MI Developments Inc.

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MI DEVELOPMENTS ANNOUNCES 2007 THIRD QUARTER RESULTS

November 9, 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 and nine months ended September 30, 2007. All figures are in U.S. dollars.

(in thousands, except per share figures)	REAL ESTATE BUSINESS[1]			
	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	**2007**	2006
Revenues	**$ 47,316**	$ 47,874	**$ 138,156**	$ 138,191
Net income	**$ 27,413**	$ 23,868	**$ 72,576**	$ 75,207
Funds from operations ("FFO") [2]	**$ 37,292**	$ 34,962	**$ 102,777**	$ 104,224
Diluted FFO per share [2]	**$ 0.77**	$ 0.72	**$ 2.12**	$ 2.16

(in thousands, except per share figures)	MID CONSOLIDATED[1]			
	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	**2007**	2006
Revenues				
Real Estate Business	**$ 47,316**	$ 47,874	**$ 138,156**	$ 138,191
Magna Entertainment Corp. ("MEC") [3]	**115,201**	114,933	**603,078**	578,048
Eliminations	**(5,392)**	(8,292)	**(15,336)**	(22,216)
	$ 157,125	$ 154,515	**$ 725,898**	$ 694,023
Net income (loss)				
Real Estate Business	**$ 27,413**	$ 23,868	**$ 72,576**	$ 75,207
MEC – continuing operations	**(29,203)**	(28,158)	**8,064**	(41,479)
Eliminations	**(1,028)**	(748)	**(52,620)**	(1,103)
Income (loss) from continuing operations	**(2,818)**	(5,038)	**28,020**	32,625
MEC – discontinued operations [4]	**—**	(1,772)	**—**	(1,271)
	$ (2,818)	$ (6,810)	**$ 28,020**	$ 31,354
Diluted earnings (loss) per share from continuing operations	**$ (0.06)**	$ (0.11)	**$ 0.58**	$ 0.67
Diluted earnings (loss) per share	**$ (0.06)**	$ (0.14)	**$ 0.58**	$ 0.65

(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 September 30, 2006 include 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. In addition, MEC's discontinued operations for the nine months ended September 30, 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,

REAL ESTATE BUSINESS OPERATING HIGHLIGHTS

In respect of our core rental portfolio of Magna International Inc. ("Magna") facilities, during the third quarter of 2007 we brought on-stream two expansion projects, representing an aggregate of 28 thousand square feet of leaseable area, at a cost of $10.8 million. In addition, we started one minor expansion project in Austria.

At September 30, 2007, the Real Estate Business had two properties under development for Magna: one in Canada and one Austria. These developments are expansions to existing facilities and will add an aggregate of 39 thousand square feet of leaseable area to the Real Estate Business' income-producing portfolio. The total anticipated cost of these projects is approximately $5.7 million, of which $5.2 million had been incurred at September 30, 2007.

"Once again, there is very little to report in terms of new projects with our main customer, Magna International," said John Simonetti, Chief Executive Officer. "The level of business we have historically received, and become accustomed to, has dropped off significantly. We continue to monitor this situation to see if this will translate into a more permanent reduction in the quantum of business we will receive from Magna."

At September 30, 2007, the Real Estate Business had 27.2 million square feet of leaseable area, with annualized lease payments of $173.1 million, representing a return of 10.6% on the gross carrying value of our income-producing portfolio.

MAGNA ENTERTAINMENT CORP. DEBT ELIMINATION PLAN AND FINANCING

On September 13, 2007, MID announced that one of its wholly-owned subsidiaries (the "MID Lender") had agreed to provide a short-term bridge loan (the "MEC Bridge Loan") of up to $80.0 million to MEC. The MEC Bridge Loan, together with a private placement of $20.0 million of MEC's Class A Subordinate Voting Stock ("MEC Class A Stock") to Fair Enterprise Limited ("FEL"), a company that forms part of an estate planning vehicle for the family of Mr. Frank Stronach, the Company's Chairman and the Chairman and Interim Chief Executive Officer of MEC, (the "FEL Equity Investment") is intended to provide immediate funding to MEC as it implements its debt elimination plan announced on September 13, 2007 (the "MEC Debt Elimination Plan"). MID also announced amendments to its project financing facilities with MEC (the "MEC Project Financing Facilities") including, among other things, requiring repayment of at least $100.0 million under the Gulfstream Park project financing facility on or prior to May 31, 2008 and waiving the make-whole payment, if applicable, for any repayments made under the MEC Project Financing Facilities prior to that date. Pursuant to a consulting agreement between MID and MEC, which requires MEC to reimburse MID for its expenses, MID management is assisting MEC in implementing the MEC Debt Elimination Plan.

The MEC Debt Elimination Plan is designed to generate aggregate proceeds of approximately $600 to $700 million through: (i) the sale of certain real estate, racetracks and other assets; (ii) the sale of, or entering into strategic transactions involving, MEC's other racing, gaming and technology operations; and (iii) a possible future equity issuance by MEC, likely in 2008. These proceeds are to be used to fund MEC's operations and eliminate MEC's net debt, including amounts owed to the MID Lender under the MEC Bridge Loan and the MEC Project Financing Facilities, by December 31, 2008.

"Ultimately, given the amount of debt we have owing to us from MEC and the value of our MEC equity investment, we have a lot at stake and, therefore, a very strong interest in MEC successfully achieving its debt elimination plan," said John Simonetti. "Providing the MEC Bridge Loan was intended to give MEC time to proceed with its planned asset sales in a prudent and orderly manner, with the beneficiaries being all MEC shareholders, including MID."

The closing of the FEL Equity Investment occurred on October 29, 2007, with FEL purchasing 8,888,888 shares of MEC Class A Stock at a price per share of $2.25. As a result of the FEL Equity Investment, MID's voting interest and equity stake in MEC were reduced from 96.3% and 58.3%, respectively, to 95.6% and 53.9%, respectively.

The MEC Bridge Loan has a maturity date of May 31, 2008 and bears interest at a fixed rate per annum equal to the London Interbank Offered Rate plus 10.0%. In the event MEC does not reach certain specified milestones in connection with the MEC Debt Elimination Plan, the interest rate will be increased by 1.0% on December 31, 2007 and/or February 29, 2008. The MID Lender received an arrangement fee of $2.4 million (3% of the commitment) at closing and will receive an additional arrangement fee on February 29, 2008 of 1% of the then current commitment. The MID Lender will also receive an annual commitment fee equal to 1% of the undrawn facility. All fees, expenses and closing costs incurred by the MID Lender in connection with the MEC Bridge Loan are paid by MEC. The interest rates and fees reflect MID's assessment (with the benefit of advice from its financial advisors) of the credit risk associated with MEC, taking into

consideration, among other things, MEC's revised business plan pursuant to the MEC Debt Elimination Plan and the security package for the MEC Bridge Loan. To date, $26.0 million has been advanced under the MEC Bridge Loan.

REAL ESTATE BUSINESS FINANCIAL RESULTS

Three Months Ended September 30, 2007

For the three months ended September 30, 2007, revenues were $47.3 million, a decrease of 1% from revenues of $47.9 million for the three months ended September 30, 2006. The lower revenues are due to a $2.9 million reduction of interest and other income earned from the financing arrangements with MEC, partially offset by a $2.3 million increase in rental revenues. The reduction of interest and other income from MEC is due primarily to MEC fully repaying its previous bridge loan from the Company (the "2005 MEC Bridge Loan") in November 2006. The higher rental revenues are primarily due to foreign exchange, which had a $2.2 million positive impact as the U.S. dollar continued to weaken against most foreign currencies. Magna projects coming on-stream and contractual rent increases also increased revenues by $0.4 million and $0.3 million, respectively. These positive contributions to rental revenues were partially offset by the impact of disposals and vacancies of income-producing properties resulting primarily from activities related to Magna's plant rationalization strategy.

FFO in the three months ended September 30, 2007 was $37.3 million compared to $35.0 million in the prior year period, representing an increase of 7%. The increase in FFO is due to a $2.5 million decrease in general and administrative expenses and a $1.1 million reduction in net interest expense, partially offset by a $0.6 million reduction in revenues and a $0.7 million increase in current income tax expense.

General and administrative expenses in the third quarter of 2007 decreased by $2.5 million to $4.4 million from $6.9 million in the third quarter of 2006. General and administrative expenses for the prior year period include $2.4 million of advisory and other costs incurred in connection with the Company's evaluation of certain transactions that, ultimately, were not undertaken. Excluding this item, general and administrative expenses were $4.5 million in the prior year period.

Net interest expense was $1.9 million in the three months ended September 30, 2007 ($3.9 million of interest expense less $2.0 million of interest income) compared to $2.9 million for the three months ended September 30, 2006 ($3.6 million of interest expense less $0.7 million of interest income). The $1.3 million increase in interest income is due primarily to the Real Estate Business having more cash available for short-term investment as a result of MEC repaying the 2005 MEC Bridge Loan.

In the three months ended September 30, 2007, the Real Estate Business' income tax expense was $3.3 million, representing an effective tax rate of 10.9%. This amount includes (i) a $1.6 million future tax recovery from the reduction in the future tax rates in Germany, Canada and the United Kingdom, and (ii) a $1.1 million current tax recovery due to a favourable tax reassessment in relation to land sold in a prior year. Excluding these items, the Real Estate Business' income tax expense for the third quarter of 2007 was $6.0 million, representing an effective tax rate of 19.5% compared to 15.8% for the third quarter of 2006. This 3.7% increase in the effective tax rate is primarily due to changes in the overall mix of taxable income earned in the various countries in which the Real Estate Business operates.

Net income increased 15% to $27.4 million compared to $23.9 million for the prior year period. Positive contributions of $4.7 million resulted from a $2.5 million decrease in general and administrative expenses, a $1.1 million reduction in net interest expense and a $1.1 million reduction in income tax expense. These amounts were partially offset by a $0.6 million reduction in revenues, a $0.5 million increase in depreciation and amortization and a $0.1 million decrease in gains from the disposal of real estate.

Nine Months Ended September 30, 2007

For the nine months ended September 30, 2007 and 2006, overall revenues remained constant at $138.2 million. Rental revenues increased by $6.8 million but were offset by an equivalent reduction of interest and other income from MEC. The higher rental revenues include $2.1 million from completed Magna projects coming on-stream, $1.1 million from contractual rent increases and a $4.9 million positive impact from foreign exchange. The impact of Magna plant rationalizations and other items had a $1.3 million negative impact on rental revenues. The reduction of interest and other income from MEC is due primarily to MEC repaying the 2005 MEC Bridge Loan in November 2006.

