



MI DEVELOPMENTS ANNOUNCES 2007 FIRST QUARTER RESULTS

May 11, 2007, Aurora, Ontario, Canada — MI Developments Inc. (TSX: MIM.A, MIM.B; NYSE: MIM) (“MID” or the “Company”) today announced its results for the three months ended March 31, 2007. All figures are in U.S. dollars.

(in thousands, except per share figures)	REAL ESTATE BUSINESS⁽¹⁾	
	Three months ended March 31,	
	2007	2006
Revenues	\$ 44,758	\$ 43,739
Net income	\$ 23,671	\$ 22,172
Funds from operations (“FFO”) ⁽²⁾	\$ 34,203	\$ 33,216
Diluted FFO per share ⁽²⁾	\$ 0.71	\$ 0.69

(in thousands, except per share figures)	MID CONSOLIDATED⁽¹⁾	
	Three months ended March 31,	
	2007	2006
Revenues		
Real Estate Business	\$ 44,758	\$ 43,739
Magna Entertainment Corp. (“MEC”) ⁽³⁾	284,189	279,890
Eliminations	<u>(4,862)</u>	<u>(6,396)</u>
	\$ 324,085	\$ 317,233
Net income		
Real Estate Business	\$ 23,671	\$ 22,172
MEC – continuing operations	33,604	2,918
Eliminations	<u>(33,992)</u>	<u>(508)</u>
Income from continuing operations	23,283	24,582
MEC – discontinued operations ⁽⁴⁾	<u>—</u>	<u>(80)</u>
	\$ 23,283	\$ 24,502
Diluted earnings per share from continuing operations and diluted earnings per share	\$ 0.48	\$ 0.51

(1) Transactions between the Real Estate Business and MEC have not been eliminated in the presentation of each segment’s results of operations. However, the effects of transactions between these two segments are eliminated in the consolidated results of operations of the Company.

(2) FFO and diluted FFO per share are measures widely used by analysts and investors in evaluating the operating performance of real estate companies. However, FFO does not have a standardized meaning under Canadian generally accepted accounting principles (“GAAP”) and therefore may not be comparable to similar measures presented by other companies. Please refer to “Reconciliation of Non-GAAP to GAAP Financial Measures” below.

(3) Excludes revenues from MEC’s discontinued operations.

(4) MEC’s discontinued operations for the three months ended March 31, 2006 include the operations of a restaurant and related real estate in the United States, the sale of which was completed on May 26, 2006, the operations of the Magna Golf Club, the sale of which was completed on August 25, 2006, and the operations of the Fontana Golf Club, the sale of which was completed on November 1, 2006.

REAL ESTATE BUSINESS

Operating and Development Highlights

During the first quarter of 2007, the Real Estate Business acquired all of MEC's interests and rights in three real estate properties to be held for future development: a 34 acre parcel in Aurora, Ontario, a 64 acre parcel of excess land adjacent to MEC's racetrack at Laurel Park in Howard County, Maryland and a 157 acre parcel in Palm Beach County, Florida adjacent to MEC's Palm Meadows Training Center. The Real Estate Business paid cash consideration of Cdn. \$12.0 million (\$10.1 million), \$20.0 million and \$35.0 million, respectively, for these properties and granted MEC a profit participation right in respect of each property under which MEC is entitled to receive additional cash proceeds equal to 15% of the net proceeds from any sale or development of the applicable property after the Real Estate Business achieves a 15% internal rate of return. The Company intends to develop the Aurora and Palm Beach County properties for residential use and the Howard County property for mixed-use, including office, retail and residential.

During the first quarter of 2007, the Real Estate Business did not have any projects come on-stream and commenced two new expansion projects for Magna International Inc. ("Magna"), representing 62 thousand square feet of leaseable area with a budgeted cost of \$9.5 million. At March 31, 2007, the Real Estate Business had four expansion projects under development for Magna, including one in the United States and three in Canada. Once completed, these expansions will add 64 thousand square feet of leaseable area to the Real Estate Business' income-producing portfolio. The total anticipated cost related to these four projects is approximately \$16.5 million, of which \$6.0 million had been incurred as of March 31, 2007.

At March 31, 2007, the Real Estate Business had 27.4 million square feet of leaseable area, with annualized lease payments of \$161.2 million, representing a return of 10.6% on the gross carrying value of our income-producing portfolio.

"The pace of our Magna work continues to be impacted by the uncertainty over the strategic direction of our company due to the ongoing litigation with Greenlight Capital as well as by the challenges facing the auto industry in North America", said John Simonetti, Chief Executive Officer. "In the interim, we continue to prudently diversify our business with the purchase of additional non-industrial real estate from Magna Entertainment. We are confident that each of these properties is unique and represents an excellent development opportunity for us."

Financial Results for the Three Months Ended March 31, 2007

For the three months ended March 31, 2007, revenues were \$44.8 million, an increase of 2% over revenues of \$43.7 million for the three months ended March 31, 2006. The higher revenues reflect ongoing initiatives, including \$1.0 million from completed Magna projects coming on-stream in 2006 and \$0.4 million from contractual rent increases on our existing rental portfolio. Changes in foreign exchange rates also increased revenues by \$1.2 million. These increases were partially offset by a \$1.5 million reduction of interest and other income earned from the financing arrangements with certain subsidiaries of MEC (the "MEC Financing Arrangements"). The reduction of income from the MEC Financing Arrangements is due primarily to MEC's repayment in full of the \$112.0 million bridge loan (the "MEC Bridge Loan") in November 2006, partially offset by additional income from increased levels in the project financing facilities with certain subsidiaries of MEC.

FFO in the three months ended March 31, 2007 was \$34.2 million, representing an increase of \$1.0 million or 3.0% over FFO for the three months ended March 31, 2006. This improvement in FFO is due to a \$1.0 million increase in revenue, a decrease in general and administrative expenses of \$0.1 million and a decrease in net interest expense of \$0.8 million, partially offset by an increase in current income tax expense of \$0.9 million.

Net income for the first quarter of 2007 of \$23.7 million increased by 7% compared to net income of \$22.2 million for the first quarter of 2006. The increase resulted from the \$1.0 million increase in revenues, a \$0.1 million decrease in general and administrative expenses, a \$0.8 million decrease in net interest expense and dilution and other gains of \$0.7 million in the first quarter of 2007, partially offset by increases in depreciation and amortization of \$0.6 million and income tax expense of \$0.5 million.

Net interest expense was \$1.7 million in the three months ended March 31, 2007 (\$3.6 million of interest expense less \$1.9 million of interest income) compared to \$2.5 million for the three months ended March 31, 2006 (\$3.5 million of interest expense less \$1.0 million of interest income). The decrease in net interest expense was due primarily to increased interest income, as the Real Estate Business had more cash available for short-term investment as a result of the repayment of the MEC Bridge Loan in November 2006.

During the three months ended March 31, 2007, the Real Estate Business recognized \$0.7 million of net currency translation gains related to the translation of the Real Estate Business' foreign operations. This net gain, which was previously included in the accumulated comprehensive income component of equity, was recognized in the determination of net income as a result of the Real Estate Business repatriating funds from certain of its foreign operations. The net currency translation gain of \$0.7 million has been excluded from the determination of the Real Estate Business' FFO.

Greenlight Capital Litigation

On August 2, 2005, Greenlight Capital, Inc. and certain of its affiliates ("Greenlight") filed an oppression application in the Ontario Superior Court of Justice against the Company and certain of its current and former directors and officers. On October 30, 2006, the Ontario Superior Court of Justice dismissed the oppression application. On November 29, 2006, Greenlight filed a Notice of Appeal with the Ontario Divisional Court and on January 30, 2007, Greenlight filed its Appellants' factum. The Company continues to consider Greenlight's oppression claim to be without merit and, together with the other respondents, will file a responding factum to vigorously defend against the appeal.

MAGNA ENTERTAINMENT CORP.

At March 31, 2007, the market value of MID's shareholding in MEC was \$228.7 million, based on the Nasdaq closing price of \$3.64 per share for MEC Class A Subordinate Voting Stock (NASDAQ: MECA) on that date.

Financial Results for the Three Months Ended March 31, 2007

MEC's racetracks operate for prescribed periods each year. As a result, racing revenues and operating results for any quarter will not be indicative of MEC's revenues and operating results for the year. MEC's results have been restated to distinguish between results from continuing operations and results from discontinued operations. MEC's discontinued operations for the three months ended March 31, 2006 include the operations of a restaurant and related real estate in the United States, the sale of which was completed on May 26, 2006, the operations of the Magna Golf Club, the sale of which was completed on August 25, 2006, and the operations of the Fontana Golf Club, the sale of which was completed on November 1, 2006.

MEC's revenues from continuing operations for the three months ended March 31, 2007 increased 2% to \$284.2 million from the prior year comparable period. The increase in revenues in the first quarter of 2007 is primarily due to the opening of casino operations at Gulfstream Park in November 2006 and increased revenues from MEC's acquisition in July 2006 of the remaining 70% equity interest in AmTote International, Inc. (the "AmTote Acquisition"), partially offset by reduced revenues from fewer live race days at Golden Gate Fields, Santa Anita Park and The Meadows in the first quarter of 2007 compared to the first quarter of 2006 and lower gaming revenues at Remington Park.

