Annual Report 2011

MI Developments Inc.

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LETTER TO SHAREHOLDERS

Dear Shareholders:

2011 was a transformative year for MI Developments Inc. It was a year in which a series of key events took place and culminated in a new look for the future with a new board of directors, a new senior management team, a reinvigorated group of employees in Canada, the U.S. and Europe, a healthy and growth enabling balance sheet and a new strategic plan.

The strategic plan announced on October 25, 2011 forms the platform and directives upon which we will go forward and the Company's 2011 results show that important steps have been taken to both stabilize and grow MI Developments Inc. To date and throughout 2012, the Company's focus will be on ensuring that the underlying actions, plans and details are in place or underway on each of the major components outlined in the strategic plan.

While the components outlined in the Company's strategic plan are to some extent interdependent, it is clear that success with our existing portfolio of assets and fortifying our relationship with our key tenant, Magna International Inc., will be the catalyst for future diversification of our asset and tenant base and for the overall success of the Company. This is our key focus in early 2012.

As the new CEO of MI Developments Inc., I am grateful for the work completed by so many people throughout 2011 who undertook the necessary steps which have positioned the Company to go forward in 2012. The actions by these people and the outcome from 2011 will allow MI Developments Inc. to build upon four key strengths:

(1) A strong balance sheet;

(2) Major tenants and clients in the operating subsidiaries of Magna International Inc., a world leader in its field;

(3) A senior management team and worldwide employee team that is experienced in both the real estate and tenant relationship aspects of the Company that enables us to execute on both existing properties as well as expansion into new properties; and

(4) A board of directors clearly focused on the best interest of all shareholders.

The new strategic plan lays out the road map to go forward. There are details to attend to in order to maximize the potential for success on all components of the plan. We are pleased that 2011 put a road map in place and together with ongoing execution on the underlying details, MI Developments Inc. is poised for a strong 2012.

TOM HESLIP
March 9, 2012

Management's Discussion and Analysis of Results of Operations and Financial Position

For the three-month period and year ended December 31, 2011

Management's Discussion and Analysis of Results of Operations and Financial Position (''MD&A'') of MI Developments Inc. (''MID'' or the ''Company'') summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity and cash flows of MID for the three-month period and year ended December 31, 2011. Unless otherwise noted, all amounts are in United States (''U.S.'') dollars and all tabular amounts are in millions of U.S. dollars. This MD&A should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2011, which are prepared in accordance with United States generally accepted accounting principles (''U.S. GAAP''). This MD&A is prepared as at March 9, 2012. Additional information relating to MID for 2011 can be obtained from the Company's website at www.midevelopments.com and on SEDAR at www.sedar.com.

OVERVIEW

MID is engaged in the acquisition, development, construction, leasing, management and ownership of a predominantly industrial rental portfolio (the ''Real Estate Business'' or the ''Business'') leased primarily to the automotive operating subsidiaries of Magna International Inc. (together ''Magna'').

Prior to July 1, 2011, MID also owned racing and gaming operations which operated four thoroughbred racetracks located in the U.S. including a casino with alternative gaming machines, as well as the simulcast wagering venues at these tracks (the ''Racing & Gaming Business''). Following the close of business on June 30, 2011, the Racing & Gaming Business and substantially all of the Business' lands held for development were transferred to entities owned by Mr. Frank Stronach and his family (the ''Stronach Shareholder'') in consideration for the elimination of MID's dual class share capital structure through which the Stronach Shareholder controlled MID. The transaction was completed through a court-approved plan of arrangement (the ''Arrangement'') (see *''ARRANGEMENT TRANSFERRED ASSETS & BUSINESS — SIGNIFICANT MATTERS — Plan of Arrangement'').*

Segmented Information and Discontinued Operations

The Company's reportable segments reflect the manner in which the Company is organized and managed by its senior management. The Company's operations have historically been segmented between the Business (continuing operations) and the Racing & Gaming Business (discontinued operations). As a result of the Arrangement, the financial position and results of operations of the assets transferred to the Stronach Shareholder including the Racing & Gaming Business, as well as those related to lands held for development, a property located in the United States and an income producing property located in Canada (the assets and business transferred to the Stronach Shareholder pursuant to the Arrangement are collectively referred to as, the ''Arrangement Transferred Assets & Business''), have been presented as discontinued operations and, as such, have been excluded from continuing operations. Accordingly, in the accompanying consolidated financial statements, the Company's single reportable segment pertains to the Company's income producing properties.