FFO in the nine months ended September 30, 2007 of $102.8 million represents a 1% decrease from the prior year period's FFO of $104.2 million. The $1.4 million decrease in FFO is due primarily to a $2.9 million increase in general and administrative expenses and a $1.4 million increase in current income tax expense, partially offset by a $2.9 million reduction in net interest expense.

General and administrative expenses increased by $2.9 million from $15.1 million in the prior year period to $18.0 million for the nine months ended September 30, 2007. General and administrative expenses for the first nine months of 2006 include (i) $2.4 million of advisory and other costs incurred in connection with the Company's evaluation of certain transactions that, ultimately, were not undertaken, and (ii) $0.6 million of costs incurred in association with the Company's defence against the oppression application brought by Greenlight Capital, Inc. and certain of its affiliates (see *"GREENLIGHT CAPITAL LITIGATION"* for further details), which were offset by a $1.3 million recovery of such costs under the Company's insurance policy. General and administrative expenses for the first nine months of 2007 include (i) $2.1 million of advisory and other costs in connection with the Company's evaluation of certain transactions relating to its continuing assessment of its relationship with MEC that, ultimately, were not undertaken, (ii) $2.0 million of costs associated with the Company's contribution of lands to a not-for-profit organization established by Magna to assist Hurricane Katrina redevelopment efforts, and (iii) $0.3 million of costs associated with the Company's defence against the Greenlight Capital Litigation. Excluding these items, general and administrative expenses increased marginally from $13.4 million in the prior year period to $13.6 million.

Net interest expense was $5.4 million in the nine months ended September 30, 2007 ($11.1 million of interest expense less $5.7 million of interest income) compared to $8.3 million for the nine months ended September 30, 2006 ($10.7 million of interest expense less $2.4 million of interest income). The $3.3 million increase in interest income is due primarily to the Real Estate Business having more cash available for short-term investment as a result of MEC repaying the 2005 MEC Bridge Loan. The $0.4 million increase in interest expense is due primarily to foreign exchange as the Company's senior unsecured debentures are denominated in Canadian dollars.

In the nine months ended September 30, 2007, the Real Estate Business recognized a $1.5 million gain on the disposal of one property previously held for sale and two income-producing properties, compared to a $0.2 million gain on the sale of two income-producing properties in the prior year period.

During the nine months ended September 30, 2007, the Real Estate Business recognized $0.7 million of net currency translation gains compared to currency translation gains of $1.9 million in the nine months ended September 30, 2006. These gains, which were previously included in the "accumulated comprehensive income" component of equity, were recognized in the determination of net income as a result of the Real Estate Business repatriating funds from certain of its foreign operations. These gains have been excluded from the determination of the Real Estate Business' FFO.

In the nine months ended September 30, 2007, the Real Estate Business' income tax expense was $13.7 million, representing an effective tax rate of 15.9% compared to an effective tax rate of 14.5% in the prior year period. The income tax expense for the nine months ended September 30, 2007 includes (i) a $1.6 million future tax recovery from the reduction in future tax rates, (ii) a $1.1 million current tax recovery due primarily to the favourable tax reassessment, and (iii) $0.4 million of income tax expense related to the gain on disposal of real estate. The income tax expense for the nine months ended September 30, 2006 includes (i) a $2.1 million future tax recovery from a reduction in the Canadian future tax rate, and (ii) $0.1 million of income tax expense related to the gain on disposal of real estate. Excluding these items and the currency translation gains discussed previously, which are not subject to tax, the Real Estate Business' effective tax rate for the nine months ended September 30, 2007 was 18.9% compared to 17.2% for the nine months ended September 30, 2006. This 1.7% increase in the effective tax rate is primarily due to changes in the mix of taxable income earned in the various countries in which the Real Estate Business operates.

Net income for the nine months ended September 30, 2007 decreased 3% to $72.6 million from $75.2 million in the prior year period. The decrease resulted primarily from a $1.3 million reduction in dilution and other gains and increases of $2.9 million in general and administrative expenses, $1.6 million in depreciation and amortization and $1.0 million in income tax expense, partially offset by a $2.9 million reduction in net interest expense and a $1.3 million increase in the gain on disposal of real estate.

MAGNA ENTERTAINMENT CORP. FINANCIAL RESULTS

At September 30, 2007, the market value of MID's shareholding in MEC was $142.6 million, based on the Nasdaq closing price of $2.27 per share for MEC Class A Subordinate Voting Stock (NASDAQ: MECA) on the last trading day prior to that date.

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 September 30, 2006 include 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. In addition, MEC's discontinued operations for the nine months ended September 30, 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.

MEC's revenues from continuing operations for the three months ended September 30, 2007 increased marginally to $115.2 million from $114.9 million in the prior year period. MEC's revenues from continuing operations for the nine months ended September 30, 2007 increased 4% to $603.1 million from $578.0 million in the prior year period. The increase in revenues in the third quarter of 2007 is due to $2.0 million of higher revenue from sales of housing units at MEC's European residential development, partially offset by a $1.7 million decrease in MEC's racing and gaming revenues. The decrease in racing and gaming revenues is due primarily to 29 fewer live race days at Golden Gate Fields in the third quarter of 2007 due to a change in the racing calendar, partially offset by the opening of casino operations at Gulfstream Park in November 2006 and expanded casino operations in March 2007. The increase in revenues in the nine months ended September 30, 2007 is primarily due to the same factors noted above for the third quarter of 2007, except that revenues were also positively impacted by increased revenues from MEC's acquisition in July 2006 of the remaining 70% equity interest of AmTote International, Inc. (the "AmTote Acquisition") and were negatively impacted by fewer live race days, lower handle and attendance at Thistledown and fewer live race days at The Meadows.

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") for the three months ended September 30, 2007 was a loss of $26.1 million compared to a loss of $20.9 million in the prior year. EBITDA for the nine months ended September 30, 2007 was $1.6 million compared to $6.0 million in the prior year period. The decrease in EBITDA for the third quarter of 2007 is due primarily to increases of $5.8 million in operating costs and $1.9 million in general and administrative expenses and a $1.4 million non-cash write-down of assets held for sale in relation to the MEC Debt Elimination Plan, partially offset by a $3.7 million reduction in purses, awards and other expenses. The increase in operating costs is primarily due to increased operating costs at Gulfstream Park for the new casino facility, partially offset by a decrease in costs to pursue alternative gaming opportunities. General and administrative expenses increased primarily due to $3.8 million of severance costs paid to the former owners of the Maryland Jockey Club, partially offset by cost reduction initiatives. The decrease in purses, awards and other expenses is primarily due to reductions in live race days at Golden Gate Fields, The Meadows and Thistledown, partially offset by increased wagering at Lone Star Park due to five additional race days, and increased expenses due to the opening of the casino facility at Gulfstream Park in November 2006 and the expanded casino facility in March 2007. The decrease in EBITDA for the first nine months of 2007 is due primarily to increases of $23.2 million in operating costs related to the Gulfstream Park casino facility, $4.5 million in general and administrative expenses largely attributable to MEC's Technology operations resulting from the AmTote Acquisition and the $1.4 million write-down of assets held for sale, partially offset by the $25.0 million increase in revenues.

MEC recorded a net loss of $29.2 million for the three months ended September 30, 2007 compared to a net loss of $29.9 million in the three months ended September 30, 2006. For the nine months ended September 30, 2007, MEC recorded net income of $8.1 compared to a net loss of $42.7 million in the prior year period. Excluding the $1.8 million loss from discontinued operations in the three months ended September 30, 2006, the $1.0 increase in MEC's net loss in the third quarter of 2007 is due primarily to the $5.1 million reduction in EBITDA discussed above, partially offset by a $3.4 million reduction in net interest expense and a $0.9 million increase in the minority interest recovery. The reduction in interest expense is due to the repayment of the 2005 MEC Bridge Loan in the fourth quarter of 2006, reduced borrowings under MEC's $40.0 million senior secured revolving credit facility with a Canadian financial institution and the repayment of other debt during 2006 from the proceeds of various asset sales, partially offset by increased borrowings under the MEC Project Financing Facilities and the MEC Bridge Loan and $0.5 million less of capitalized interest. Excluding the $1.3 million loss from discontinued operations in the nine months ended September 30, 2007, the $49.5 million improvement in MEC's net income in the first nine months of 2007 is primarily due to a $7.4 million reduction in interest expense for the reasons noted for the third quarter of 2007 and $45.9 million of increased gains on the sale of real estate, partially offset by the $4.4 million reduction in EBITDA discussed above. The increase in the gains on disposal of real estate is driven by $48.8 million of gains (which are eliminated from MID's consolidated results) recognized in the first nine months of 2007 related to the sale of MEC's interests and rights in three real estate properties to MID, in return for cash consideration of approximately $79.0 million.

NORMAL COURSE ISSUER BID

Pursuant to the terms of two successive normal course issuer bid programs, the Company has purchased to date, through the facilities of the Toronto Stock Exchange ("TSX") and the New York Stock Exchange, 826,100 Class A Subordinate Voting Shares for cancellation for cash consideration of approximately $26.8 million (Cdn. $32.91 per share on a weighted average basis). The price that MID pays for shares purchased pursuant to the bids is the market price at the time of acquisition. Pursuant to the terms of the Company's current normal course issuer bid program, for which TSX approval was received on October 2, 2007, the Company is authorized, during the 12-month period commencing October 8, 2007 and ending October 7, 2008, to purchase for cancellation up to 2,531,354 Class A Subordinate Voting Shares, being 10% of the Public Float (as such term is defined by the TSX). Depending upon future price movements and other factors, MID believes that its Class A Subordinate Voting Shares may from time to time represent an attractive investment alternative for MID and a desirable use of any available funds.

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 third quarter ended September 30, 2007. The dividend is payable on or about December 15, 2007 to shareholders of record at the close of business on November 30, 2007.

MID has designated the entire amount of all past and future 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 unless indicated otherwise. Please contact your tax advisor if you have any questions with regard to the designation of eligible dividends.

GREENLIGHT CAPITAL LITIGATION

On August 2, 2005, Greenlight Capital 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 and the other respondents filed their responding facta in July 2007 and the Company expects the appeal hearing to take place in late January 2008. The Company continues to consider Greenlight's oppression claim to be without merit and, together with the other respondents, will vigorously defend against the appeal.

CONFERENCE CALL

A conference call will be held for interested analysts and shareholders to discuss the third quarter's results on November 9, 2007 at 10:30 am EST. The number to use for this call is 1-866-250-4665. The number for overseas callers is 416-915-5761. 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 D. 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 21251122 followed by the number sign) and the rebroadcast will be available until November 16, 2007.