Earnings before interest, taxes, depreciation and amortization from MEC's continuing operations excluding real estate disposal gains, dilution and other gains and the minority interest impact ("EBITDA") was \$24.2 million for the first quarter in 2007 compared to \$25.2 million in the prior year. The \$1.0 million decrease is due to \$6.3 million of increased operating costs, partially offset by \$4.3 million of increased revenues as discussed previously and a \$1.0 million reduction in purses, awards and other expenses due to reduced live race days as discussed previously. The increase in operating costs is primarily due to increased operating at Gulfstream Park for the new casino facility and increased costs in MEC's PariMax operations resulting from the AmTote Acquisition.

MEC recorded net income of \$33.6 million for the three months ended March 31, 2007 compared to \$2.8 million in the three months ended March 31, 2006. Excluding discontinued operations and gains on disposal of real estate and the related income taxes and minority interest impact, MEC's net income was \$1.2 million in each of the three-month periods ended March 31, 2007 and 2006.

DIVIDENDS

MID's Board of Directors has declared a dividend of \$0.15 per share on MID's Class A Subordinate Voting Shares and Class B Shares for the first quarter ended March 31, 2007. The dividend will be paid on June 15, 2007 to shareholders of record at the close of business on May 31, 2007.

MID designates the entire amount of each of its taxable dividends paid in 2006 and 2007 to be an "eligible dividend" for purposes of the Income Tax Act (Canada), as amended from time to time (the "Tax Act"). Furthermore, MID designates the entire amount of each of its taxable dividends to be paid to be an "eligible dividend" for purposes of the Tax Act, unless indicated otherwise. Please contact your tax advisor if you have any questions with regard to the designation of eligible dividends.

CONFERENCE CALL

A conference call will be held for interested analysts and shareholders to discuss the first quarter's results on May 11, 2007 at 1:30 pm EST. The number to use for this call is 1-800-590-1817. The number for overseas callers is 416-644-3424. Please call 10 minutes prior to the start of the conference call. MID will also webcast the conference call at www.midevelopments.com. The conference call will be chaired by John Simonetti, Chief Executive Officer.

For anyone unable to listen to the scheduled call, the rebroadcast numbers will be: North America – 1-877-289-8525 and Overseas – 416-640-1917 (reservation number is 21228207 followed by the number sign) and the rebroadcast will be available until May 18, 2007.

ABOUT MID

MID is a real estate operating company engaged in the ownership, management, leasing, development and acquisition of industrial and commercial real estate properties located in North America and Europe. Virtually all of its income-producing properties are under lease to Magna and its subsidiaries. MID also holds a controlling investment in MEC, a publicly-traded company that, based on revenues, is North America's number one owner and operator of horse racetracks, and one of the world's leading suppliers, via simulcasting, of live racing content to the growing inter-track, off-track and account wagering markets.

For further information, please contact Robert Kunihiro, Executive Vice-President and Chief Financial Officer, at 905-726-7507. For teleconferencing questions, please contact Angie Palmer at 905-726-7508.

RECONCILIATION OF NON-GAAP TO GAAP FINANCIAL MEASURES
REAL ESTATE BUSINESS
RECONCILIATION OF NET INCOME TO FUNDS FROM OPERATIONS
(U.S. dollars in thousands, except per share figures)
(Unaudited)

	Three Months Ended March 31,	
	2007	2006
Net income	\$ 23,671	\$ 22,172
Add back (deduct):		
Depreciation and amortization	9,931	9,371
Future income taxes	1,268	1,678
Gain on disposal of real estate, net of income tax	(15)	(5)
Dilution and other gains	(652)	—
Funds from operations	\$ 34,203	\$ 33,216
Basic and diluted funds from operations per share	\$ 0.71	\$ 0.69
Average number of shares outstanding (thousands)		
Basic	48,351	48,290
Diluted	48,414	48,346

FORWARD-LOOKING STATEMENTS

The contents of this press release may contain statements that, to the extent they are not recitations of historical fact, constitute “forward-looking statements” within the meaning of applicable securities legislation, including the United States Securities Act of 1933 and the United States Securities Exchange Act of 1934. Forward-looking statements may include, among others, statements regarding the Company’s future plans, goals, strategies, intentions, beliefs, estimates, costs, objectives, economic performance or expectations, or the assumptions underlying any of the foregoing. Words such as “may”, “would”, “could”, “will”, “likely”, “expect”, “anticipate”, “believe”, “intend”, “plan”, “forecast”, “project”, “estimate” and similar expressions are used to identify forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or the times at or by which such future performance will be achieved. Undue reliance should not be placed on such statements. Forward-looking statements are based on information available at the time and/or management’s good faith assumptions and analyses made in light of our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances, and are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond the Company’s control, that could cause actual events or results to differ materially from such forward-looking statements. Important factors that could cause such differences include, but are not limited to, the risks set forth in the “Risk Factors” section in MID’s Annual Information Form for 2006, filed on SEDAR at www.sedar.com and attached as Exhibit 1 to MID’s Annual Report on Form 40-F for the year ended December 31, 2006. The “Risk Factors” section also contains information about the material factors or assumptions underlying such forward-looking statements. Forward-looking statements speak only as of the date the statement was made and unless otherwise required by applicable securities laws, MID expressly disclaims any intention and undertakes no obligation to update or revise any forward-looking statements contained in this press release to reflect subsequent information, events or circumstances or otherwise.

Consolidated Statements of Income

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

(Unaudited)

Three Months Ended March 31,	Consolidated (notes 1, 13)		Real Estate Business		Magna Entertainment Corp.	
	2007	(restated – note 3) 2006	2007	2006	2007	(restated – note 3) 2006
Revenues						
Rental revenue	\$ 39,896	\$ 37,343	\$ 39,896	\$ 37,343	\$ —	\$ —
Racing and other revenue	284,189	279,890	—	—	284,189	279,890
Interest and other income from MEC (note 13)	—	—	4,862	6,396	—	—
	324,085	317,233	44,758	43,739	284,189	279,890
Operating costs and expenses						
Purses, awards and other	151,497	152,465	—	—	151,497	152,465
Operating costs	91,741	85,402	—	—	91,741	85,402
General and administrative	23,187	21,798	4,586	4,657	16,736	16,781
Depreciation and amortization	20,184	19,498	9,931	9,371	10,290	10,133
Interest expense, net	9,713	10,257	1,653	2,481	13,156	14,018
Operating income	27,763	27,813	28,588	27,230	769	1,091
Gain on disposal of real estate (note 13)	25	2,892	25	9	31,067	2,883
Dilution and other gains (note 9)	656	153	652	—	4	153
Income before income taxes and minority interest	28,444	30,858	29,265	27,239	31,840	4,127
Income tax expense (recovery)	4,308	4,315	5,594	5,067	(2,617)	(752)
Minority interest	853	1,961	—	—	853	1,961
Income from continuing operations	23,283	24,582	23,671	22,172	33,604	2,918
Loss from discontinued operations (note 3)	—	(80)	—	—	—	(80)
Net income	\$ 23,283	\$ 24,502	\$ 23,671	\$ 22,172	\$ 33,604	\$ 2,838
Basic and diluted earnings per Class A Subordinate Voting or Class B Share (note 4)						
– Continuing operations	\$ 0.48	\$ 0.51				
– Discontinued operations (note 3)	—	—				
Total	\$ 0.48	\$ 0.51				
Basic and diluted average number of Class A Subordinate Voting and Class B Shares outstanding during the period (in thousands) (note 4)						
-Basic	48,351	48,290				
-Diluted	48,414	48,346				

See accompanying notes

Consolidated Statements of Comprehensive Income

(Refer to note 2 – Accounting Changes)

(U.S. dollars in thousands)

(Unaudited)

Three months ended March 31,	2007	2006
Net income	\$ 23,283	\$ 24,502
Other comprehensive income (loss):		
Change in fair value of interest rate swaps, net of taxes and minority interest (note 9)	(59)	—
Foreign currency translation adjustment, net of minority interest (note 9)	10,363	14,055
Recognition of foreign currency translation gain in net income (note 9)	(652)	—
Comprehensive income	\$ 32,935	\$ 38,557

See accompanying notes

Consolidated Statements of Changes in Deficit

(U.S. dollars in thousands)

(Unaudited)

Three months ended March 31,	2007		2006	
Deficit, beginning of period	\$	(69,112)	\$	(99,527)
Net income		23,283		24,502
Dividends		(7,255)		(7,244)
Deficit, end of period	\$	(53,084)	\$	(82,269)

See accompanying notes

Consolidated Statements of Cash Flows

(U.S. dollars in thousands)

(Unaudited)