REAL ESTATE BUSINESS — CONTINUING OPERATIONS

OVERVIEW

The real estate assets of our Business are comprised of income-producing properties and properties under development (see *''REAL ESTATE BUSINESS — RENTAL PORTFOLIO — Real Estate Properties'')*. Our income-producing properties consist of heavy industrial manufacturing facilities, light industrial properties, corporate offices, product development and engineering centres and test facilities. The Company holds a global portfolio of 105 income-producing industrial and commercial properties located in nine countries: Canada, the United States, Mexico, Austria, Germany, the Czech Republic, the United Kingdom, Spain and

Poland. This portfolio represents approximately 27.9 million square feet of leaseable area with a net book value of approximately $1.1 billion at December 31, 2011. The lease payments are primarily denominated in three currencies: the euro, the Canadian dollar and the U.S. dollar.

SIGNIFICANT MATTERS

Strategic Plan

On October 25, 2011, the Company announced that it had completed its previously announced strategic review process and that its Board of Directors (the ''Board'') unanimously approved a strategic plan that encompasses the following major elements and objectives:

a) Convert MID from a Canadian corporation to a Canadian Real Estate Investment Trust (''REIT''). The conversion to a REIT will require shareholder and court approval, and satisfaction of certain regulatory requirements and other conditions. None of the other elements of the strategic plan are contingent upon the REIT conversion.

   The Company has commenced the process of preparing to convert to a REIT. Management, in conjunction with legal, tax and other advisors have prepared a plan to facilitate the conversion and are reviewing and implementing the steps required to achieve the REIT status. Based on the professional advice received and assuming the Company obtains the necessary approvals and consents as well as meets the stipulated requirements including the prescribed shareholder residency thresholds, it is currently anticipated that the Company will convert to a REIT on or about January 1, 2013.

b) Increase the Company's quarterly dividend to $0.50 per share to reflect a targeted annualized dividend of $2.00 per share.

   Pursuant to this change in dividend policy, the Company commenced declaring increased quarterly dividends in October 2011. A second quarterly dividend of $0.50 per share for the fourth quarter of 2011 was declared on March 9, 2012.

c) Fortify MID's relationship with Magna by selectively investing in MID properties and opportunistically growing with Magna in new strategic locations. The Company anticipates growth opportunities with Magna including expansion of certain facilities currently owned by MID as well as the construction of new facilities.

   The Company and Magna are reviewing approximately $31.4 million of potential expansion or improvement projects that may begin to be undertaken in 2012.

d) Diversify by significantly increasing the lease revenue derived from new industrial tenants and reducing the proportion of capital invested in Magna properties to less than 50% within approximately three years. The planned diversification is global in nature, targeting favourable tax jurisdictions and focusing on acquiring manufacturing and industrial buildings leased to tenants outside the automotive sector. MID plans to be price disciplined in its acquisition approach and also intends to explore strategic partnerships with counterparties that can provide local capital, market intelligence and commercial opportunities.

   To support this initiative, in the first quarter of 2012, the Company added resources including the appointment of John DeAragon as Executive Vice President, Real Estate Investment. Mr. DeAragon will oversee MID's investment activities (acquisitions and dispositions) for the Company's real estate diversification strategy. As a member of the senior management team, he will also be involved in the overall integration and alignment of our diversified investments with the activities of our existing and future Magna tenanted properties.

e) Increase leverage to 40% to 50% of total capital. By increasing financial leverage to 40% to 50% of total capital, the Company believes it can benefit from a lower blended cost of capital, provide some natural hedging against currency fluctuations, and efficiently pursue its accretive diversification strategy.