ABOUT MID

MID is a real estate operating company focusing primarily on the ownership, leasing, management, acquisition and development of a predominantly industrial rental portfolio for Magna and its subsidiaries in North America and Europe. MID also holds a controlling investment in MEC, North America's number one owner and operator of horse racetracks, based on revenue, and among the world's leading suppliers, via simulcasting, of live horse racing content to the growing intertrack, off-track and account wagering markets.

For further information, please contact Richard Smith, 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 September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
Net income	**$ 27,413**	$ 23,868	**$ 72,576**	$ 75,207
Add back (deduct):				
Depreciation and amortization	**10,434**	9,914	**30,581**	29,025
Future income tax expense (recovery)	**(494)**	1,269	**1,361**	2,008
Gain on disposal of real estate, net of income tax	**(61)**	(89)	**(1,089)**	(95)
Dilution and other gains	**—**	—	**(652)**	(1,921)
Funds from operations	**$ 37,292**	$ 34,962	**$ 102,777**	$ 104,224
Basic and diluted funds from operations per share	**$ 0.77**	$ 0.72	**$ 2.12**	$ 2.16
Average number of shares outstanding (thousands)				
Basic	**48,324**	48,295	**48,348**	48,292
Diluted	**48,332**	48,340	**48,369**	48,343

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. In addition, the MEC Bridge Loan is expected to be repaid through the sale of MEC assets as part of the MEC Debt Elimination Plan. If MEC is unable to sell assets in a timely manner or for the prices contemplated by the MEC Debt Elimination Plan, MEC may be unable to repay the MEC Bridge Loan by May 31, 2008 or at all, which could have a material adverse effect on MID's financial condition. 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 (Loss)

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

(Unaudited)

Three Months Ended September 30,	Consolidated (notes 1, 15) 2007	Consolidated (notes 1, 15) (restated – note 3) 2006	Real Estate Business 2007	Real Estate Business 2006	Magna Entertainment Corp. 2007	Magna Entertainment Corp. (restated – note 3) 2006
Revenues						
Rental revenue	**$ 41,924**	$ 39,582	**$ 41,924**	$ 39,582	**$ —**	$ —
Racing and other revenue	**115,201**	114,933	**—**	—	**115,201**	114,933
Interest and other income from MEC (note 15)	**—**	—	**5,392**	8,292	**—**	—
	157,125	154,515	**47,316**	47,874	**115,201**	114,933
Operating costs and expenses						
Purses, awards and other	**46,378**	50,107	**—**	—	**46,378**	50,107
Operating costs	**73,428**	67,677	**—**	—	**73,428**	67,677
General and administrative	**25,628**	25,951	**4,362**	6,893	**20,014**	18,072
Depreciation and amortization	**22,083**	21,272	**10,434**	9,914	**11,724**	11,395
Interest expense, net	**9,567**	11,169	**1,857**	2,925	**13,351**	16,737
Write-down of MEC's long-lived assets (note 4)	**1,444**	—	**—**	—	**1,444**	—
Operating income (loss)	**(21,403)**	(21,661)	**30,663**	28,142	**(51,138)**	(49,055)
Gain on disposal of real estate (note 15)	**96**	200	**96**	200	**100**	—
Dilution and other gains	**—**	28	**—**	—	**—**	28
Income (loss) before income taxes and minority interest	**(21,307)**	(21,433)	**30,759**	28,342	**(51,038)**	(49,027)
Income tax expense (recovery) (note 11)	**2,452**	3,647	**3,346**	4,474	**(894)**	(827)
Minority interest	**(20,941)**	(20,042)	**—**	—	**(20,941)**	(20,042)
Income (loss) from continuing operations	**(2,818)**	(5,038)	**27,413**	23,868	**(29,203)**	(28,158)
Loss from discontinued operations (note 3)	**—**	(1,772)	**—**	—	**—**	(1,772)
Net income (loss)	**$ (2,818)**	$ (6,810)	**$ 27,413**	$ 23,868	**$ (29,203)**	$ (29,930)

	2007	2006
Basic and diluted loss per Class A Subordinate Voting or Class B Share (note 5)		
– Continuing operations	**$ (0.06)**	$ (0.11)
– Discontinued operations (note 3)	**—**	(0.03)
Total	**$ (0.06)**	$ (0.14)
Basic and diluted average number of Class A Subordinate Voting and Class B Shares outstanding during the period (in thousands) (note 5)	**48,324**	48,295

See accompanying notes

Consolidated Statements of Income (Loss)

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

(Unaudited)

	Consolidated (notes 1, 15)		Real Estate Business		Magna Entertainment Corp.	
Nine Months Ended September 30,	**2007**	(restated – note 3) 2006	**2007**	2006	**2007**	(restated – note 3) 2006
Revenues						
Rental revenue	**$ 122,820**	$ 115,975	**$ 122,820**	$ 115,975	**$ —**	$ —
Racing and other revenue	**603,078**	578,048	**—**	—	**603,078**	578,048
Interest and other income from MEC (note 15)	**—**	—	**15,336**	22,216	**—**	—
	725,898	694,023	**138,156**	138,191	**603,078**	578,048
Operating costs and expenses						
Purses, awards and other	**287,433**	287,102	**—**	—	**287,433**	287,102
Operating costs	**255,810**	232,617	**—**	—	**255,810**	232,617
General and administrative	**78,153**	69,664	**18,017**	15,105	**56,799**	52,331
Depreciation and amortization	**63,123**	60,880	**30,581**	29,025	**32,690**	31,955
Interest expense, net	**28,747**	31,801	**5,405**	8,265	**39,332**	46,777
Write-down of MEC's long-lived assets (note 4)	**1,444**	—	**—**	—	**1,444**	—
Operating income (loss)	**11,188**	11,959	**84,153**	85,796	**(70,430)**	(72,734)
Gain on disposal of real estate (note 15)	**1,478**	3,092	**1,478**	209	**48,754**	2,883
Dilution and other gains (note 10)	**656**	2,106	**652**	1,921	**4**	185
Income (loss) before income taxes and minority interest	**13,322**	17,157	**86,283**	87,926	**(21,672)**	(69,666)
Income tax expense (note 11)	**15,339**	14,204	**13,707**	12,719	**301**	1,485
Minority interest	**(30,037)**	(29,672)	**—**	—	**(30,037)**	(29,672)
Income (loss) from continuing operations	**28,020**	32,625	**72,576**	75,207	**8,064**	(41,479)
Loss from discontinued operations (note 3)	**—**	(1,271)	**—**	—	**—**	(1,271)
Net income (loss)	**$ 28,020**	$ 31,354	**$ 72,576**	$ 75,207	**$ 8,064**	$ (42,750)

Basic and diluted earnings per Class A Subordinate Voting or Class B Share (note 5)		
– Continuing operations	**$ 0.58**	$ 0.67
– Discontinued operations (note 3)	**—**	(0.02)
Total	**$ 0.58**	$ 0.65
Average number of Class A Subordinate Voting and Class B Shares outstanding during the period (in thousands) (note 5)		
– Basic	**48,348**	48,292
– Diluted	**48,369**	48,343

See accompanying notes

Consolidated Statements of Comprehensive Income (Loss)

(Refer to note 2 – Accounting Changes)
(U.S. dollars in thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
Net income (loss)	**$ (2,818)**	$ (6,810)	**$ 28,020**	$ 31,354
Other comprehensive income (loss):				
Change in fair value of interest rate swaps, net of taxes and minority interest (note 10)	**(191)**	—	**(247)**	—
Foreign currency translation adjustment, net of minority interest (note 10)	**45,869**	(3,719)	**80,717**	50,342
Reversal of foreign currency translation gain related to shares purchased for cancellation (note 8)	**(5,778)**	—	**(5,778)**	—
Recognition of foreign currency translation gain in net income (note 10)	**—**	—	**(652)**	(1,921)
Comprehensive income (loss)	**$ 37,082**	$ (10,529)	**$ 102,060**	$ 79,775

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,	
	2007	2006	**2007**	2006
Deficit, beginning of period	**$ (52,785)**	$ (75,850)	**$ (69,112)**	$ (99,527)
Net income (loss)	**(2,818)**	(6,810)	**28,020**	31,354
Dividends	**(7,255)**	(7,244)	**(21,766)**	(21,731)
Deficit, end of period	**$ (62,858)**	$ (89,904)	**$ (62,858)**	$ (89,904)

See accompanying notes

Consolidated Statements of Cash Flows

(U.S. dollars in thousands)
(Unaudited)

	Consolidated (notes 1, 15)		Real Estate Business		Magna Entertainment Corp.	
Three Months Ended September 30,	**2007**	(restated – note 3) 2006	**2007**	2006	**2007**	(restated – note 3) 2006
OPERATING ACTIVITIES						
Income (loss) from continuing operations	**$ (2,818)**	$ (5,038)	**$ 27,413**	$ 23,868	**$ (29,203)**	$ (28,158)
Items not involving current cash flows (note 13)	**1,245**	3,772	**10,149**	6,967	**(8,605)**	(2,057)
Changes in non-cash balances (note 13)	**6,350**	9,108	**2,476**	2,128	**3,159**	6,506
Cash provided by (used in) operating activities	**4,777**	7,842	**40,038**	32,963	**(34,649)**	(23,709)
INVESTMENT ACTIVITIES						
Acquisition of business, net of cash acquired (note 3)	**—**	(9,347)	**—**	—	**—**	(9,347)
Property and fixed asset additions	**(27,149)**	(19,703)	**(7,082)**	(6,589)	**(20,147)**	(13,114)
Proceeds on disposal of real estate properties and fixed assets, net	**3,529**	3,752	**927**	3,099	**2,702**	653
Decrease (increase) in other assets	**(696)**	(438)	**(4)**	90	**(692)**	(528)
Loan advances to MEC, net	**—**	—	**(10,780)**	(7,684)	**—**	—
Loan repayments from MEC	**—**	—	**2,065**	1,600	**—**	—
Cash used in investment activities	**(24,316)**	(25,736)	**(14,874)**	(9,484)	**(18,137)**	(22,336)
FINANCING ACTIVITIES						
Proceeds from bank indebtedness	**25,199**	18,129	**—**	—	**25,199**	18,129
Issuance of long-term debt	**205**	6,927	**—**	—	**205**	6,927
Repayment of long-term debt	**(2,316)**	(2,592)	**(109)**	(91)	**(2,207)**	(2,501)
Loan advances from MID, net	**—**	—	**—**	—	**10,148**	6,272
Loan repayments to MID	**—**	—	**—**	—	**(2,065)**	(1,600)
Issuance of shares	**—**	855	**—**	855	**—**	—
Shares purchased for cancellation	**(11,836)**	—	**(11,836)**	—	**—**	—
Dividends paid	**(7,255)**	(7,244)	**(7,255)**	(7,244)	**—**	—
Cash provided by (used in) financing activities	**3,997**	16,075	**(19,200)**	(6,480)	**31,280**	27,227
Effect of exchange rate changes on cash and cash equivalents	**4,506**	(5)	**4,300**	202	**206**	(207)
Net cash flows provided by (used in) continuing operations	**(11,036)**	(1,824)	**10,264**	17,201	**(21,300)**	(19,025)
DISCONTINUED OPERATIONS						
Cash used in operating activities	**—**	(6,677)	**—**	—	**—**	(6,677)
Cash provided by investing activities	**—**	46,056	**—**	—	**—**	46,056
Cash used in financing activities	**—**	(26,699)	**—**	—	**—**	(26,699)
Net cash flows provided by discontinued operations (note 3)	**—**	12,680	**—**	—	**—**	12,680
Net increase (decrease) in cash and cash equivalents during the period	**(11,036)**	10,856	**10,264**	17,201	**(21,300)**	(6,345)
Cash and cash equivalents, beginning of period	**203,407**	104,214	**147,983**	66,730	**55,424**	37,484
Cash and cash equivalents, end of period	**$ 192,371**	$ 115,070	**$ 158,247**	$ 83,931	**$ 34,124**	$ 31,139