Three Months Ended March 31,	Consolidated (notes 1, 13)		Real Estate Business		Magna Entertainment Corp.	
	2007	(restated – note 3) 2006	2007	2006	2007	(restated – note 3) 2006
OPERATING ACTIVITIES						
Income from continuing operations	\$ 23,283	\$ 24,582	\$ 23,671	\$ 22,172	\$ 33,604	\$ 2,918
Items not involving current cash flows (note 11)	21,959	21,482	10,951	8,120	(21,257)	13,896
Changes in non-cash balances (note 11)	(22,835)	(26,941)	7,697	(2,183)	(30,339)	(24,643)
Cash provided by (used in) operating activities	22,407	19,123	42,319	28,109	(17,992)	(7,829)
INVESTMENT ACTIVITIES						
Property and fixed asset additions	(17,299)	(41,681)	(68,524)	(8,920)	(14,294)	(32,761)
Proceeds on disposal of real estate properties and fixed assets, net	2,774	7,245	838	230	65,886	7,015
Decrease (increase) in other assets	(995)	(594)	(2)	(680)	(993)	86
Loan advances to MEC	—	—	(10,278)	(43,290)	—	—
Loan repayments from MEC	—	—	506	—	—	—
Cash provided by (used in) investment activities	(15,520)	(35,030)	(77,460)	(52,660)	50,599	(25,660)
FINANCING ACTIVITIES						
Proceeds from bank indebtedness	15,000	—	—	—	15,000	—
Repayment of bank indebtedness	(6,515)	—	—	—	(6,515)	—
Issuance of long-term debt	275	—	—	—	275	—
Repayment of long-term debt	(33,375)	(3,646)	(91)	(86)	(33,284)	(3,560)
Loan advances from MID, net	—	—	—	—	9,927	42,133
Loan repayments to MID	—	—	—	—	(506)	—
Issuance of shares	1,058	—	1,058	—	—	—
Cash provided by (used in) financing activities	(23,557)	(3,646)	967	(86)	(15,103)	38,573
Effect of exchange rate changes on cash and cash equivalents	1,237	851	1,336	903	(99)	(52)
Net cash flows provided by (used in) continuing operations	(15,433)	(18,702)	(32,838)	(23,734)	17,405	5,032
DISCONTINUED OPERATIONS						
Cash provided by operating activities	—	5,059	—	—	—	5,059
Cash used in investing activities	—	(145)	—	—	—	(145)
Cash used in financing activities	—	(5,727)	—	—	—	(5,727)
Net cash flows used in discontinued operations (note 3)	—	(813)	—	—	—	(813)
Net increase (decrease) in cash and cash equivalents during the period	(15,433)	(19,515)	(32,838)	(23,734)	17,405	4,219
Cash and cash equivalents, beginning of period	250,255	157,460	191,866	105,482	58,389	51,978
Cash and cash equivalents, end of period	\$ 234,822	\$ 137,945	\$ 159,028	\$ 81,748	\$ 75,794	\$ 56,197

See accompanying notes

Consolidated Balance Sheets

(Refer to note 1 – Basis of Presentation)

(U.S. dollars in thousands)

(Unaudited)

As at	Consolidated (notes 1, 13)		Real Estate Business		Magna Entertainment Corp.	
	March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 234,822	\$ 250,255	\$ 159,028	\$ 191,866	\$ 75,794	\$ 58,389
Restricted cash (note 13)	60,872	40,708	19,344	6,514	41,528	34,194
Accounts receivable	57,979	43,740	8,248	7,749	49,731	35,991
Loan receivable from MEC (note 13)	—	—	3,218	3,108	—	—
Due from MID (note 13)	—	—	—	—	19,356	6,648
Income taxes receivable	3,220	1,934	449	1,354	2,771	580
Prepaid expenses and other	20,863	16,044	1,055	966	19,817	15,304
	377,756	352,681	191,342	211,557	208,997	151,106
Real estate properties, net (note 5)	2,209,449	2,188,774	1,420,771	1,348,621	826,413	845,191
Fixed assets, net	90,535	93,406	542	554	89,993	92,852
Racing licences	109,868	109,868	—	—	109,868	109,868
Other assets	6,634	11,711	858	3,061	5,776	14,276
Loans receivable from MEC (note 13)	—	—	192,852	182,876	—	—
Deferred rent receivable	13,798	13,818	13,798	13,818	—	—
Future tax assets	49,430	52,038	6,617	7,277	42,813	44,761
	\$ 2,857,470	\$ 2,822,296	\$ 1,826,780	\$ 1,767,764	\$ 1,283,860	\$ 1,258,054
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Bank indebtedness (notes 6)	\$ 15,000	\$ 6,515	\$ —	\$ —	\$ 15,000	\$ 6,515
Accounts payable and accrued liabilities	176,638	157,274	21,355	13,317	155,283	143,957
Income taxes payable	8,820	7,083	8,820	7,083	—	—
Dividends payable	7,255	—	7,255	—	—	—
Loan payable to MID (note 13)	—	—	—	—	3,218	3,108
Due to MEC (note 13)	—	—	19,356	6,648	—	—
Long-term debt due within one year	64,763	86,155	390	378	64,373	85,777
Deferred revenue	12,754	8,311	3,899	2,451	9,285	6,098
	285,230	265,338	61,075	29,877	247,159	245,455
Long-term debt	88,382	99,850	5,955	5,991	82,427	93,859
Senior unsecured debentures, net	226,871	226,596	226,871	226,596	—	—
Note obligations, net	212,560	215,830	—	—	212,560	215,830
Loans payable to MID, net	—	—	—	—	186,853	182,876
Other long-term liabilities	16,376	15,787	—	—	16,376	15,787
Future tax liabilities	141,591	141,491	46,794	46,090	93,466	95,401
Minority interest	182,147	180,108	—	—	182,147	180,108
	1,153,157	1,145,000	340,695	308,554	1,020,988	1,029,316
Shareholders' equity:						
Share capital (note 7)	1,578,645	1,577,342	—	—	—	—
Contributed surplus (note 8)	2,547	2,667	—	—	—	—
Deficit	(53,084)	(69,112)	—	—	—	—
Accumulated comprehensive income (note 9)	176,205	166,399	—	—	—	—
	1,704,313	1,677,296	1,486,085	1,459,210	262,872	228,738
	\$ 2,857,470	\$ 2,822,296	\$ 1,826,780	\$ 1,767,764	\$ 1,283,860	\$ 1,258,054

Commitments and contingencies (note 14)

See accompanying notes

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 March 31, 2007 and 2006 and for the three-month-month periods ended March 31, 2007 and 2006 are unaudited)

1. BASIS OF PRESENTATION

The unaudited interim consolidated financial statements include the accounts of MI Developments Inc. and its subsidiaries (collectively, "MID" or the "Company"). MID is a real estate operating company that currently owns, leases, manages and develops a predominantly industrial rental portfolio leased primarily to Magna International Inc. and its automotive operating units ("Magna"). The Company also holds an investment in Magna Entertainment Corp. ("MEC"), an owner and operator of horse racetracks and a supplier of live racing content to the inter-track, off-track and account wagering markets. The Company owns approximately 58% of MEC's total equity, representing approximately 96% of the total voting power of its outstanding stock. MEC's results are consolidated with the Company's results, with outside ownership accounted for as a minority interest.

(a) Magna Entertainment Corp.

The results of operations and the financial position of MEC have been included in these unaudited interim consolidated financial statements on a going concern basis, which contemplates the realization of MEC's assets and the discharge of MEC's liabilities in the normal course of business for the foreseeable future. MEC has incurred net losses before minority interest recovery of \$65.4 million, \$107.4 million and \$97.5 million for the years ended December 31, 2006, 2005 and 2004, respectively, and has a working capital deficiency of \$38.2 million at March 31, 2007. Accordingly, MEC's ability to continue as a going concern is in substantial doubt and is dependent on MEC generating cash flows that are adequate to sustain the operations of the business, renew or extend current financing arrangements and maintain its obligations with respect to secured and unsecured creditors, none of which is assured. During the year ended December 31, 2006, MEC completed asset sale transactions for proceeds totalling \$269.4 million and during the three months ended March 31, 2007, MEC sold all of its interests and rights in three real estate properties to MID for aggregate proceeds of \$65.1 million (note 13). MEC is continuing to pursue other funding sources, which may include further asset sales, partnerships and raising capital through equity offerings, any of which may involve MID. The success of these efforts is not determinable at this time. These unaudited interim consolidated financial statements do not give effect to any adjustments which would be necessary should MEC be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying unaudited interim consolidated financial statements.

The uncertainty regarding MEC's ability to continue as a going concern does not impact the realization of the Company's assets and discharge of its liabilities in the normal course of business.

MEC's racing business is seasonal in nature and racing revenues and operating results for any quarter will not be indicative of the racing revenues and operating results for the year. MEC's racing operations have historically operated at a loss in the second half of the year, with the third quarter typically generating the largest operating loss. This seasonality has resulted in large quarterly fluctuations in MEC's revenues and operating results.

(b) Consolidated Financial Statements

The unaudited interim consolidated financial statements have been prepared in U.S. dollars following Canadian generally accepted accounting principles and the accounting policies as set out in the annual consolidated financial statements for the year ended December 31, 2006.

The unaudited interim consolidated financial statements do not conform in all respects to the requirements of generally accepted accounting principles 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, 2006, except as disclosed in note 2.

In the opinion of management, the unaudited interim consolidated financial statements reflect all adjustments, which consist only of normal and recurring adjustments, necessary to present fairly the financial position at March 31, 2007 and 2006 and the results of operations and cash flows for the three-month periods ended March 31, 2007 and 2006.

Financial data and related measurements are presented on the unaudited interim consolidated statements of income, unaudited interim consolidated statements of cash flows, and unaudited interim consolidated balance sheets in two categories, "Real Estate Business" and "Magna Entertainment Corp.", which correspond to the Company's reporting segments as described in note 12 to the unaudited interim consolidated financial statements. Transactions and balances between the "Real Estate Business" and "Magna Entertainment Corp." have not been eliminated in the presentation of each segment's financial data and related measurements. However, the effects of transactions between these two segments, which are further described in note 13, are eliminated in the consolidated results of operations and financial position of the Company.

The Company has reclassified certain prior period amounts to reflect the restatement for MEC's discontinued operations (note 3(b)).