On February 7, 2012, the Company entered into an unsecured senior revolving credit facility in the amount of Cdn. $50.0 million that is available by way of U.S. dollar, Canadian dollar or euro denominated loans or letters of credit (the ''MID New Credit Facility'') and matures on February 7, 2014. However, the Company has the option to request an extension of the maturity date by one year to February 7, 2015. The MID New Credit Facility provides the Company with the ability to increase the amount of the commitment by an additional aggregate principal amount of up to Cdn. $25.0 million with the consent of the lenders participating. The Company will evaluate the need to increase or obtain additional capital as investment activities develop and opportunities arise.

Currency Change for Financial Reporting and Dividends

In conjunction with the Company's anticipated conversion to a Canadian REIT and in light of the Company's shareholder base having become greater than 50% Canadian and to mitigate the impact of foreign exchange on the Company's reported results, MID will change its reporting currency from U.S. dollars to Canadian dollars in the first quarter of 2012. However, the Company will continue to report in accordance with U.S. GAAP for fiscal 2012 but is considering converting to International Financial Reporting Standards in future years. As at and for the year ended December 31, 2011, approximately 35% of MID's income producing properties, 34% of annualized lease payments, 89% of general and administrative expenses and all of the common shares, debenture principal and interest are denominated in Canadian dollars, whereas less than 25% of its assets, revenue and expenses were U.S. dollar denominated. With the change in reporting currency, the Company will also change the dividends declared after March 9, 2012 from U.S. to Canadian dollars. In addition, dividend payments will only be made in Canadian dollars.

Normal Course Issuer Bid

On November 25, 2011, the Toronto Stock Exchange (''TSX'') accepted the Company's Notice of Intention to Make a Normal Course Issuer Bid (''NCIB'') to purchase up to 3,998,589 Common Shares, representing approximately 10% of the public float and approximately 8.5% of the issued and outstanding Common Shares. Pursuant to the NCIB, MID may purchase Common Shares through the facilities of the TSX, the New York Stock Exchange and any alternative trading system in Canada. The NCIB will terminate on the earlier of the date on which the maximum purchases allowed have been completed or November 28, 2012. Purchases of Common Shares are made at the market price at the time of purchase and all Common Shares purchased will be cancelled. As at December 31, 2011, no Common Shares had been acquired under the NCIB.

FOREIGN CURRENCIES

Fluctuations in the U.S. dollar's value relative to other currencies will result in fluctuations in the reported U.S. dollar value of revenues, expenses, income, cash flows, assets and liabilities. At December 31, 2011, approximately 75% of the Business' rental revenues are denominated in currencies other than the U.S. dollar (see *''REAL ESTATE BUSINESS — RENTAL PORTFOLIO — Annualized Lease Payments'')*. As such, material changes in the value of the U.S. dollar relative to these foreign currencies (primarily the euro and Canadian dollar) may have a significant impact on the Business' results.

The following table reflects the changes in the average exchange rates during the three-month periods and years ended December 31, 2011 and 2010, as well as the exchange rates as at December 31, 2011, September 30, 2011 and December 31, 2010, between the most common currencies in which the Company conducts business and MID's U.S. dollar reporting currency.

	Average Exchange Rates Three Months Ended December 31,			Average Exchange Rates Years Ended December 31,		
	2011	2010	Change	**2011**	2010	Change
1 Canadian dollar equals U.S. dollars	**0.977**	0.987	(1%)	**1.011**	0.971	4%
1 euro equals U.S. dollars	**1.348**	1.359	(1%)	**1.392**	1.327	5%

	Exchange Rates as at				
	December 31, 2011	September 30, 2011	December 31, 2010	Change from September 30, 2011	Change from December 31, 2010
1 Canadian dollar equals U.S. dollars	**0.983**	0.963	1.005	2%	(2%)
1 euro equals U.S. dollars	**1.297**	1.345	1.339	(4%)	(3%)

The results of operations and financial position of all Canadian and most European operations are translated into U.S. dollars using the exchange rates shown in the preceding table. The changes in these foreign exchange rates impacted the reported U.S. dollar amounts of the Company's revenues, expenses, income, assets and liabilities. From time to time, the Company may enter into derivative financial arrangements for currency hedging purposes, but the Company's policy is not to utilize such arrangements for speculative purposes. Throughout this MD&A, reference is made, where relevant, to the impact of foreign exchange fluctuations on reported U.S. dollar amounts.