See accompanying notes

Consolidated Statements of Cash Flows

(U.S. dollars in thousands)
(Unaudited)

Nine Months Ended September 30,	Consolidated (notes 1, 15) 2007	Consolidated (notes 1, 15) (restated – note 3) 2006	Real Estate Business 2007	Real Estate Business 2006	Magna Entertainment Corp. 2007	Magna Entertainment Corp. (restated – note 3) 2006
OPERATING ACTIVITIES						
Income (loss) from continuing operations	**$ 28,020**	$ 32,625	**$ 72,576**	$ 75,207	**$ 8,064**	$ (41,479)
Items not involving current cash flows (note 13)	**33,519**	31,848	**30,904**	18,133	**(46,708)**	17,272
Changes in non-cash balances (note 13)	**(994)**	(18,014)	**10,563**	(5,656)	**(12,101)**	(14,059)
Cash provided by (used in) operating activities	**60,545**	46,459	**114,043**	87,684	**(50,745)**	(38,266)
INVESTMENT ACTIVITIES						
Acquisition of business, net of cash acquired (note 3)	**—**	(9,347)	**—**	—	**—**	(9,347)
Property and fixed asset additions	**(76,055)**	(102,820)	**(105,956)**	(32,894)	**(59,580)**	(69,926)
Proceeds on disposal of real estate properties and fixed assets, net	**11,859**	17,977	**6,321**	8,921	**93,252**	9,056
Decrease (increase) in other assets	**(1,731)**	(2,242)	**54**	(867)	**(1,785)**	(1,375)
Loan advances to MEC, net	**—**	—	**(27,463)**	(69,808)	**—**	—
Loan repayments from MEC	**—**	—	**4,425**	3,400	**—**	—
Cash provided by (used in) investment activities	**(65,927)**	(96,432)	**(122,619)**	(91,248)	**31,887**	(71,592)
FINANCING ACTIVITIES						
Proceeds from bank indebtedness	**40,940**	18,129	**—**	—	**40,940**	18,129
Repayment of bank indebtedness	**(21,515)**	(5,500)	**—**	—	**(21,515)**	(5,500)
Issuance of long-term debt	**4,345**	12,134	**—**	—	**4,345**	12,134
Repayment of long-term debt	**(51,647)**	(12,765)	**(298)**	(267)	**(51,349)**	(12,498)
Loan advances from MID, net	**—**	—	**—**	—	**26,477**	66,849
Loan repayments to MID	**—**	—	**—**	—	**(4,425)**	(3,400)
Issuance of shares	**1,058**	855	**1,058**	855	**—**	—
Shares purchased for cancellation	**(11,836)**	—	**(11,836)**	—	**—**	—
Dividends paid	**(21,766)**	(21,731)	**(21,766)**	(21,731)	**—**	—
Cash provided by (used in) financing activities	**(60,421)**	(8,878)	**(32,842)**	(21,143)	**(5,527)**	75,714
Effect of exchange rate changes on cash and cash equivalents	**7,919**	2,752	**7,799**	3,156	**120**	(404)
Net cash flows used in continuing operations	**(57,884)**	(56,099)	**(33,619)**	(21,551)	**(24,265)**	(34,548)
DISCONTINUED OPERATIONS						
Cash used in operating activities	**—**	(1,299)	**—**	—	**—**	(1,299)
Cash provided by investing activities	**—**	47,435	**—**	—	**—**	47,435
Cash used in financing activities	**—**	(32,427)	**—**	—	**—**	(32,427)
Net cash flows provided by discontinued operations (note 3)	**—**	13,709	**—**	—	**—**	13,709
Net decrease in cash and cash equivalents during the period	**(57,884)**	(42,390)	**(33,619)**	(21,551)	**(24,265)**	(20,839)
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	**$ 192,371**	$ 115,070	**$ 158,247**	$ 83,931	**$ 34,124**	$ 31,139

See accompanying notes

Consolidated Balance Sheets

(Refer to note 1 – Basis of Presentation)
(U.S. dollars in thousands)
(Unaudited)

	Consolidated (notes 1, 15)		Real Estate Business		Magna Entertainment Corp.	
As at	**September 30, 2007**	(restated – note 4) December 31, 2006	**September 30, 2007**	December 31, 2006	**September 30, 2007**	(restated – note 4) December 31, 2006
ASSETS						
Current assets:						
Cash and cash equivalents	**$ 192,371**	$ 250,255	**$ 158,247**	$ 191,866	**$ 34,124**	$ 58,389
Restricted cash (note 15)	**33,914**	40,708	**5,311**	6,514	**28,603**	34,194
Accounts receivable	**37,932**	43,740	**5,992**	7,749	**31,940**	35,991
Loans receivable from MEC, net (note 15)	**—**	—	**111,799**	3,108	**—**	—
Due from MID (note 15)	**—**	—	**—**	—	**5,314**	6,648
Income taxes receivable	**372**	1,934	**45**	1,354	**327**	580
Prepaid expenses and other	**19,891**	16,044	**1,823**	966	**18,748**	15,304
	284,480	352,681	**283,217**	211,557	**119,056**	151,106
Real estate properties, net (note 6)	**2,294,403**	2,158,646	**1,536,094**	1,348,621	**813,817**	815,063
Fixed assets, net	**85,943**	93,406	**474**	554	**85,469**	92,852
Racing licences	**109,868**	109,868	**—**	—	**109,868**	109,868
Other assets	**6,679**	11,711	**905**	3,061	**5,774**	14,276
Loans receivable from MEC (note 15)	**—**	—	**97,865**	182,876	**—**	—
Deferred rent receivable	**14,743**	13,818	**14,743**	13,818	**—**	—
Future tax assets	**51,283**	52,038	**6,063**	7,277	**45,220**	44,761
Assets held for sale (note 4)	**29,150**	30,128	**—**	—	**29,150**	30,128
	$ 2,876,549	$ 2,822,296	**$ 1,939,361**	$ 1,767,764	**$ 1,208,354**	$ 1,258,054
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Bank indebtedness (note 7)	**$ 25,940**	$ 6,515	**$ —**	$ —	**$ 25,940**	$ 6,515
Accounts payable and accrued liabilities	**146,919**	157,274	**26,909**	13,317	**120,010**	143,957
Income taxes payable	**11,239**	7,083	**11,239**	7,083	**—**	—
Loan payable to MID, net (note 15)	**—**	—	**—**	—	**110,120**	3,108
Due to MEC (note 15)	**—**	—	**5,314**	6,648	**—**	—
Long-term debt due within one year (note 7)	**53,000**	86,155	**469**	378	**52,531**	85,777
Deferred revenue	**4,971**	8,311	**1,845**	2,451	**3,491**	6,098
	242,069	265,338	**45,776**	29,877	**312,092**	245,455
Long-term debt (note 7)	**91,706**	99,850	**6,651**	5,991	**85,055**	93,859
Senior unsecured debentures, net	**262,709**	226,596	**262,709**	226,596	**—**	—
Note obligations, net	**214,416**	215,830	**—**	—	**214,416**	215,830
Loans payable to MID, net (note 15)	**—**	—	**—**	—	**93,426**	182,876
Other long-term liabilities	**16,117**	15,787	**—**	—	**16,117**	15,787
Future tax liabilities	**145,775**	140,444	**50,414**	46,090	**94,030**	94,354
Liabilities related to assets held for sale (note 4)	**1,047**	1,047	**—**	—	**1,047**	1,047
Minority interest	**153,064**	180,108	**—**	—	**153,064**	180,108
	1,126,903	1,145,000	**365,550**	308,554	**969,247**	1,029,316
Shareholders' equity:						
Share capital (note 8)	**1,562,792**	1,577,342				
Contributed surplus (note 9)	**9,119**	2,667				
Deficit	**(62,858)**	(69,112)				
Accumulated comprehensive income (note 10)	**240,593**	166,399				
	1,749,646	1,677,296	**1,573,811**	1,459,210	**239,107**	228,738
	$ 2,876,549	$ 2,822,296	**$ 1,939,361**	$ 1,767,764	**$ 1,208,354**	$ 1,258,054

Commitments and contingencies (note 16)

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 September 30, 2007 and 2006 and for the three-month and nine-month periods ended September 30, 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. At September 30, 2007, the Company owned approximately 58% of MEC's total equity, representing approximately 96% of the total voting power of its outstanding stock (see note 17 for details on the subsequent reduction of these figures). 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 $193.0 million at September 30, 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 meet its obligations with respect to secured and unsecured creditors, none of which is assured. During the nine months ended September 30, 2007, MEC sold all of its interests and rights in four real estate properties to MID for aggregate proceeds of approximately $89.1 million (note 15). On September 12, 2007, MEC's Board of Directors approved a debt elimination plan (the "MEC Debt Elimination Plan") designed to eliminate MEC's net debt by December 31, 2008 by generating aggregate proceeds of approximately $600 to $700 million from the sale of assets (note 4), entering into strategic transactions involving certain of MEC's racing, gaming and technology operations, and a possible future equity issuance. In addition, to address immediate liquidity concerns and provide sufficient time to implement the MEC Debt Elimination Plan, MEC arranged $100.0 million of funding, comprised of (i) a private placement of $20.0 million of MEC's Class A Subordinate Voting Stock ("MEC Class A Stock") to Fair Enterprise Limited ("FEL"), a company that forms part of an estate planning vehicle for the family of Mr. Frank Stronach, the Company's Chairman and the Chairman and Interim Chief Executive Officer of MEC (note 17); and (ii) a short-term bridge loan (the "MEC Bridge Loan") of up to $80.0 million from a wholly-owned subsidiary of MID ("the MID Lender") (note 15). Whether the MEC Debt Elimination Plan will be successful 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 ("GAAP") 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 necessary to present fairly the financial position at September 30, 2007 and 2006, and the results of operations and cash flows for the three-month and nine-month periods ended September 30, 2007 and 2006.