2. ACCOUNTING CHANGES

The Canadian Institute of Chartered Accountants issued three new standards in January 2005 (which have since been further amended) in Handbook Sections 1530, "Comprehensive Income", 3855, "Financial Instruments – Recognition and Measurement", and 3865, "Hedges". These standards provide guidance for the recognition, classification and measurement of financial instruments in financial statements as follows:

- All financial instruments, including derivatives, are to be included on a company's balance sheet and measured, either at their fair values or, under certain circumstances, at cost or amortized cost. The standards also specify when unrealized gains and losses as a result of changes in fair values are to be recognized in the consolidated statement of income.
- Existing requirements for hedge accounting are extended to comprehensively specify how hedge accounting should be performed.
- Certain unrealized gains and losses arising from changes in fair value of financial instruments will be temporarily recorded outside the consolidated statement of income in "other comprehensive income".

These new standards are required to be adopted on a prospective basis for annual and interim periods in the first fiscal year beginning on or after October 1, 2006. In accordance with the prescribed transitional provisions, the Company adopted these standards effective January 1, 2007 without restatement of prior periods, except to classify the "currency translation adjustment" component of shareholders' equity as a component of "accumulated comprehensive income".

Under the new standards, all of the Company's consolidated financial assets must be classified as "held for trading", "held to maturity investments", "loans and receivables" or "available-for-sale" and all of the Company's consolidated financial liabilities must be classified as "held for trading" or "other financial liabilities". All of the Company's consolidated financial instruments are initially measured at fair value with subsequent measurement depending on the classification of each financial instrument.

"Held for trading" financial assets, which include "cash and cash equivalents" and "restricted cash", are measured at fair value and all gains and losses are included in net income in the period in which they arise. "Loans and receivables", which include "accounts receivable" and certain "other assets" are recorded at amortized cost. The Company does not currently have any consolidated financial assets classified as "held to maturity investments" or "available for sale".

"Other financial liabilities", which include "bank indebtedness, "accounts payable and accrued liabilities", "dividends payable", current and non-current portions of "long-term debt", "senior unsecured debentures, net", and "note obligations, net" are recorded at amortized cost. The Company does not currently have any consolidated financial liabilities classified as "held for trading".

These standards had the following impact on the Company's unaudited interim consolidated financial statements upon adoption:

As at January 1, 2007	Increase (Decrease)
Assets	
Real Estate Business – other assets – deferred financing costs (i)	\$ (2,216)
MEC – other assets – deferred financing costs (i)	(9,191)
MEC – other assets – interest rate swaps (iii)	439
Eliminations – other assets	5,626
Consolidated assets	\$ (5,342)
Liabilities	
Real Estate Business – senior unsecured debentures (i)	\$ (2,216)
MEC – long-term debt due within one year (i)	(23)
MEC – note obligations (i)	(3,542)
MEC – loans payable to MID (i)	(5,626)
MEC – future tax liabilities (iii)	176
MEC – minority interest (iii)	109
Eliminations – loans payable to MID	5,626
Consolidated liabilities	(5,496)
Shareholders' equity	
MEC – accumulated comprehensive income (ii), (iii)	154
Consolidated shareholders' equity	154
Consolidated liabilities and shareholders' equity	\$ (5,342)

(i) Deferred Financing Costs

As permitted by the new standards, the Company's policy for the treatment of financing costs related to the issuance of debt is to present debt instruments on the consolidated balance sheet net of the related financing costs with the net balance accreting to the face value of the debt over its term. Prior to January 1, 2007, the Company included deferred financing costs on the consolidated balance sheet in "other assets".

(ii) Other Comprehensive Income and Accumulated Comprehensive Income

The new standards require the presentation of a new statement of comprehensive income, which is comprised of net income, the net unrealized foreign exchange gain or loss for the period related to the Company's net investment in foreign operations and changes in unrealized gains or losses related to cash flow hedges. Similarly, these changes are required to be accumulated on the consolidated balance sheet in a separate component of shareholders' equity, "accumulated comprehensive income".

(iii) Hedging Derivative Financial Instruments

The new standards require all hedging derivative financial instruments to be recognized on the consolidated balance sheet at fair value.

The types of hedging relationships that qualify for hedge accounting have been specified under the new standards but do not have an impact on the Company's policies or criteria for the use of financial instruments and hedge accounting. A description of the Company's policies for the use of derivative financial instruments is included in notes 1 and 20 to the Company's consolidated financial statements for the year ended December 31, 2006. The new standards did not impact the accounting for the Company's use of derivative financial instruments at January 1, 2007 except as discussed below for interest rate swaps.

Interest Rate Swaps

MEC occasionally utilizes interest rate swap contracts as hedging instruments to hedge exposure to interest rate fluctuations on its variable rate debt. These swap contracts are accounted for using hedge accounting with the fair value of the hedging instrument being recognized on the Company's consolidated balance sheet. To the extent that changes in the fair value of the hedging instrument offsets changes in the fair value of the hedged item, they are recorded in "other comprehensive income". Any portion of the change in fair value of the hedging instrument that does not offset changes in the fair value of the hedged item (the ineffectiveness of the hedge) is recorded directly in the consolidated statement of income.

For hedges that are discontinued before the end of the original hedge term, the unrealized gain or loss in other comprehensive income is amortized in the consolidated statement of income over the remaining term of the original hedge. If the hedged item is sold or settled, the entire unrealized gain or loss is recognized in the consolidated statement of income.

On January 1, 2007, MEC's interest rate swaps were measured and recognized as an asset with a fair value of \$439 thousand with a related future tax liability of \$176 thousand and minority interest liability of \$109 thousand, resulting in a net amount of \$154 thousand being recorded in opening accumulated comprehensive income. This amount is expected to be reclassified to the consolidated statement of income over the year ended December 31, 2007.

3. BUSINESS DISPOSALS

(a) Divestiture of The Meadows

On November 14, 2006, MEC completed the sale of all of the outstanding shares of Washington Trotting Association, Inc., Mountain Laurel Racing, Inc. and MEC Pennsylvania Racing, Inc., each an MEC wholly-owned subsidiary through which MEC owned and operated The Meadows, MEC's standardbred racetrack in Pennsylvania, to PA Meadows, LLC, a company jointly owned by William Paulos and William Wortman, controlling shareholders of Millennium Gaming, Inc. and a fund managed by Oaktree Capital Management, LLC (together, "Millennium-Oaktree"). On closing, MEC received cash consideration of \$171.8 million, net of transaction costs of \$3.2 million, and a \$25.0 million holdback note payable to MEC over a five-year period, subject to offset for certain indemnification obligations (the "Meadows Holdback Note"). Under the terms of the Meadows Holdback Note, MEC agreed to release the security requirement for the holdback amount, defer subordinate payments under the Meadows Holdback Note, defer receipt of holdback payments until the opening of the permanent casino at The Meadows and defer receipt of holdback payments to the extent of available cash flows (as defined in the terms of the Meadows Holdback Note, in exchange for Millennium-Oaktree providing an additional \$25.0 million of equity support for PA Meadows, LLC. The parties have also entered into a racing services agreement whereby MEC pays \$50 thousand per annum and continues to operate, for its own account, the racing operations at The Meadows for at least five years.

MEC recognized a \$115.2 million gain on this sale transaction in the fourth quarter of 2006. Based on the indemnification obligations and other terms pertaining to the Meadows Holdback Note, the Meadows Holdback Note will be recognized in the consolidated financial statements upon the settlement of indemnification obligations and as payments are received.

MEC was required to use the proceeds from the sale of The Meadows to fully repay the bridge loan between a subsidiary of MID (the "MID Lender") and MEC (the "MEC Bridge Loan" – note 13), to permanently pay down \$39.0 million of the principal amount outstanding under MEC's senior secured credit facility (the "MEC Credit Facility" – note 6), to repay \$2.0 million of the BE&K Loan (as defined in note 13) and to place \$15.0 million into escrow with the MID Lender (note 13).

(b) Discontinued Operations

(i) On November 1, 2006, a wholly-owned subsidiary of MEC completed the sale of the Fontana Golf Club located in Oberwaltersdorf, Austria to a subsidiary of Magna, a related party, for a sale value of 30.0 million euros (\$38.3 million), which included cash consideration of 13.2 million euros (\$16.9 million), net of transaction costs, and 16.8 million euros (\$21.4 million) of debt assumed by Magna. MEC recognized a gain on disposition of \$20.9 million at the date of disposition.

- (ii) On August 25, 2006, a wholly-owned subsidiary of MEC completed the sale of the Magna Golf Club located in Aurora, Ontario to Magna, a related party, for cash consideration of Cdn. \$51.8 million (\$46.4 million), net of transaction costs. MEC recognized an impairment loss of \$1.2 million at the date of disposition equal to the excess of MEC's carrying value of the assets disposed over their fair values at the date of disposition. Of the sale proceeds, Cdn. \$32.6 million (\$29.3 million) was used to pay all amounts owing under certain loan agreements with Bank Austria Creditanstalt AG related to the Magna Golf Club.
- (iii) On May 26, 2006, MEC completed the sale of a restaurant and related real estate in the United States and received cash consideration of \$2.0 million, net of transaction costs, and recognized a gain at the date of disposition of \$1.5 million. MEC was required to use the net proceeds from this transaction to repay principal amounts outstanding under the MEC Credit Facility (note 6).

