactions in the Company's net investment in the operations that gave rise to such exchange gains and losses. Under U.S. GAAP, the appropriate amounts of the investment translation gains or losses are only reflected in income when there is a sale or partial sale of the Company's investment in these operations or upon a complete or substantially complete liquidation of the investment.

(v) Capitalization of Development Property Carrying Costs

Under both Canadian and U.S. GAAP, certain carrying costs incurred in relation to real estate property held for development are permitted to be capitalized as part of the cost of such property while being held for development. However, Codification Subtopic 970-360, "Real Estate — Property, Plant and Equipment", is more restrictive than Canadian Institute of Chartered Accountants Handbook Section 3061, "Property, Plant and Equipment", in relation to the necessary criteria required to capitalize such costs. As a result, certain carrying costs have been capitalized from time to time under Canadian GAAP that are not permitted under U.S. GAAP.

(vi) Employee Defined Benefit and Postretirement Plans

Codification Topic 715, "Compensation — Retirement Benefits" requires employers to recognize the funded status (the difference between the fair value of plan assets and the projected benefit obligations) of a defined benefit postretirement plan as an asset or liability on the consolidated balance sheets with a corresponding adjustment to "accumulated other comprehensive income", net of related tax and noncontrolling interest impact. No such adjustment is required under Canadian GAAP.

(vii) Joint Ventures

Under U.S. GAAP, MEC's investments in joint ventures are accounted for using the equity method of accounting, resulting in MEC's proportionate share of the net income or loss of the joint ventures in which it has an interest being recorded in a single line, "equity loss (income)" on the Company's consolidated statements of income (loss). Similarly, MEC's investments in joint ventures are included in a single line, "other assets", on the Company's consolidated balance sheets. Only cash invested by MEC into its interests in joint ventures are reflected in the Company's consolidated statements of cash flows. Under Canadian GAAP, MEC's investments in joint ventures are accounted for using the proportionate consolidation method. MEC's proportionate share of the joint ventures in which it has an interest is added to the consolidated balance sheets, consolidated statements of income (loss) and consolidated statements of cash flows on a line-by-line basis.

The following tables indicate the items in the consolidated balance sheets that would have been affected had the consolidated financial statements been prepared under Canadian GAAP:

As at September 30, 2010	U.S. GAAP	Joint Ventures	Property Carrying Costs	Canadian GAAP
Cash and cash equivalents	\$ 111,785	\$ 2,548	\$ —	\$ 114,333
Restricted cash	10,655	571	—	11,226
Accounts receivable	21,154	8,277	—	29,431
Income taxes receivable	2,381	414	—	2,795
Inventories	5,610	116	—	5,726
Prepaid expenses and other	11,971	962	—	12,933
Real estate properties, net	1,699,173	103,698	4,716	1,807,587
Fixed asset, net	15,025	496	—	15,521
Other assets	61,116	(23,637)	—	37,479
Goodwill	15,790	14,978	—	30,768
Future tax assets	10,297	—	(218)	10,079
Accounts payable and accrued liabilities	64,311	16,374	—	80,685
Long-term debt due within one year	2,235	2,102	—	4,337
Deferred revenue	6,792	29	—	6,821
Long-term debt	—	50,956	—	50,956
Other long-term liabilities	4,137	37,643	—	41,780
Future tax liabilities	73,708	1,319	1,372	76,399
Shareholders' equity	<u>1,585,248</u>	<u>—</u>	<u>3,126</u>	<u>1,588,374</u>

As at December 31, 2009	U.S. GAAP	Property Carrying Costs	Canadian GAAP
Real estate properties, net	\$1,389,845	\$4,325	\$1,394,170
Future tax assets	9,850	(218)	9,632
Future tax liabilities	37,824	1,258	39,082
MID shareholders' equity	<u>1,589,542</u>	<u>2,849</u>	<u>1,592,391</u>

24. SUBSEQUENT EVENTS

- (a) On October 1, 2010, the Company was advised by ST Acquisition Corp. (the "Offeror"), a corporation controlled by members of the Stronach Family, that it intends to make an offer to acquire any or all of the outstanding Class A Subordinate Voting Shares and Class B Shares of MID that it does not already own at a price of \$13.00 per share in cash. The Offeror and its affiliated and associated entities currently own an aggregate of 50,000 Class A Subordinate Voting Shares and 383,414 Class B Shares of MID, which together represent approximately 60% of the total voting power of MID's outstanding shares. The offer is not expected to be conditional on any minimum number of shares being tendered. The Board of Directors of MID has established a special committee of independent directors to review and evaluate the proposed offer and, as required by applicable securities laws, to supervise the preparation of a formal valuation of the shares.
- (b) On November 9, 2010, the Company received a proposal from Minor Racing, LLC to acquire from the Company for a price in the range of \$150.0 million to \$170.0 million the following assets: Santa Anita Park, Golden Gate Fields, The Maryland Jockey Club, Portland Meadows, AmTote and XpressBet. Minor Racing, LLC also proposed to acquire Gulfstream Park (including the Company's interest in The Village at Gulfstream Park™, a joint venture with Forest City Enterprises, Inc.) and all of the Company's other Florida racing related assets for an additional \$150.0 million, although the proposal is not conditional on the inclusion of these assets. The proposal is subject to due diligence and assumes that the assets would be acquired debt free and the acquired entities would be working capital neutral. The Special Committee of the Board of Directors is reviewing and evaluating the proposal from Minor Racing, LLC.
- (c) On November 2, 2010, the Company repaid Cdn. \$9.0 million under the MID Credit Facility, such that at November 11, 2010, the Company had Cdn. \$24.0 million (\$23.3 million) drawn under the MID Credit Facility. In addition, on October 6, 2010, the outstanding letters of credit were reduced by \$1.0 million to \$1.2 million.