Financial data and related measurements are presented on the unaudited interim consolidated statements of income (loss), 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 14 to the unaudited interim consolidated financial statements. Transactions and balances between the "Real Estate Business" and "Magna Entertainment Corp." segments 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 15, 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(c)) and MEC's assets held for sale (note 4).

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 (loss).
- 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 (loss) in "other comprehensive income (loss)".

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", "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" 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 (Loss) and Accumulated Comprehensive Income

The new standards require the presentation of a new statement of comprehensive income (loss), 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 (loss)" and "accumulated 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 (loss).

For hedges that are discontinued before the end of the original hedge term, the unrealized gain or loss in "accumulated comprehensive income" is amortized in the consolidated statement of income (loss) 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 (loss).

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 ACQUISITION AND DISPOSALS

(a) Acquisition of AmTote

On August 22, 2003, MEC Maryland Investments Inc. ("MEC Maryland"), a wholly-owned subsidiary of MEC, acquired a 30% interest in AmTote International, Inc. ("AmTote") for a total cash purchase price, including transaction costs, of $4.3 million. At the same time, MEC Maryland was also granted options to acquire the remaining 70% of AmTote.

On July 26, 2006, MEC Maryland acquired the remaining 70% equity interest of AmTote for a total cash purchase price of $9.3 million, including transaction costs of $0.1 million, net of cash acquired of $5.5 million.

AmTote is a provider of totalisator services to the North American pari-mutuel industry with service contracts with over 70 North American racetracks and other wagering entities.

The purchase price has been allocated to the assets and liabilities acquired as follows:

Non-cash working capital	$	1,203
Fixed assets		12,691
Other assets		127
Long-term debt		(1,470)
Other long-term liabilities		(980)
Future tax liabilities		(2,224)
Net assets acquired and total purchase price, net of cash acquired	$	9,347

(b) 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 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 the 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 the MID Lender and MEC (the "2005 MEC Bridge Loan" – note 15), to permanently pay down $39.0 million of the principal amount outstanding under MEC's senior secured credit facility with a Canadian financial institution (the "MEC Credit Facility" – note 7), to repay $2.0 million of the BE&K Loan (as defined in note 15) and to place $15.0 million into escrow with the MID Lender (note 15).

(c) 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 7).

MEC did not have any assets or liabilities related to discontinued operations at September 30, 2007 or December 31, 2006. MEC's results of operations related to discontinued operations for the three and nine months ended September 30, 2006 are shown in the following table:

	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2006
Revenues	$ 4,381	$ 13,909
Costs and expenses	3,759	10,584
	622	3,325
Depreciation and amortization	606	2,047
Interest expense, net	593	1,934
Impairment loss recorded on disposition	1,202	1,202
Loss before undernoted items	(1,779)	(1,858)
Gain on disposition	—	1,495
Loss before income taxes and minority interest	(1,779)	(363)
Income tax expense	1,254	1,813
Minority interest	(1,261)	(905)
Loss from discontinued operations	$ (1,772)	$ (1,271)

4. ASSETS HELD FOR SALE

(a) On August 9, 2007, MEC announced its intention to sell real estate properties located in Dixon, California, Ocala, Florida and Porter, New York and has begun activities to sell these properties, including listing each property for sale with a real estate services company.

In accordance with the terms of the MEC Bridge Loan with the MID Lender, MEC is required to use the net proceeds from the sale of these properties to pay down principal amounts outstanding under the MEC Bridge Loan and the amount of such net proceeds will permanently reduce the committed amount of the MEC Bridge Loan.

In connection with the sales plan relating to the Porter, New York real estate, MEC recognized a non-cash impairment loss of $1.4 million, which represents the excess of the carrying value over the estimated fair value of this property, less estimated selling costs.

(b) In addition to the sale of real estate described in section (a) above, the MEC Debt Elimination Plan also contemplates the sale of real estate properties located in Aventura and Hallandale, Florida, both adjacent to Gulfstream Park; Anne Arundel County, Maryland, adjacent to Laurel Park; and Ebreichsdorf, Austria, adjacent to the Magna Racino™. MEC has also announced that it intends to explore selling its membership interests in the mixed-use developments at Gulfstream Park racetrack in Florida and Santa Anita Park racetrack in California that it is pursuing under joint venture arrangements with Forest City Enterprises, Inc. (“Forest City”) and Caruso Affiliated (“Caruso”), respectively. MEC has also announced that it intends to sell Great Lakes Downs in Michigan (at which the 2007 meet will be the last meet run by MEC); Thistledown in Ohio; and its interest in Portland Meadows in Oregon. MEC has also announced that it intends to explore other strategic transactions involving other racing, gaming and technology operations. These potential transactions may include: the possible sale of Remington Park, a horseracing and gaming facility located in Oklahoma City; partnerships or joint ventures in respect of the existing gaming facility at Gulfstream Park; partnerships or joint ventures in respect of potential alternative gaming operations at other MEC racetracks that currently do not have gaming operations; and transactions involving MEC’s technology operations, which may include one or more of the assets that comprise MEC’s PariMax business.

At September 30, 2007, all of the criteria required to classify an asset as held for sale, or operations as discontinued operations (note 3), in accordance with GAAP were not met in relation to the assets and operations described in the preceding paragraph and, accordingly, these assets and operations continue to be classified as held and in use. Once the criteria to classify an asset as held for sale, or operations as discontinued operations, are met, these assets or operations will be reclassified to “assets held for sale” or “discontinued operations” as appropriate.

(c) MEC’s assets classified as held for sale and corresponding liabilities, related to the transactions described in section (a) above, at September 30, 2007, with comparative restatement as at December 31, 2006, are shown in the table below.

As at	**September 30, 2007**	December 31, 2006
ASSETS		
Real estate properties, net		
Dixon, California	**$ 19,139**	$ 18,711
Ocala, Florida	**8,399**	8,427
Porter, New York	**1,612**	2,990
	$ 29,150	$ 30,128
LIABILITIES		
Future tax liabilities	**$ 1,047**	$ 1,047

5. EARNINGS PER SHARE

Diluted earnings per share for the three-month and nine-month periods ended September 30, 2007 and 2006 are computed as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
		2007		2006		**2007**		2006
Income (loss) from continuing operations	**$**	**(2,818)**	$	(5,038)	**$**	**28,020**	$	32,625
Loss from discontinued operations		**—**		(1,772)		**—**		(1,271)
Net income (loss)	**$**	**(2,818)**	$	(6,810)	**$**	**28,020**	$	31,354
Weighted average number of Class A Subordinate Voting and Class B Shares outstanding during the period (thousands)		**48,324**		48,295		**48,348**		48,292
Stock options (thousands)		**—**		—		**21**		51
		48,324		48,295		**48,369**		48,343
Diluted earnings per Class A Subordinate Voting or Class B Share								
– from continuing operations	**$**	**(0.06)**	$	(0.11)	**$**	**0.58**	$	0.67
– from discontinued operations		**—**		(0.03)		**—**		(0.02)
	$	**(0.06)**	$	(0.14)	**$**	**0.58**	$	0.65

The computation of diluted earnings per share for the three-month and nine-month periods ended September 30, 2007 excludes the effect of the potential exercise of 551,544 (2006 – 400,000) and 140,000 (2006 – 20,000) options, respectively, to acquire Class A Subordinate Voting Shares of the Company because the effect would be anti-dilutive.

6. REAL ESTATE PROPERTIES

As at	**September 30, 2007**	(restated – note 4) December 31, 2006
Real Estate Business		
Income-producing properties under operating leases		
Land	**$ 220,981**	$ 206,990
Buildings, parking lots and roadways – cost	**1,410,057**	1,298,073
Buildings, parking lots and roadways – accumulated depreciation	**(327,777)**	(274,931)
	1,303,261	1,230,132
Development properties		
Land and improvements	**226,158**	115,910
Properties under development	**5,254**	648
	231,412	116,558
Properties held for sale	**1,421**	1,931
	1,536,094	1,348,621
MEC		
Revenue-producing racetrack properties		
Land and improvements	**198,302**	208,355
Buildings – cost	**637,576**	631,495
Buildings – accumulated depreciation	**(196,810)**	(177,538)
Construction in progress	**59,826**	19,024
	698,894	681,336
Under-utilized racetrack properties	**105,664**	103,163
Development land and improvements	**—**	20,705
Revenue-producing non-racetrack properties		
Land and improvements	**4,496**	6,521
Buildings – cost	**4,850**	3,410
Buildings – accumulated depreciation	**(87)**	(72)
	9,259	9,859
	813,817	815,063
Eliminations (note 15)	**(55,508)**	(5,038)
Consolidated	**$ 2,294,403**	$ 2,158,646

7. BANK INDEBTEDNESS AND LONG TERM DEBT

(a) During the nine months ended September 30, 2007, MEC extended the maturity date of the $40.0 million MEC Credit Facility from March 30, 2007 to January 31, 2008 and modified a financial performance maintenance covenant relating to earnings before interest, income taxes, depreciation and amortization. Borrowings under the MEC Credit Facility are available by way of U.S. dollar loans and letters of credit and 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%. Borrowings under the 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 of MEC's subsidiaries. At September 30, 2007, MEC had borrowed $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 (December 31, 2006 – $15.3 million) was unused and available. The weighted average interest rate on the loans outstanding under the MEC Credit Facility at September 30, 2007 was 9.3%.

At September 30, 2007, MEC was not in compliance with one of the financial covenants contained in the MEC Credit Facility agreement. A waiver for this financial covenant breach was obtained from the lender.

(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 was scheduled to mature on October 8, 2007, but was amended and extended on October 2, 2007 to October 31, 2012 (note 17). The revolving loan agreement 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 September 30, 2007, MEC had borrowed $8.6 million (December 31, 2006 – $6.5 million) under the revolving loan agreement. 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 September 30, 2007 was 7.8% (December 31, 2006 – 8.3%).