MEC's results of operations related to discontinued operations for the three months ended March 31, 2006 are shown in the following table:

Three months ended March 31,	2006
Revenues	\$ 3,944
Costs and expenses	2,676
	1,268
Depreciation and amortization	701
Interest expense, net	657
Loss before income taxes	(90)
Income tax expense	46
Minority interest	(56)
Loss from discontinued operations	\$ (80)

4. EARNINGS PER SHARE

Diluted earnings per share for the three-month periods ended March 31, 2007 and 2006 are computed as follows:

Three months ended March 31,	2007	2006
Income from continuing operations	\$ 23,283	\$ 24,582
Loss from discontinued operations	—	(80)
Net income	\$ 23,283	\$ 24,502
Weighted average number of Class A Subordinate Voting and Class B Shares outstanding during the period (thousands)	48,351	48,290
Stock options (thousands)	63	56
	48,414	48,346
Diluted earnings per Class A Subordinate Voting or Class B Share		
– from continuing operations	\$ 0.48	\$ 0.51
– from discontinued operations	—	—
	\$ 0.48	\$ 0.51

The computation of diluted earnings per share for the three months ended March 31, 2006 excludes the effect of the potential exercise of 13,187 options to acquire Class A Subordinate Voting Shares of the Company because the effect would be anti-dilutive.

5. REAL ESTATE PROPERTIES

Real estate properties consist of:

As at	March 31, 2007	December 31, 2006
Real Estate Business		
Income-producing properties under operating leases		
Land	\$ 207,465	\$ 206,990
Buildings, parking lots and roadways – cost	1,308,334	1,298,073
Buildings, parking lots and roadways – accumulated depreciation	(287,036)	(274,931)
	1,228,763	1,230,132
Development properties		
Land and improvements	184,076	115,910
Properties under development	5,974	648
	190,050	116,558
Properties held for sale		
	1,958	1,931
	1,420,771	1,348,621
MEC		
Revenue-producing racetrack properties		
Land and improvements	201,345	208,355
Buildings – cost	633,117	631,495
Buildings – accumulated depreciation	(183,426)	(177,538)
Construction in progress	35,832	19,024
	686,868	681,336
Under-utilized racetrack properties		
	92,138	96,951
Development properties		
Land and improvements	25,304	45,737
Properties under development	12,839	11,308
	38,143	57,045
Revenue-producing non-racetrack properties		
Land and improvements	6,498	6,521
Buildings – cost	2,842	3,410
Buildings – accumulated depreciation	(76)	(72)
	9,264	9,859
	826,413	845,191
Eliminations (note 13)	(37,735)	(5,038)
Consolidated	\$ 2,209,449	\$ 2,188,774

6. BANK INDEBTEDNESS

- (a) On March 29, 2007, MEC amended the MEC Credit Facility of \$40.0 million to extend the maturity date to June 29, 2007, and to modify a financial performance maintenance covenant relating to earnings before interest, income taxes, depreciation and amortization. The MEC Credit Facility is available by way of U.S. dollar loans and letters of credit. Loans under the MEC Credit Facility are secured by a first charge on the assets of Golden Gate Fields and a second charge on the assets of Santa Anita Park, and are guaranteed by certain subsidiaries of MEC. At March 31, 2007, MEC had borrowings of \$15.0 million (December 31, 2006 – nil) under the MEC Credit Facility and had issued letters of credit totalling \$24.7 million (December 31, 2006 - \$24.7 million), such that \$0.3 million was unused and available.

The loans under the MEC Credit Facility bear interest at the U.S. base rate plus 5% or the London Interbank Offered Rate (“LIBOR”) plus 6%. The weighted average interest rate on the loans outstanding under the MEC Credit Facility at March 31, 2007 was 11.3%.

- (b) MEC’s wholly-owned subsidiary, The Santa Anita Companies, Inc. (“SAC”), which owns and operates Santa Anita Park, has a \$10.0 million revolving loan arrangement under its existing credit facility. The revolving loan arrangement matures on October 8, 2007, is guaranteed by MEC’s wholly-owned subsidiary, The Los Angeles Turf Club, Incorporated (“LATC”), and is secured by a first deed of trust on Santa Anita Park and the surrounding real property, an assignment of the lease between LATC and SAC, and a pledge of all of the outstanding capital stock of LATC and SAC. At March 31, 2007, there were no borrowings under the revolving loan agreement (December 31, 2006 – \$6.5 million). Borrowings under the revolving loan agreement bear interest at the U.S. prime rate. The weighted average interest rate on the borrowings outstanding under the revolving loan agreement at December 31, 2006 was 8.3%.

7. SHARE CAPITAL

Changes in the Company’s Class A Subordinate Voting Shares and Class B Shares are shown in the following table:

	Class A Subordinate Voting Shares		Class B Shares		Total	
	Number	Stated Value	Number	Stated Value	Number	Stated Value
Shares issued and outstanding, December 31, 2005, March 31, 2006 and June 30, 2006	47,742,083	\$ 1,558,016	548,238	\$ 17,893	48,290,321	\$ 1,575,909
Issued on exercise of stock options	30,000	1,043	—	—	30,000	1,043
Shares issued and outstanding, September 30, 2006	47,772,083	1,559,059	548,238	17,893	48,320,321	1,576,952
Issued on exercise of stock options	10,000	390	—	—	10,000	390
Shareholder conversion of Class B shares to Class A Subordinate Voting Shares	825	27	(825)	(27)	—	—
Shares issued and outstanding, December 31, 2006	47,782,908	1,559,476	547,413	17,866	48,330,321	1,577,342
Issued on exercise of stock options	38,456	1,303	—	—	38,456	1,303
Shares issued and outstanding, March 31, 2007	47,821,364	\$ 1,560,779	547,413	\$ 17,866	48,368,777	\$ 1,578,645

Pursuant to the terms of a normal course issuer bid program for which the Company received approval from the Toronto Stock Exchange (“TSX”) on September 29, 2006, the Company may, from October 4, 2006 to October 3, 2007, purchase for cancellation up to a total of 3,257,895 Class A Subordinate Voting Shares, being 10% of the Public Float, as such term is defined by the TSX. The price that MID will pay for shares purchased pursuant to the bid will be the market price at the time of acquisition. To date, the Company has not purchased any Class A Subordinate Voting Shares under its normal course issuer bid program.

8. CONTRIBUTED SURPLUS

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

Three months ended March 31,	2007	2006
Contributed surplus, beginning of period	\$ 2,667	\$ 2,112
Stock-based compensation	125	137
Transfer to share capital on exercise of stock options	(245)	—
Contributed surplus, end of period	\$ 2,547	\$ 2,249

9. ACCUMULATED COMPREHENSIVE INCOME

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

Three months ended March 31,	2007	2006
Accumulated comprehensive income, beginning of period	\$ 166,399	\$ 106,960
Adjustment for change in accounting policy related to the fair value of interest rate swaps (note 2)	154	—
Change in fair value of interest rate swaps, net of taxes and minority interest	(59)	—
Foreign currency translation adjustment, net of minority interest (i)	10,363	14,055
Recognition of foreign currency translation gain in net income (ii)	(652)	—
Accumulated comprehensive income, end of period (iii)	\$ 176,205	\$ 121,015

(i) During the three months ended March 31, 2007, the Company recorded an unrealized foreign currency translation gain of \$10.4 million (March 31, 2006 – \$14.1 million) related to its net investments in currencies other than the U.S. dollar. The unrealized foreign currency translation gain in the three months ended March 31, 2007 was primarily due to the strengthening of the euro and the Canadian dollar against the U.S. dollar. The unrealized foreign currency translation gain in the three months ended March 31, 2006 was primarily due to the strengthening of the euro against the U.S. dollar.

(ii) Included in the Real Estate Business' "dilution and other gains" for the three months ended March 31, 2007 is a \$0.7 million currency translation gain realized from capital transactions that gave rise to a reduction in the net investment in certain foreign operations.

(iii) Accumulated comprehensive income consists of:

As at	March 31, 2007	December 31, 2006
Foreign currency translation adjustment, net of minority interest	\$ 176,110	\$ 166,399
Fair value of interest rate swaps, net of taxes and minority interest	95	—
	\$ 176,205	\$ 166,399

10. STOCK-BASED COMPENSATION

(a) On August 29, 2003, MID's Board of Directors 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. At March 31, 2007, 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's Class A Subordinate Voting Shares. 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. 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.

Activity in the MID Plan was as follows:

	2007		2006	
	Number	Weighted Average Exercise Price (Cdn. \$)	Number	Weighted Average Exercise Price (Cdn. \$)
Stock options outstanding, January 1	465,000	36.08	390,000	33.49
Granted	—	—	20,000	39.12
Exercised	38,456	32.19	—	—
Stock options outstanding, March 31	426,544	36.43	410,000	33.77
Stock options exercisable, March 31	208,544	34.68	204,000	33.39

The Company estimates the fair value of stock options granted 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 models do 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 March 31,	2007	2006
Risk-free interest rate	—	4.0%
Expected dividend yield	—	1.76%
Expected volatility of MID's Class A Subordinate Voting Stock	—	21.3%
Weighted average expected life (years)	—	3.0
Weighted average fair value per option granted	—	\$5.67

During the three months ended March 31, 2007, the Company committed to grant an aggregate of 75 thousand stock options to two members of senior management at a future date (the "Grant Date") once certain conditions are met. If such options are granted, the exercise price will be determined on the Grant Date in accordance with the MID Plan.