RENTAL PORTFOLIO

Annualized Lease Payments

Annualized lease payments represent the total annual rent of the Business assuming the contractual lease payments as at the last day of the reporting period were in place for an entire year, with rents denominated in foreign currencies being converted to U.S. dollars based on exchange rates in effect at the last day of the reporting period (see ''*REAL ESTATE BUSINESS — FOREIGN CURRENCIES*''). The Company's annualized lease payments as at December 31, 2011 including the change from September 30, 2011 or December 31, 2010, are as follows:

	Three Months Ended	**Year Ended**
Annualized lease payments, beginning of period	$179.6	$176.8
Contractual rent adjustments	0.2	3.1
Completed projects on stream	1.5	3.6
Renewals and re-leasing of income-producing properties	(0.1)	0.8
Income producing property transferred under Arrangement	—	(0.5)
Effect of changes in foreign currency exchange rates	(1.4)	(4.0)
Annualized lease payments, as at December 31, 2011	**$179.8**	**$179.8**

During the fourth quarter of 2011, annualized lease payments increased by $0.2 million from $179.6 million at September 30, 2011 to $179.8 million at December 31, 2011. Contractual rent adjustments increased annualized lease payments by $0.2 million, primarily due to Consumer Price Index (''CPI'') based increases on properties representing 0.6 million square feet of leaseable area. The completion of expansion projects in Austria, Germany, the United States and Mexico increased annualized lease payments by $1.5 million. A lease renewal to a Magna tenant representing 0.1 million square feet of leaseable area reduced annualized lease payments by $0.1 million as this income-producing property was re-leased at a lower negotiated rental rate than the expiring lease rate. The weakening of the euro against the U.S. dollar, partially offset by the strengthening of the Canadian dollar against the U.S. dollar, reduced annualized lease payments by $1.4 million.

On a year-to-date basis, annualized lease payments increased by $3.0 million, or 1.7%, from $176.8 million at December 31, 2010 to $179.8 million at December 31, 2011. Contractual rent adjustments increased annualized lease payments by $3.1 million, including $2.9 million from CPI based increases on properties representing 11.5 million square feet of leaseable area and $0.2 million from fixed contractual adjustments on properties representing 0.2 million square feet of leaseable area. Completed projects, related to the expansion projects in Austria, Germany, the United States and Mexico, which came on stream during 2011, also increased annualized lease payments by $3.6 million. Renewals and re-leasing of income-producing properties increased annualized lease payments by net $0.8 million. The leasing of a 0.3 million square foot property in Canada to a non-Magna tenant increased annualized lease payments by $1.6 million. This increase was partially offset by lease renewals of $0.8 million relating to five properties leased to Magna, four in Canada and one in the U.S., representing an aggregate of 0.5 million square feet of leaseable area as these income producing properties were re-leased at lower negotiated rental rates than the expiring lease rate. Annualized lease payments were also negatively impacted by $0.5 million from the disposition of an income producing property located in Canada pursuant to the Arrangement. The weakening of the euro and the Canadian dollar against the U.S. dollar reduced annualized lease payments by $4.0 million for the year ended December 31, 2011.

The annualized lease payments by currency at December 31, 2011 and 2010 were as follows:

	December 31, 2011		December 31, 2010	
Euro	**$ 73.4**	**41%**	$ 70.9	40%
Canadian dollar	**60.6**	**34**	60.5	34
U.S. dollar	**44.1**	**24**	43.8	25
Other	**1.7**	**1**	1.6	1
	$179.8	**100%**	$176.8	100%

Lease Expiration

The following table sets out lease expiries, by square footage, for our portfolio at December 31, 2011.