(c) On May 11, 2007, AmTote, MEC's wholly-owned subsidiary, completed a refinancing of its existing credit facilities with a new lender (the "AmTote Lender"). The refinancing included (i) a $3.0 million revolving credit facility to finance working capital requirements (the "AmTote Credit Facility"), (ii) a $4.2 million term loan for the repayment of AmTote's debt outstanding under its existing term loan facilities, and (iii) a $10.0 million term loan to finance up to 80% of eligible capital costs related to tote service contracts. The AmTote Credit Facility matures on May 11, 2008 and borrowings under the AmTote Credit Facility are available by way of U.S. dollar loans and letters of credit, bearing interest at LIBOR plus 2.5%. The $4.2 million term loan matures on May 11, 2011 and the $10.0 million term loan matures on May 11, 2012, with both facilities bearing interest at LIBOR plus 2.8%. The AmTote Credit Facility and the two term loan facilities are collateralized by a first charge on AmTote's assets and a pledge of stock of AmTote.

At September 30, 2007, AmTote had borrowed $2.4 million under the AmTote Credit Facility, which is included in MEC's "bank indebtedness" on the Company's unaudited interim consolidated balance sheet, such that $0.6 million of the AmTote Credit Facility was unused and available. At September 30, 2007, $3.5 million was outstanding under the $4.2 million term loan facility, which is included in MEC's "long-term debt" on the Company's unaudited interim consolidated balance sheet, and there were no borrowings under the $10.0 million term loan facility. At September 30, 2007, the weighted average interest rates on the borrowings under the AmTote Credit Facility and the term loan were 8.2% and 8.5%, respectively.

At September 30, 2007, MEC was not in compliance with certain of the financial covenants contained in the above arrangements with the AmTote Lender. A waiver for the financial covenant breach at September 30, 2007 was obtained from the AmTote Lender.

(d) On July 24, 2007, one of MEC's European subsidiaries amended and extended its 3.9 million euro bank term loan by increasing the amount available under the bank term loan to 4.0 million euros ($5.7 million), bearing interest at the Euro Overnight Index Average rate plus 3.0% per annum, and extending the term to July 31, 2008. At September 30, 2007, this bank term loan facility was fully drawn.

8. 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 and June 30, 2007	47,821,364	1,560,779	547,413	17,866	48,368,777	1,578,645
Shares purchased for cancellation	(485,700)	(15,853)	—	—	(485,700)	(15,853)
Shares issued and outstanding, September 30, 2007	**47,335,664**	**$ 1,544,926**	**547,413**	**$ 17,866**	**47,883,077**	**$ 1,562,792**

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 was authorized, from October 4, 2006 to October 3, 2007, to purchase for cancellation, through the facilities of the TSX and the New York Stock Exchange ("NYSE"), up to 3,257,895 Class A Subordinate Voting Shares, being 10% of the Public Float, as such term is defined by the TSX. During the three-month and nine-month periods ended September 30, 2007, the Company purchased 485,700 Class A Subordinate Voting Shares for cancellation for cash consideration of $15.4 million (Cdn. $32.58 per share on a weighted average basis), of which $3.6 million was paid after September 30, 2007. The purchase price in excess of the Company's historical Canadian carrying value of the shares purchased for cancellation was $6.2 million, which has been credited to "contributed surplus" (note 9). The purchase price in excess of the Company's U.S. historical reported carrying value of the shares purchased for cancellation, less the amount credited to "contributed surplus", resulted in a charge to "accumulated comprehensive income" of $5.8 million (note 10). The Company purchased a further 316,100 Class A Subordinate Voting Shares for cancellation under this bid subsequent to September 30, 2007 for cash consideration of $10.6 million (Cdn. $33.36 per share on a weighted average basis).

Pursuant to the terms of a normal course issuer bid program for which the Company received approval from the TSX on October 2, 2007, the Company is authorized, during the 12-month period commencing October 8, 2007 and ending October 7, 2008, to purchase for cancellation, through the facilities of the TSX and the NYSE, up to 2,531,354 Class A Subordinate Voting Shares, being 10% of the Public Float. The Company has purchased 24,300 Class A Subordinate Voting Shares for cancellation under this bid for cash consideration of $0.8 million (Cdn. $33.61 per share on a weighted average basis).

The price that MID pays for shares purchased pursuant to the bids is the market price at the time of acquisition.

9. 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,	
	2007	2006	**2007**	2006
Contributed surplus, beginning of period	**$ 2,674**	$ 2,342	**$ 2,667**	$ 2,112
Purchase price in excess of carrying value of shares purchased for cancellation (note 8)	**6,222**	—	**6,222**	—
Stock-based compensation	**223**	58	**475**	288
Transfer to share capital on exercise of stock options	**—**	(188)	**(245)**	(188)
Contributed surplus, end of period	**$ 9,119**	$ 2,212	**$ 9,119**	**$** 2,212

10. ACCUMULATED COMPREHENSIVE INCOME

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
Accumulated comprehensive income, beginning of period	**$ 200,693**	$ 159,100	**$ 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	**(191)**	—	**(247)**	—
Foreign currency translation adjustment, net of minority interest (i)	**45,869**	(3,719)	**80,717**	50,342
Reversal of foreign currency translation gain related to shares purchased for cancellation (note 8)	**(5,778)**	—	**(5,778)**	—
Recognition of foreign currency translation gain in net income (ii)	**—**	—	**(652)**	(1,921)
Accumulated comprehensive income, end of period (iii)	**$ 240,593**	$ 155,381	**$ 240,593**	$ 155,381

(i) During the three and nine months ended September 30, 2007 and the nine months ended September 30, 2006, the Company recorded unrealized foreign currency translation gains related to its net investments in currencies other than the U.S. dollar, primarily due to the strengthening of the euro and the Canadian dollar against the U.S. dollar. During the three months ended September 30, 2006, the Company recorded unrealized foreign currency translation losses related to its net investments in currencies other than the U.S. dollar, primarily due to the weakening of the euro against the U.S. dollar.

(ii) Included in the Real Estate Business' "dilution and other gains" for the nine months ended September 30, 2007 is a \$0.7 million currency translation gain (2006 – \$1.9 million) 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	**September 30, 2007**	December 31, 2006
Foreign currency translation adjustment, net of minority interest	**$ 240,686**	$ 166,399
Fair value of interest rate swaps, net of taxes and minority interest	**(93)**	—
	$ 240,593	$ 166,399

11. INCOME TAXES

The Real Estate Business' income tax expense for the three and nine months ended September 30, 2007 includes a future tax recovery of $1.6 million realized from the reduction in future tax rates in Canada, Germany and the United Kingdom enacted in the third quarter of 2007.

The Real Estate Business' income tax expense for the nine months ended September 30, 2006 includes a future tax recovery of $2.1 million realized from the reduction in the future Canadian tax rate, enacted in the second quarter of 2006.

12. 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. 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, 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 and June 30	**426,544**	**36.43**	410,000	33.77
Granted	**125,000**	**32.21**	—	—
Exercised	**—**	**—**	(30,000)	31.85
Forfeited	**(35,000)**	**41.17**	(60,000)	35.62
Stock options outstanding, September 30	**516,544**	**35.09**	320,000	33.60
Stock options exercisable, September 30	**280,544**	**31.15**	202,000	33.07

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 September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
Risk-free interest rate	**4.3%**	—	**4.3%**	4.0%
Expected dividend yield	**1.92%**	—	**1.92%**	1.76%
Expected volatility of MID's Class A Subordinate Voting Shares	**18.9%**	—	**18.9%**	21.3%
Weighted average expected life (years)	**4**	—	**4**	3.0
Weighted average fair value per option granted	**$5.51**	—	**$5.51**	$5.67

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. During the nine months ended September 30, 2006, 11,715 DSUs were redeemed by a former director for $0.4 million.

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
Granted	**3,025**	3,882
Redeemed	**—**	(11,715)
DSUs outstanding, June 30	**34,585**	19,243
Granted	**3,568**	4,350
DSUs outstanding, September 30	**38,153**	23,593

During the three and nine months ended September 30, 2007, the Real Estate Business recognized stock-based compensation expense of $0.2 million (2006 – $0.3 million) and $0.8 million (2006 – $0.8 million), respectively, which includes nil (2006 – $0.2 million) and $0.3 million (2006 – $0.5 million), respectively, pertaining to DSUs.

(b) MEC has a Long-term Incentive Plan (the "MEC Plan"), adopted in 2000 and amended in 2007, 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 9.2 million shares of MEC Class A Stock are available to be issued under the MEC Plan (note 17), of which 7.8 million are available for issuance pursuant to stock options and tandem stock appreciation rights and 1.4 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 Class A Stock (the "2005 Performance Share Awards") as contemplated under the MEC Plan. The number of shares of MEC Class A Stock underlying the 2005 Performance Share Awards was 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. The 2005 Performance Shares Awards 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. At December 31, 2005, there were 199,471 vested 2005 Performance Share Awards outstanding with a grant-date market value of

either $6.26 or Cdn. $7.61 per share. During the year ended December 31, 2006, 131,751 (nine months ended September 30, 2006 –115,408) 2005 Performance Share Awards were issued with a stated value of $0.8 million (nine months ended September 30, 2006 – $0.7 million), and 4,812 2005 Performance Share Awards were forfeited. During the nine months ended September 30, 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 September 30, 2007.

In 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 (the "2006 Performance Share Awards"). During the nine months ended September 30, 2006 and year ended December 31, 2006, 162,556 2006 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 and 1,616 2006 Performance Share Awards were issued with a nominal stated value. During the year ended December 31, 2006, 42,622 (nine months ended September 30, 2006 – 12,490) 2006 Performance Share Awards were forfeited. During the nine months ended September 30, 2007, 111,841 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 September 30, 2007.

In the nine months ended September 30, 2007, MEC issued 30,941 (nine months ended September 30, 2006 – 25,896) shares of MEC Class A Stock with a stated value of $0.1 million (nine months ended September 30, 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 Class A Stock. All MEC Stock Options give the grantee the right to purchase MEC Class A 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 (Cdn. $)**	Number	Weighted Average Exercise Price (Cdn. $)
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
Forfeited or expired	**(25,000)**	**5.71**	(64,000)	6.80
MEC Stock Options outstanding, June 30	**4,714,000**	**6.07**	4,763,500	6.13
Granted	**390,000**	**3.20**	—	—
Forfeited or expired	**(14,000)**	**5.20**	—	—
MEC Stock Options outstanding, September 30	**5,090,000**	**5.85**	4,763,500	6.13
MEC Stock Options exercisable, September 30	**4,435,668**	**6.02**	4,279,700	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 12(a)).