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 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 must receive at least 50% of their Board and Committee compensation fees (excluding Special Committee fees, effective January 1, 2006) in DSUs. Under the DSP, when a director leaves the Board, the director receives a cash payment equal to the value of the accrued DSUs at that time. 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:

	2007	2006
DSUs outstanding, January 1	27,319	23,092
Granted	4,241	3,984
DSUs outstanding, March 31	31,560	27,076

During the three months ended March 31, 2007, the Real Estate Business recognized stock-based compensation expense of \$0.3 million (2006 – \$0.3 million), which includes \$0.2 million (2006 – \$0.2 million), pertaining to DSUs.

- (b) MEC has a Long-term Incentive Plan (the “MEC Plan”), adopted in 2000, which allows for the grant of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, bonus stock and performance shares to MEC’s directors, officers, employees, consultants, independent contractors and agents. A maximum of 7.2 million shares of MEC’s Class A Subordinate Voting Stock are available to be issued under the MEC Plan, of which 6.3 million are available for issuance pursuant to stock options and tandem stock appreciation rights and 0.9 million are available for issuance pursuant to any other type of award under the MEC Plan.

During 2005, MEC introduced an incentive compensation program (the “MEC Program”) for certain officers and key employees, which awards performance shares of MEC’s Class A Subordinate Voting Stock as contemplated under the MEC Plan. The number of shares of Class A Subordinate Voting Stock underlying the performance share awards is based either on a percentage of a guaranteed bonus or a percentage of total 2005 compensation divided by the market value of the stock on the date the MEC Program was approved by the Compensation Committee of MEC’s Board of Directors. These performance shares vested over a six or eight month period to December 31, 2005 and were distributed, subject to certain conditions, in two equal instalments. The first distribution date occurred in March 2006 and the second distribution date occurred in March 2007. During the year ended December 31, 2005, 201,863 performance share awards were granted under the MEC Program, with a weighted average grant-date market value of either \$6.26 or Cdn. \$7.61 per share (the “2005 Performance Share Awards”), and 2,392 2005 Performance Share Awards were granted with a nominal stated value. During the year ended December 31, 2006, 131,751 (three months ended March 31, 2006 – 73,443) 2005 Performance Share Awards were issued with a stated value of \$0.8 million (three months ended March 31, 2006 – \$0.5 million), and 4,812 2005 Performance Share Awards were forfeited. During the three months ended March 31, 2007, 62,908 2005 Performance Share Awards were issued with a stated value of \$0.2 million. Accordingly, there are no 2005 Performance Share Awards remaining to be issued under the MEC Program at March 31, 2007.

For 2006, MEC continued the MEC Program as described in the preceding paragraph. The program is similar in all respects except that the performance shares granted in 2006 vest over a 12-month period to December 31, 2006 and were distributed, subject to certain conditions, prior to March 31, 2007. In the year ended December 31, 2006, 161,099 (three months ended March 31, 2006 – 159,788) performance share awards were granted under the MEC Program with a weighted average grant-date market value of either \$6.80 or Cdn. \$7.63 per share (the “2006 Performance Share Awards”), 1,616 2006 Performance Share Awards were issued with a nominal stated value, and 42,622 2006 Performance Share Awards were forfeited. During the three months ended March 31, 2007, 110,384 2006 Performance Share Awards were issued with a stated value of \$0.4 million and 6,477 2006 Performance Share Awards were forfeited. Accordingly, there are no 2006 Performance Share Awards remaining to be issued under the MEC Program at March 31, 2007.

In the three months ended March 31, 2007, MEC issued 30,941 (2006 – 25,896) shares of Class A Subordinate Voting Stock with a stated value of \$0.1 million (2006 – \$0.2 million) to MEC’s directors in payment of services rendered.

MEC grants stock options (“MEC Stock Options”) to certain directors, officers, key employees and consultants to purchase shares of MEC’s Class A Subordinate Voting Stock. All MEC Stock Options give the grantee the right to purchase Class A Subordinate Voting Stock of MEC at a price no less than the fair market value of such stock at the date of grant. Generally, MEC Stock Options under the MEC Plan vest over a period of two to six years from the date of grant at rates of 1/7th to 1/3rd per year and expire on or before the tenth anniversary of the date of grant, subject to earlier cancellation upon the occurrence of certain events specified in the stock option agreements entered into by MEC with each recipient of MEC Stock Options.

Activity in the MEC Plan was as follows:

	2007		2006	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
MEC Stock Options outstanding, January 1	4,905,000	6.08	4,827,500	6.14
Forfeited or expired	(166,000)	6.74	—	—
MEC Stock Options outstanding, March 31	4,739,000	6.06	4,827,500	6.14
MEC Stock Options exercisable, March 31	4,290,968	6.06	4,217,215	6.08

The fair value of MEC Stock Options granted is estimated at the date of grant using the Black-Scholes option valuation model, which requires the use of subjective assumptions and may not necessarily provide the only measure of the fair value of MEC Stock Options (as described further in note 10(a)).

During the three months ended March 31, 2007, MEC committed to grant an aggregate of one million MEC Stock Options to its new Chief Executive Officer at a future date once certain conditions are met. If such MEC Stock Options are granted, the exercise price will be equal to the last sale price of MEC's Class A Subordinate Voting Stock on the TSX on the business day prior to the grant date.

During the three months ended March 31, 2007, MEC recognized total stock-based compensation expense of \$0.2 million (2006 – \$1.1 million) relating to performance share awards, director compensation and stock options under the MEC Plan.

11. DETAILS OF CASH FROM OPERATING ACTIVITIES

(a) Items not involving current cash flows:

Three months ended March 31,	2007	(restated – note 3) 2006
Real Estate Business		
Straight-line rent adjustment	\$ 92	\$ 172
Stock-based compensation expense	330	288
Depreciation and amortization	9,931	9,371
Interest income from MEC	(68)	(3,456)
Gain on disposal of real estate	(25)	(9)
Future income taxes	1,268	1,678
Dilution and other gains	(652)	—
Other	75	76
	10,951	8,120
MEC		
Stock-based compensation expense	202	1,087
Gain on disposal of real estate	(31,067)	(2,883)
Depreciation and amortization	10,290	10,133
Interest expense with MID	—	2,608
Amortization of debt issuance costs	455	1,651
Dilution and other gains	(4)	(153)
Future income taxes	(1,378)	(345)
Minority interest	853	1,961
Other	(608)	(163)
	(21,257)	13,896
Eliminations (note 13)	32,265	(534)
Consolidated	\$ 21,959	\$ 21,482

(b) Changes in non-cash balances:

Three months ended March 31,	2007	(restated – note 3) 2006
Real Estate Business		
Accounts receivable	\$ (442)	\$ (888)
Loan receivable from MEC	—	489
Prepaid expenses and other	(78)	(424)
Accounts payable and accrued liabilities	4,468	2,214
Income taxes	2,547	(1,699)
Deferred revenue	1,202	(1,875)
	7,697	(2,183)
MEC		
Restricted cash	(7,334)	(18,369)
Accounts receivable	(26,428)	(23,522)
Prepaid expenses and other	(4,642)	(7,687)
Accounts payable and accrued liabilities	7,070	27,701
Income taxes	(2,192)	(3,690)
Loan Payable to MID	—	(489)
Deferred revenue	3,187	1,413
	(30,339)	(24,643)
Eliminations (note 13)	(193)	(115)
Consolidated	\$ (22,835)	\$ (26,941)

12. SEGMENTED INFORMATION

The Company's reportable segments reflect how the Company is organized and managed by senior management. The Company's operations are segmented in the Company's internal financial reports between wholly-owned operations (the Real Estate Business) and publicly-traded operations (MEC). The segregation of operations between wholly-owned and publicly-traded operations recognizes the fact that, in the case of the Real Estate Business, the Company's management has direct responsibility for the key operating, financing and resource allocation decisions, whereas, in the case of MEC, such responsibility resides with MEC's separate Board of Directors and executive management. The Company's reporting segments are as follows:

Real Estate Business

The Real Estate Business owns real estate assets in Canada, Austria, the United States, Germany, Mexico, the United Kingdom, the Czech Republic, Spain, Belgium and Poland. Substantially all these real estate assets are leased to, or are under development for subsequent lease to, Magna. The Real Estate Business also owns certain properties that are being held for future development or sale.

MEC

MEC operates or manages eight thoroughbred racetracks, one standardbred racetrack, two racetracks that run both thoroughbred and quarterhorse meets, and one racetrack that runs both thoroughbred and standardbred meets, as well as the simulcast wagering venues at these tracks. Three of MEC's racetracks (two in the United States and one in Austria) include casino operations with alternative gaming machines. In addition, MEC operates off-track betting ("OTB") facilities, a United States based national account wagering business known as XpressBet® and a European account wagering service known as MagnaBet™. Pursuant to a joint venture with Churchill Downs Incorporated ("CDI"), MEC also owns a 50% interest in HorseRacing TV™ ("HRTV™"), a television network focused on horseracing. In April 2006, MEC entered into an agreement with CDI and Racing UK Limited to partner in a subscription television channel called "Racing World" that broadcasts races from MEC's and CDI's racetracks, as well as other North American and international racetracks, into the United Kingdom and Ireland. MEC also owns AmTote International, Inc. ("AmTote"), a provider of totalisator services to the pari-mutuel industry. To support certain of MEC's thoroughbred racetracks, MEC owns and operates three thoroughbred training centres in the United States. MEC also owns and operates production facilities in Austria and in North Carolina for StreuFex™, a straw-based horse bedding product. In addition to racetracks, MEC's real estate portfolio includes a residential development in Austria.