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
Risk-free interest rate	**4.2**	—	**4.2**	—
Expected dividend yield	**—**	—	**—**	—
Expected volatility of MEC Class A Stock	**55.9%**	—	**55.9%**	—
Weighted average expected life (years)	**5**	—	**5**	—
Weighted average fair value per option granted	**$1.36**	—	**$1.36**	—

During the three and nine months ended September 30, 2007, MEC recognized total stock-based compensation expense of $0.5 million (2006 – $0.4 million) and $0.7 million (2006 – $2.1 million), respectively relating to performance share awards, director compensation and stock options under the MEC Plan.

13. DETAILS OF CASH FROM OPERATING ACTIVITIES

(a) Items not involving current cash flows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	(restated – note 3) 2006	**2007**	(restated – note 3) 2006
Real Estate Business				
Straight-line rent adjustment	**$ 150**	$ 41	**$ 387**	$ 109
Stock-based compensation expense	**226**	265	**763**	763
Depreciation and amortization	**10,434**	9,914	**30,581**	29,025
Interest and other income from MEC	**(156)**	(4,402)	**(299)**	(11,876)
Gain on disposal of real estate	**(96)**	(200)	**(1,478)**	(209)
Future income taxes	**(494)**	1,269	**1,361**	2,008
Dilution and other gains	**—**	—	**(652)**	(1,921)
Other	**85**	80	**241**	234
	10,149	6,967	**30,904**	18,133
MEC				
Stock-based compensation expense	**463**	380	**735**	2,069
Gain on disposal of real estate	**(100)**	—	**(48,754)**	(2,883)
Depreciation and amortization	**11,724**	11,395	**32,690**	31,955
Interest expense with MID	**—**	4,211	**75**	10,837
Amortization of debt issuance costs	**752**	1,579	**1,678**	5,331
Write-down of MEC's long-lived assets	**1,444**	—	**1,444**	—
Dilution and other gains	**—**	(28)	**(4)**	(185)
Future income taxes	**(124)**	139	**(1,692)**	(574)
Minority interest	**(20,941)**	(20,042)	**(30,037)**	(29,672)
Other	**(1,823)**	309	**(2,843)**	394
	(8,605)	(2,057)	**(46,708)**	17,272
Eliminations (note 15)	**(299)**	(1,138)	**49,323**	(3,557)
Consolidated	**$ 1,245**	$ 3,772	**$ 33,519**	$ 31,848

(b) Changes in non-cash balances:

	Three Months Ended September 30, 2007	Three Months Ended September 30, (restated – note 3) 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, (restated – note 3) 2006
Real Estate Business				
Accounts receivable	**$ 1,525**	$ (91)	**$ 2,219**	$ (2,297)
Loans receivable from MEC	**(128)**	640	**(128)**	251
Prepaid expenses and other	**(789)**	1,197	**(744)**	(1,946)
Accounts payable and accrued liabilities	**3,326**	4,516	**5,386**	2,440
Income taxes	**(439)**	68	**4,576**	(991)
Deferred revenue	**(1,019)**	(4,202)	**(746)**	(3,113)
	2,476	2,128	**10,563**	(5,656)
MEC				
Restricted cash	**(6,842)**	(7,532)	**5,591**	(6,540)
Accounts receivable	**8,031**	15,170	**5,634**	11,934
Prepaid expenses and other	**1,210**	(2,255)	**(3,436)**	(5,963)
Accounts payable and accrued liabilities	**4,230**	2,197	**(17,995)**	(9,413)
Income taxes	**(932)**	375	**584**	48
Loans Payable to MID	**128**	(640)	**128**	(251)
Deferred revenue	**(2,666)**	(809)	**(2,607)**	(3,874)
	3,159	6,506	**(12,101)**	(14,059)
Eliminations (note 15)	**715**	474	**544**	1,701
Consolidated	**$ 6,350**	$ 9,108	**$ (994)**	$ (18,014)

14. 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 (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 Board of Directors and executive management have 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. As described in note 1, the Company's unaudited interim consolidated statements of income (loss), 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.

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 and Poland. Substantially all these real estate assets are leased to, or are under development for subsequent lease to, Magna's automotive operating units. 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. Under an

agreement with CDI and Racing UK Limited, MEC is a 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, a provider of totalisator services to the pari-mutuel industry. To support certain of MEC's thoroughbred racetracks, MEC owns and operates thoroughbred training centres in Palm Beach County, Florida and in the Baltimore, Maryland area and, under a lease agreement with MID (note 15), operates an additional thoroughbred training centre situated near San Diego, California. 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.

15. 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) Bridge Loans and Project Financings

On September 13, 2007, MID announced that the MID Lender had agreed to provide MEC with the MEC Bridge Loan of up to $80.0 million. The MEC Bridge Loan, together with a $20.0 million private placement of MEC Class A Stock to FEL (the "FEL Equity Investment" – note 17) is intended to provide immediate funding to MEC as it implements the MEC Debt Elimination Plan. MID also agreed to amend the MEC Project Financing Facilities (as defined below) by, among other things, requiring repayment of at least $100.0 million under the Gulfstream Park project financing facility on or prior to May 31, 2008 and waiving the make-whole payment, if applicable, for any repayments made under either of the MEC Project Financing Facilities prior to that date. Pursuant to a consulting agreement between MID and MEC, which requires MEC to reimburse MID for its expenses, MID management is assisting MEC in implementing the MEC Debt Elimination Plan.

(i) MEC Bridge Loan

The MEC Bridge Loan of up to $80.0 million has been made available through a non-revolving facility provided by the MID Lender. The MEC Bridge Loan proceeds may only be used by MEC in accordance with the MEC Debt Elimination Plan and are available solely to fund: (i) operations; (ii) payments of principal, interest and costs, fees and expenses due under the MEC Bridge Loan and the Project Financing Facilities; (iii) mandatory payments of interest in connection with permitted debt under the MEC Bridge Loan; (iv) mandatory capital expenditures; and (v) capital expenditures required pursuant to the terms of the joint venture arrangements (note 16) between MEC and Forest City and Caruso.

The MEC Bridge Loan has a maturity date of May 31, 2008 and bears interest at a rate per annum equal to LIBOR plus 10.0%. In the event MEC does not reach certain milestones in connection with the MEC Debt Elimination Plan, the then applicable interest rate on outstanding and subsequent advances under the MEC Bridge Loan increases by: (i) 1.0% from and after December 31, 2007 if MEC has not completed asset sales, entered into sales contracts approved by the MID Lender in respect of asset sales ("Approved Sales Contracts") or raised equity (excluding the FEL Equity Investment), yielding aggregate net proceeds of not less than $50.0 million that are payable to the MEC Bridge Loan; and (ii) 1.0% from and after February 29, 2008 if MEC has not entered into Approved Sales Contracts yielding aggregate net proceeds sufficient to repay the then current commitment in full.

The MEC Bridge Loan is secured by certain assets of MEC, including first ranking security over the Dixon and Thistledown lands, second ranking security over Golden Gate Fields and the Ocala lands and third ranking security over Santa Anita Park. In addition, the MEC Bridge Loan is guaranteed by certain MEC subsidiaries and MEC has pledged the shares and all other interests MEC has 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 MEC Bridge Loan is cross-defaulted to all other obligations of MEC and its subsidiaries to the MID Lender, including the MEC Project Financing Facilities.

The MEC Bridge Loan must be repaid with, and the commitment will be reduced by, amounts equal to all net proceeds realized by MEC from asset sales and issuances of equity (other than the FEL Equity Investment) or debt, subject to amounts required to be paid to MEC's existing lenders. Amounts repaid cannot be re-borrowed.

The MID Lender received an arrangement fee of $2.4 million (3% of the commitment) at closing and will receive an additional arrangement fee on February 29, 2008 of 1% of the then current commitment. The MID Lender will also receive an annual commitment fee equal to 1% of the undrawn facility. All fees, expenses and closing costs incurred by the MID Lender in connection with the MEC Bridge Loan are paid by MEC.

Pursuant to the terms of the MEC Bridge Loan, advances after January 15, 2008 are subject to the MID Lender being satisfied that the MEC Credit Facility will be further extended to at least April 30, 2008 or that a satisfactory refinancing of that facility has been arranged. In addition, the first advance that would result in the then outstanding loan amount under the MEC Bridge Loan exceeding $40.0 million is subject to the MID Lender being satisfied that MEC is in compliance with, can reasonably be expected to be able to implement, and is using all commercially reasonable efforts to implement, the MEC Debt Elimination Plan.

At September 30, 2007, $9.3 million under the MEC Bridge Loan was included in the Real Estate Business' current portion of "loans receivable from MEC, net" on the Company's unaudited interim consolidated balance sheet, net of $2.3 million of unamortized deferred arrangement fees. MEC's current portion of "loans payable to MID, net" on the Company's unaudited interim consolidated balance sheet includes $8.8 million, net of $2.8 million unamortized deferred financing costs. This net balance is being accreted to its face value over the term to maturity of the MEC Bridge Loan.

(ii) 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 was 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 and nine months ended September 30, 2007, $1.6 million and $3.3 million, respectively, 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 was extended to May 1, 2007, at which time monthly payments commenced).

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.

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 (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. In consideration of these amendments and subject to certain conditions, the MID Lender agreed to waive the make-whole payment for any repayments made under the MEC Project Financing Facilities on or prior to May 31, 2008 and, provided that (i) repayments under the Gulfstream Park project financing facility are first applied to the July 2006 slots tranche, then to the December 2006 slots tranche (for each of which there is no make-whole payment), and then to the original tranche and (ii) no event of default exists under the MEC Project Financing Facilities, adjust the amortization schedule for the Gulfstream Park project financing facility following receipt of the $100.0 million repayment.

At September 30, 2007, there were balances of $133.8 million (December 31, 2006 – $134.8 million), $24.8 million (December 31, 2006 – 19.4 million) and $13.3 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 $28.4 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 included in the Real Estate Business' "loans receivable from MEC, net" at September 30, 2007 was $102.5 million (December 31, 2006 – $3.1 million), including the required $100.0 million repayment discussed above. The current and non-current portions of the MEC Project Financing Facilities of $101.3 million and $93.4 million, respectively, as reflected in MEC's "loans payable to MID, net" on the Company's unaudited interim consolidated balance sheet, are net of $1.1 million and $4.4 million, respectively, of unamortized deferred financing costs. These net balances are being accreted to their face values 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 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 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"). At September 30, 2007, the amount held under the Gulfstream Escrow (including accrued interest) was $5.3 million (December 31, 2006 – $6.5 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.

(iii) 2005 MEC Bridge Loan

In July 2005, the MID Lender provided MEC with the 2005 MEC Bridge Loan of up to $100.0 million expiring August 31, 2006. The amount of available funding under the 2005 MEC Bridge Loan was subsequently increased to $119.0 million and the term was extended to December 5, 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 2005 MEC Bridge Loan. Accordingly, the 2005 MEC Bridge Loan was terminated.

Approximately $11.8 million of costs have been incurred, including $1.3 million and $1.6 million in the three and nine months ended September 30, 2007, respectively, in association with the MEC Bridge Loan, the MEC Project Financing Facilities and the 2005 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, each of the MEC Project Financing Facilities and the 2005 MEC Bridge Loan. 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 Bridge Loan, the MEC Project Financing Facilities and the 2005 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 approximately 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.

During the second quarter of 2007, MID acquired all of MEC's interest and rights in a 205 acre parcel of land located in Bonsall, California for cash consideration of approximately $24.0 million. The property currently houses the San Luis Rey Downs Thoroughbred Training Facility operated by MEC. This property is being held for future development and MID has 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 term of the lease is three years, subject to early termination by either party on four months written notice.

At the Real Estate Business and MEC segment levels, these transactions have been recognized at the exchange amount, resulting in MEC recognizing a gain in the three and nine months ended September 30, 2007 of $0.1 million and $48.8 million, respectively. The effects of these transactions are eliminated from the Company's unaudited interim consolidated results of operations and financial position, except that $1.8 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 in the nine months ended September 30, 2007.

(c) Hurricane Katrina Relief Effort

In October 2005, the Real Estate Business purchased 791 acres of land in Simmesport, Louisiana for $2.4 million. In the fourth quarter of 2005, the Real Estate Business committed to donating approximately 50 acres of this land to a not-for-profit organization established to assist Hurricane Katrina redevelopment efforts with charitable funding from

Magna and other Canadian sources. In the second quarter of 2007, the Real Estate Business committed to donating the remaining 741 acres of land to the same not-for-profit organization. As a result, $2.0 million of costs associated with this further donation have been included in the Real Estate Business' "general and administrative" expenses in the three and nine months ended September 30, 2007. At September 30, 2007, the Real Estate Business has accrued a liability of $2.4 million for the carrying value of the land to be donated. The founding members and officers of the not-for-profit organization are officers and employees of MID and Magna.

(d) 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 7).

(e) MEC's Option to Acquire The Maryland Jockey Club

On September 24, 2007, MEC exercised its option to acquire the remaining voting and equity interests in The Maryland Jockey Club, pursuant to an agreement with certain companies controlled by Joseph De Francis, a member of MEC's Board of Directors, and Karin De Francis. Under the terms of the option agreement, MEC paid $18.3 million plus interest on October 5, 2007. At September 30, 2007 and December 31, 2006, this obligation was reflected in MEC's "long-term debt due within one year" on the Company's unaudited interim consolidated balance sheets and was secured by letters of credit under the MEC Credit Facility (note 7).

16. 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. 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 and the other respondents filed their responding facta in July 2007 and the Company expects the appeal hearing to take place in late January 2008. The Company continues to consider Greenlight's oppression claim to be without merit and, together with the other respondents, will vigorously defend against the appeal.

(c) On May 18, 2007, ODS Technologies, L.P., doing business as TVG Network, filed a summons against MEC, HRTV, LLC and XpressBet, Inc. seeking an order that the defendants be enjoined from infringing certain patents relating to interactive wagering systems and an award of damages to compensate for the infringement. An Answer to Complaint, Affirmative Defences and Counterclaims have been filed on behalf of the defendants. At the present time, the final outcome related to this summons is uncertain.

(d) 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.

(e) The Company had $4.7 million (Real Estate Business – $3.7 million; MEC – $1.0 million) of letters of credit issued with various financial institutions at September 30, 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 $0.3 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 (notes 7 and 17).

(f) 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 September 30, 2007, these indemnities amounted to $6.1 million with expiration dates through 2008.

(g) At September 30, 2007, the Company's contractual commitments related to construction and development projects outstanding amounted to approximately $3.1 million (Real Estate Business – $0.9 million; MEC – $2.2 million).

(h) At September 30, 2007, one of MEC's wholly-owned subsidiaries, SAC, entered into three interest rate swap contracts, one on March 1, 2007, one on April 27, 2007 and one on July 26, 2007, all with an effective date of October 1, 2007, which fix the rate of interest at 7.0%, 7.1% and 7.2% per annum, respectively, to October 8, 2009 on a notional amount per contract of $10.0 million of the outstanding balance under SAC's term loan facility.

(i) 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 expected to be approximately $7.0 million, of which $0.8 million has been contributed to September 30, 2007.

(j) On November 15, 2006, MEC's wholly-owned subsidiary, Gulfstream Park Racing Association, Inc. ("GPRA"), opened the slots facility at Gulfstream Park, which now offers 1,221 slot machines, 516 of which were operational initially, with an additional 705 slot machines becoming operational on March 20, 2007. 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. On September 27, 2007, the Florida Supreme Court ruled that the matter was not procedurally proper for consideration by the court. Its order effectively remanded the matter to the trial court for a trial on the merits. MEC has disclosed that it expects that a trial on the merits will likely take over a year to fully develop and that it could take as many as three years to achieve a full factual record and trial court ruling for an appellate court to review. At September 30, 2007, the carrying value of MEC's fixed assets related to the slots facility is approximately $32.0 million. If the matter is ultimately decided in a manner adverse to MEC, a write-down of these fixed assets may be required.

(k) In May 2005, MEC entered into a Limited Liability Company Agreement with Forest City (collectively with MEC, the "Partnership Members") concerning the planned development of "The Village at Gulfstream Park™". 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. Under the Limited Liability Company Agreement, Forest City is required to contribute up to a maximum of $15.0 million as an initial capital contribution. MEC is obligated to contribute 50% of any equity amounts in excess of $15.0 million as and when needed. However, to September 30, 2007, MEC has not made any such contributions. At September 30, 2007, approximately $28.0 million of costs have been incurred by The Village at Gulfstream Park, LLC, which have been funded by a construction loan from a third party bank as well as equity contributions from Forest City. Included in MEC's "accounts payable and accrued liabilities" is an obligation of approximately $2.8 million reflecting MEC's share of capital contributions in excess of $15.0 million. The Limited Liability Company Agreement also contemplated additional agreements, including a ground lease, a reciprocal easement agreement, a development agreement, a leasing agreement and a management agreement, all of which have been executed. Upon the opening of The Village at Gulfstream Park™, annual cash receipts (adjusted for certain disbursements and reserves) will first be distributed

to Forest City, subject to certain limitations, until such time as the initial contribution accounts of the Partnership Members are equal. Thereafter, the cash receipts are generally expected to be distributed to the Partnership Members equally, provided they maintain their equal interest in the partnership. The annual cash payments made to Forest City to equalize the Partnership Members' initial contribution accounts will not exceed the amount of annual ground rent.

(l) On September 28, 2006, certain of MEC's affiliates entered into definitive operating agreements with Caruso regarding the proposed development of The Shops at Santa Anita on approximately 51 acres of excess land surrounding Santa Anita Park. 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. On May 16, 2007, Westfield commenced civil litigation in the Los Angeles Superior Court in an attempt to overturn the Arcadia City Council's approval and granting of entitlements related to the construction of The Shops at Santa Anita. In addition, on May 21, 2007, Arcadia First! filed a petition against the City of Arcadia to overturn the entitlements and named MEC and certain of its subsidiaries as parties of interest. If either Westfield or Arcadia First! is ultimately successful in its challenge, development efforts could potentially be delayed or suspended. The first hearings on the merits of the petitioners' claims are scheduled for late April 2008. 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 September 30, 2007, MEC has expended $9.7 million on these development initiatives, of which $3.4 million was paid in the third 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 September 30, 2007, no such payments have been made.

(m) The Meadows (note 3) participates in a multi-employer defined benefit pension plan for which the pension plan's total vested liabilities exceed the plan's assets. An updated actuarial valuation is in the process of being obtained, however, based on allocation information currently provided by the plan, the portion of the estimated unfunded liability for vested benefits attributable to The Meadows is approximately $3.7 million. Effective November 1, 2007, the New Jersey Sports & Exposition Authority ("NJSEA") withdrew from this plan, and The Meadows is now the only participant. In light of the NJSEA's withdrawal from this plan, MEC is considering its options with respect to The Meadows' participation in this plan and has yet to determine whether The Meadows will also withdraw. As part of the indemnification obligations under the Meadows Holdback Note (note 3), a withdrawal liability that may be triggered if The Meadows decides to withdraw will be settled under the terms of the Meadows Holdback Note.

17. SUBSEQUENT EVENTS

(a) On October 2, 2007, SAC amended and extended its term and revolving loan arrangements with a U.S. financial institution. The principal amendments to the term and revolving loan agreements included reducing the amount available under the revolving loan facility from $10.0 million to $7.5 million, requiring the aggregate outstanding principal under the revolving loan facility to be fully repaid for a period of 60 consecutive days during each year, increasing the amount available under the term loan facility from $60.0 million to $67.5 million, reducing the monthly principal repayments under the term loan facility to $375 thousand, extending the maturity date for both facilities to October 31, 2012 and modifying certain financial covenants.

(b) The closing of the FEL Equity Investment (note 15) occurred on October 29, 2007, with FEL purchasing 8,888,888 shares of MEC Class A Stock at a price per share of $2.25. The price per share was set at the greater of (i) 90% of the volume weighted average price per share of MEC Class A Stock on NASDAQ for the five trading days commencing on September 13, 2007 (the date of announcement of the FEL Equity Investment); and (ii) U.S. $1.91, being 100% of the volume weighted average price per share of MEC Class A Stock on NASDAQ for the five trading days immediately preceding September 13, 2007. The shares of MEC Class A Stock issued pursuant to the subscription agreement were issued and sold in a private transaction exempt from registration under Section 4(2) of the United States Securities Act of 1933, as amended. As a result of the FEL Equity Investment, MID's voting interest and equity stake in MEC were reduced from 96.3% and 58.3%, respectively, to 95.6% and 53.9%, respectively. A dilution loss created by the FEL Equity Investment will be recorded by the Company in the fourth quarter of 2007.

(c) On April 16, 2007, MEC filed with the Securities and Exchange Commission (the "SEC") a definitive Proxy Statement, which included a proposal for MEC's stockholder approval to increase the overall number of shares available for awards under the MEC Plan by 2,000,000 shares of MEC Class A Stock, which proposal was approved by MEC's stockholders on May 9, 2007. On October 31, 2007, MEC filed a registration statement on Form S-8 for the purpose of registering these additional 2,000,000 shares under MEC's currently effective registration statement on Form S-8, originally filed with the SEC on March 14, 2000. The original registration statement registered an aggregate of 8,000,000 shares of MEC Class A Stock under the MEC Plan (note 12).