As described in note 1, the Company's unaudited interim consolidated statements of income, consolidated statements of cash flows, and consolidated balance sheets have been arranged so as to provide detailed, discrete financial information on the Real Estate Business and MEC reporting segments.

13. TRANSACTIONS WITH RELATED PARTIES

Mr. F. Stronach, the Company's Chairman and the Chairman of 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. The Stronach Trust also controls Magna through the right to direct the votes attaching to 66% of Magna's Class B Shares. As the Company and Magna are under the common control of the Stronach Trust, they are considered to be related parties for accounting purposes.

(a) MEC Project Financings and Bridge Loan

(i) MEC Project Financings

The MID Lender has made available two separate project financing facilities to the wholly-owned subsidiaries of MEC that own and/or operate Gulfstream Park and Remington Park (\$162.3 million and \$34.2 million, respectively, plus costs and capitalized interest as discussed below) (together, the "MEC Project Financing Facilities"). The MEC Project Financing Facilities have 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 contain cross-guarantee, cross-default and cross-collateralization provisions. The Remington Park project financing is secured by all assets of the borrower (including first ranking security over the Remington Park leasehold interest), excluding licences and permits, and is guaranteed by the MEC subsidiaries that own Gulfstream Park and the Palm Meadows Training Center. The security package also includes 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 has agreed not to pledge any licences or permits held by it and MEC has agreed not to pledge the shares of the borrower or the owner of Gulfstream Park. The Gulfstream Park project financing is guaranteed by MEC's subsidiaries that own and operate the Palm Meadows Training Center and Remington Park and is secured principally by security over the lands (or, in the case of Remington Park, over the leasehold interest) forming part of the operations at Gulfstream Park, Palm Meadows and Remington Park and over all other assets of Gulfstream Park, Palm Meadows and Remington Park, excluding licences and permits (which cannot be subject to security under applicable legislation).

Prior to the relevant completion date, amounts outstanding under each of the MEC Project Financing Facilities (other than the new tranches of the Gulfstream Park project financing facility described below) bore interest at a floating rate equal to 2.55% above MID's per annum notional cost of borrowing under its floating rate credit facility, compounded monthly. Since the relevant completion date (or since inception for the new tranches of the Gulfstream Park project financing facility described below), amounts outstanding under each of the MEC Project Financing Facilities bear interest at a fixed rate of 10.5% per annum, compounded semi-annually. Prior to January 1, 2007, payment of interest was capitalized (except in relation to the December 2006 tranche of the Gulfstream Park project financing facility described below, for which the interest capitalization period is extended). However, since the completion date for Remington Park, there has been 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 is 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. During the three months ended March 31, 2007, \$0.5 million of such payments were made. Commencing January 1, 2007, the MID Lender receives monthly blended payments of principal and interest based on a 25-year amortization period under each of the MEC Project Financing Facilities (except in relation to the December 2006 tranche of the Gulfstream Park project financing facility described below, for which the interest capitalization period is extended).

In June 2006, the MID Lender consented to the release and transfer to MEC of up to an aggregate of \$10.0 million of funds from the subsidiaries that operate the racetracks at Gulfstream Park and Remington Park, subject to approval by MID management over the amount and timing of such releases. Such funds, which would ordinarily be “trapped” at the applicable subsidiaries pursuant to the terms of the MEC Project Financing Facilities, were in excess of the existing cash requirements of the applicable subsidiaries and were used by MEC solely to fund payments that were necessary in connection with the operation of the business of MEC and that could not be deferred on a commercially reasonable basis. The MID Lender received waiver fees of \$0.1 million (1% of the full amount released), which fees were capitalized under the applicable project financing facility.

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 an aggregate of 1,221 slot machines. The new tranches of the Gulfstream Park project financing facility both mature on 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. Advances relating to the slot machine tranches are made available by way of progress draws and there is no make-whole payment associated with the new tranches. Also in July 2006, the Gulfstream Park project financing facility was further amended to introduce a mandatory annual cash flow sweep of not less than 75% of Gulfstream Park’s total excess cash flow, after permitted capital expenditures and debt service, which will be used to repay the additional principal amounts being made available under the new tranches. The July 2006 and December 2006 amendments did not affect the fact that the Gulfstream Park project financing facility continues to be cross-guaranteed, cross-defaulted and cross-collateralized with the Remington Park project financing facility. The consideration for the July 2006 and December 2006 amendments was an arrangement fee of 1% of the amount of each new tranche, which amounts are capitalized under the Gulfstream Park project financing facility.

At March 31, 2007, there were balances of \$134.5 million (December 31, 2006 – \$134.8 million), \$21.7 million (December 31, 2006 – 19.4 million) and \$8.3 million (December 31, 2006 – nil) due under the initial tranche, the July 2006 slots tranche and the December 2006 slots tranche, respectively, of the Gulfstream Park project financing facility. A balance of \$31.6 million (December 31, 2006 – \$31.7 million) was due under the Remington Park project financing facility. The current portion of the MEC Project Financing Facilities at March 31, 2007 was \$3.2 million (December 31, 2006 – \$3.1 million). The non-current portion of the MEC Project Financing Facilities of \$186.9 million, as reflected in MEC’s “loans payable to MID, net” on the Company’s unaudited interim balance sheet, is net of \$6.0 million of unamortized deferred financing costs. This net balance is being accreted to its face value over the terms to maturity of the MEC Project Financing Facilities.

In connection with the Gulfstream Park project financing facility, MEC has placed into escrow (the “Gulfstream Escrow”) with the MID Lender \$13.0 million of 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) can be funded, which escrowed amount has been and will be applied against any such construction costs. In addition, in November 2006, MEC deposited into the Gulfstream Escrow sufficient proceeds from the sale of The Meadows to repay all remaining indebtedness under a loan of up to \$16.6 million from BE&K, Inc. (“BE&K”), the parent company of Suitt Construction Co. Inc., the general contractor for the Gulfstream Park redevelopment project (the “BE&K Loan”). The MID Lender has provided its consent to MEC to access such funds for limited purposes other than the repayment of the BE&K Loan on an as-needed basis approved by the Company. At March 31, 2007, the amount held under the Gulfstream Escrow (including accrued interest) was \$19.4 million (December 31, 2006 – \$6.6 million). All funds in the Gulfstream Escrow are reflected as restricted cash and due to MEC on the balance sheet of the Real Estate Business.

(ii) MEC Bridge Loan

In July 2005, the MID Lender provided MEC with the MEC Bridge Loan of up to \$100.0 million expiring August 31, 2006. The MEC Bridge Loan bore interest, at MEC’s option, at either (i) a floating rate equal to the U.S. base rate plus 5.5% per annum (with interest paid monthly) or (ii) a fixed rate equal to LIBOR plus 6.5% per annum (with interest paid at the relevant LIBOR contract maturity), in each case subject to a minimum rate of 9.0%. In addition, MEC was subject to an annual commitment fee equal to 1.0% of the undrawn facility.

In July 2006, the maturity date of the MEC Bridge Loan was extended from August 31, 2006 to December 5, 2006 in anticipation of MEC's final closing of the sale of The Meadows. Further, in September 2006, the MID Lender agreed to make available to MEC \$19.0 million of increased funding under the MEC Bridge Loan. Pursuant to the terms of the September 2006 amendments, and as result of MEC not completing its sale of The Meadows by a specified deadline, the interest rate for all amounts under the MEC Bridge Loan was increased by 2.5% per annum effective November 7, 2006.

On November 14, 2006, MEC used part of the proceeds received in connection with the sale of The Meadows to repay in full the MEC Bridge Loan. Accordingly, the MEC Bridge Loan was terminated and the MID Lender has released the security provided to it under the facility.

Approximately \$10.5 million of costs have been incurred, including \$0.3 million in the three months ended March 31, 2007, in association with the MEC Project Financing Facilities and the MEC Bridge Loan. At the MEC segment level, these costs are recognized as deferred financing costs and are being amortized into interest expense (of which a portion has been capitalized in the case of the MEC Project Financing Facilities) over the respective term of the MEC Bridge Loan and each of the MEC Project Financing Facilities. At a consolidated level, such costs are charged to general and administrative expenses in the periods in which they are incurred.

All interest and fees charged by the Real Estate Business relating to the MEC Project Financing Facilities and the MEC Bridge Loan, including any capitalization and subsequent amortization thereof by MEC, and any adjustments to MEC's related deferred financing costs, are eliminated from the Company's consolidated results of operation and financial position.

(b) MEC Real Estate Acquired by MID

During the first quarter of 2007, MID acquired all of MEC's interests and rights in three real estate properties to be held for future development: a 34 acre parcel in Aurora, Ontario, a 64 acre parcel of excess land adjacent to MEC's racetrack at Laurel Park in Howard County, Maryland and a 157 acre parcel (together with certain development rights) in Palm Beach County, Florida adjacent to MEC's Palm Meadows Training Center. MID paid cash consideration of Cdn. \$12.0 million (\$10.1 million), \$20.0 million and \$35.0 million, respectively, for these interests and rights and granted MEC a profit participation right in respect of each property under which MEC is entitled to receive additional cash proceeds equal to 15% of the net proceeds from any sale or development of the applicable property after MID achieves a 15% internal rate of return. At the Real Estate Business and MEC segment levels, these transactions have been recognized at the exchange amount, resulting in MEC recognizing a gain of \$31.1 million. The effects of these transactions are eliminated from the Company's unaudited interim consolidated results of operations and financial position, except that \$1.6 million of costs incurred by the Real Estate Business and MEC in conjunction with these transactions have been included in the consolidated "general and administrative" expenses.

(c) MEC's Sales to Magna

On March 31, 2006, MEC sold a real estate property held for sale and located in the United States to Magna. A gain on sale of \$2.9 million was recognized based on the cash consideration received, net of transaction costs, of \$5.6 million. MEC used the net proceeds from this transaction to repay principal amounts outstanding under the MEC Credit Facility (note 6).

14. 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) On August 2, 2005, Greenlight Capital, Inc. and certain of its affiliates (“Greenlight”) filed an oppression application in the Ontario Superior Court of Justice against the Company and certain of its current and former directors and officers. The hearing of the application concluded on March 1, 2006 and on October 30, 2006, the Ontario Superior Court of Justice dismissed the oppression application. On November 29, 2006, Greenlight filed a Notice of Appeal with the Ontario Divisional Court and on January 30, 2007, Greenlight filed its Appellants’ factum. The Company continues to consider Greenlight’s oppression claim to be without merit and, together with the other respondents, will file a responding factum to vigorously defend against the appeal.
- (c) MEC generates a substantial amount of its revenues from wagering activities and is subject to the risks inherent in the ownership and operation of a racetrack. 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) The Company had \$4.3 million (Real Estate Business – \$3.3 million; MEC – \$1.0 million) of letters of credit issued with various financial institutions at March 31, 2007 to guarantee various of its construction projects. These letters of credit are secured by cash deposits of the Company. The Company has also issued \$0.2 million of letters of credit under the Real Estate Business’ \$50.0 million unsecured senior revolving credit facility and \$24.7 million of letters of credit under the MEC Credit Facility (note 6).
- (e) MEC has provided indemnities related to surety bonds and letters of credit issued in the process of obtaining licences and permits at certain racetracks and to guarantee various construction projects related to activities of its subsidiaries. At March 31, 2007, these indemnities amounted to \$5.9 million with expiration dates through 2008.
- (f) At March 31, 2007, the Company’s contractual commitments related to construction and development projects outstanding amounted to approximately \$8.6 million (Real Estate Business – \$8.3 million; MEC – \$0.3 million).
- (g) On March 1, 2007, one of MEC’s wholly-owned subsidiaries, SAC, entered into an interest rate swap contract with an effective date of October 9, 2007 which fixes the rate of interest at 7.0% per annum to October 9, 2009 on a notional amount of \$10.0 million of the outstanding balance under SAC’s term loan facility.
- (h) On March 4, 2007, MEC entered into a series of customer-focused agreements with CDI in order to enhance wagering integrity and security, to own and operate HRTV™, to buy and sell horseracing content, and to promote the availability of horseracing signals to customers worldwide. These agreements involved the formation of a joint venture, TrackNet Media Group, LLC (“TrackNet Media”), a reciprocal content swap agreement and the purchase by CDI from MEC of a 50% interest in HRTV™. TrackNet Media is the vehicle through which MEC and CDI horseracing content is made available to third parties, including racetracks, OTB facilities, casinos and advance deposit wagering (“ADW”) companies. TrackNet Media will also purchase horseracing content from third parties to be made available through the respective MEC and CDI outlets. Under the reciprocal content swap agreement, MEC and CDI will exchange their respective horseracing signals. On March 4, 2007, HRTV, LLC was created, with an effective date of April 27, 2007, in order to facilitate the sale of 50% of HRTV™ to CDI. Both MEC and CDI are required to make quarterly capital contributions, on an equal basis, until October 2009 to fund the operations of HRTV, LLC, however, MEC may, under certain circumstances, be responsible for additional capital commitments. MEC’s share of the required capital contributions to HRTV, LLC is \$7.0 million of which no amount has been contributed to March 31, 2007.
- (i) On November 15, 2006, MEC’s wholly-owned subsidiary, Gulfstream Park Racing Association, Inc. (“GPRA”), opened phase one of the slots facility at Gulfstream Park with 516 slot machines and on March 20, 2007, GPRA opened phase two with an additional 705 slot machines. GPRA opened the slots facility at Gulfstream Park despite an August 2006 decision rendered by the Florida First District Court of Appeals that reversed a lower court decision that granted summary judgment in favour of “Floridians for a Level Playing Field” (“FLPF”), a group in which GPRA is a member. The Appeal Court ruled that a trial is necessary to determine whether the constitutional amendment adopting the slots initiative, approved by Floridians in the November 2004 election, was invalid because the petitions bringing the initiative forward did not contain the minimum number of valid signatures. FLPF filed an application for a rehearing, a rehearing en banc before the full panel of the Florida First District Court of Appeals and Certification by the Florida Supreme Court. On November 30, 2006, in a split decision, the en banc court affirmed the August 2006 panel decision and certified the matter to the Florida Supreme Court which stayed the appellate court ruling pending its jurisdictional review of the matter. The Florida Supreme Court has confirmed that it will hear the matter and oral arguments are scheduled for September 2007.

- (j) In May 2005, MEC entered into a Limited Liability Company Agreement with Forest City Enterprises, Inc. ("Forest City") concerning the planned development of "The Village at Gulfstream ParkTM". That agreement contemplates the development of a mixed-use project consisting of residential units, parking, restaurants, hotels, entertainment, retail outlets and other commercial use projects on a portion of the Gulfstream Park property. Forest City is required to contribute up to a maximum of \$15.0 million as an initial capital contribution. A \$2.0 million deposit received to date from Forest City, which is included in MEC's "accounts payable and accrued liabilities", will constitute the final \$2.0 million of the initial capital contribution. MEC is obligated to contribute 50% of any equity amounts in excess of \$15.0 million as and when needed. To March 31, 2007, MEC has not made any such contributions. In the event the development does not proceed, MEC may have an obligation to fund a portion of the pre-development costs incurred to that point in time. At March 31, 2007, approximately \$16.1 million of costs have been incurred by The Village at Gulfstream Park, LLC, which have been funded entirely by Forest City. Included in MEC's "accounts payable and accrued liabilities" is an obligation of approximately \$0.5 million reflecting MEC's share of capital contributions in excess of \$15.0 million. The Limited Liability Company Agreement also contemplates additional agreements including a ground lease, a reciprocal easement agreement, a development agreement, a leasing agreement and a management agreement to be executed by MEC in due course and upon the satisfaction of certain conditions.
- (k) On September 28, 2006, certain of MEC's affiliates entered into definitive operating agreements with Caruso Affiliated ("Caruso") regarding the proposed development of The Shops at Santa Anita on approximately 51 acres of excess land surrounding Santa Anita Park. Recently, Westfield Corporation ("Westfield"), a developer of a neighbouring parcel of land, has challenged the manner in which the entitlement process for such development has proceeded. The challenge could potentially undermine or delay the development, particularly if Westfield is successful in its efforts to obtain the required minimum number of signatures on a petition that would require a referendum on the entitlement and development process. Under an April 2004 Letter of Intent, MEC is also exploring the possibility of a joint venture with Caruso to develop excess lands surrounding Golden Gate Fields. To March 31, 2007, MEC has expended \$7.3 million on these initiatives, of which \$1.0 million was paid in the first quarter of 2007. These amounts have been included in MEC's "real estate properties, net" on the Company's unaudited interim consolidated balance sheets. Under the terms of these arrangements, MEC may be responsible to fund additional costs. However, to March 31, 2007, no such payments have been made.
- (l) On January 18, 2007, MEC announced that the 2007 race meet will be the last meet that MEC's wholly-owned subsidiary, MI Racing, Inc., will run at Great Lakes Downs. For the year ended December 31, 2006, Great Lakes Downs incurred a loss before income taxes and minority interest of \$1.8 million.
- (m) A subsidiary of MEC participates in a multi-employer defined benefit pension plan for which the pension plan's total vested liabilities exceed the plan's assets. Based on allocation information provided by the plan, the portion of the estimated unfunded liability for vested benefits attributable to MEC's subsidiary is approximately \$3.7 million. Under specific circumstances, a "withdrawal liability" may be triggered by certain actions, including a withdrawal from the pension plan, which is not presently intended.

15. SUBSEQUENT EVENTS

- (a) Subsequent to March 31, 2007, the Company agreed to sell a property leased to Magna that provided approximately \$0.2 million of revenue in the three months ended March 31, 2007. The transaction is expected to close in the second quarter of 2007. The Company has agreed with Magna that, upon closing of the sale, the lease for this property will be terminated, although Magna's environmental indemnity in favour of the Company will continue for a specified period of time. Magna is not paying termination fees associated with this lease termination, although Magna has agreed to pay certain costs associated with the sale of the property.
- (b) MEC and BE&K are negotiating an extension to the maturity date of the BE&K Loan (note 13(a)), which matured on April 14, 2007. However, until an agreement is reached, amounts outstanding under the BE&K Loan are due on demand. At March 31, 2007, \$10.9 million was outstanding under the BE&K Loan.
- (c) A subsidiary of MEC, AmTote, has two term loan facilities in aggregate of \$3.0 million and a revolving term loan facility of \$3.0 million, all of which were scheduled to mature on April 30, 2007 but have been extended to May 15, 2007. MEC is negotiating with another lender to refinance these term loan facilities. At March 31, 2007, an aggregate amount of \$3.7 million was outstanding under these term loan facilities.