	Vacant	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018 & Beyond**	**Total**
Canada	390	533	1,146	—	531	368	3,301	1,688	7,957
U.S.	—	171	1,683	72	213	—	428	2,939	5,506
Mexico	143	—	714	—	68	—	1,097	382	2,404
Austria	—	—	440	—	81	299	5,674	1,499	7,993
Germany	—	—	1,835	—	—	29	—	1,398	3,262
Other	—	—	373	75	—	—	33	254	735
Total	**533**	**704**	**6,191**	**147**	**893**	**696**	**10,533**	**8,160**	**27,857**

Real Estate Properties

The Company's real estate assets are comprised of income-producing properties and properties under development. The net book values of the real estate assets are as follows:

	December 31, 2011	December 31, 2010
Income-producing real estate properties	**$1,133.0**	$1,164.0
Properties under development	**2.5**	10.3
Real estate properties, net	**$1,135.5**	$1,174.3

Income-Producing Properties:

At December 31, 2011, the Company had 105 income-producing properties, representing approximately 27.9 million square feet of rentable space. The income-producing properties are comprised predominantly of industrial plants strategically located and leased by Magna primarily to provide automotive parts and modules to the world's manufacturers of cars and light trucks for their assembly plants throughout North America and Europe. The portfolio also includes several office buildings that comprise 3% of the total square footage of income-producing properties, including the head offices of Magna in Canada and Austria. The book value of the income-producing portfolio by country as at December 31, 2011 was as follows:

	Book Value	**Percent of Total**
Canada	$ 400.8	35%
Austria	301.8	27
U.S.	211.6	19
Germany	117.5	10
Mexico	66.8	6
Other countries	34.5	3
	$1,133.0	**100%**

Properties Under Development:

At December 31, 2011, the Business had three improvement projects in Canada with the Magna group and the completion of an improvement project for a non-Magna tenant in Canada. The total cost of these improvement projects is approximately $9.0 million, of which $2.5 million was spent at December 31, 2011, with the remainder expected to be funded from cash from operations.

Properties Held for Development:

Pursuant to the Arrangement, substantially all of the Company's lands held for development were transferred to the Stronach Shareholder following the close of business on June 30, 2011. MID retained an option to purchase certain of these lands at fair value to the extent they are utilized for Magna facility expansions. At December 31, 2010, the properties held for development have been presented in discontinued operations in the accompanying consolidated balance sheet.

BUSINESS AND OPERATIONS OF MAGNA, OUR PRINCIPAL TENANT

Magna is the tenant of all but 15 of the Company's income-producing properties. Magna is one of the world's most diversified global automotive suppliers. Magna designs, develops and manufactures technologically advanced automotive systems, assemblies, modules and components, and engineers and assembles complete vehicles, primarily for sale to original equipment manufacturers (''OEMs'') of cars and light trucks. Magna's product capabilities span a number of major automotive areas, including interior systems, seating systems, closure systems, body and chassis systems, vision systems, electronic systems, exterior systems, powertrain systems, roof systems, hybrid electric vehicles/systems and complete vehicle engineering and assembly.

The terms of the Company's lease arrangements with Magna generally provide for the following:

- leases on a net basis, under which tenants are contractually obligated to pay directly or reimburse the Company for virtually all costs of occupancy, including operating costs, property taxes and maintenance capital expenditures;
- rent escalations based on either fixed-rate steps or inflation;
- renewal options tied to market rental rates or inflation;
- environmental indemnities from the tenant; and
- in many cases, tenant's right of first refusal on sale of property.

Our Relationship with Magna

For the three-month period and year ended December 31, 2011, Magna contributed approximately 97% of the Company's rental revenues and Magna continues to be our principal tenant. Our income-producing property portfolio has grown from 75 properties totalling approximately 12.4 million square feet at the end of 1998 to 105 properties totalling approximately 27.9 million square feet of leaseable area at December 31, 2011.

The Company's previously announced strategic plan includes fortifying the relationship with Magna by selectively investing in MID properties and opportunistically growing with Magna in new strategic locations. It also includes diversifying by increasing the lease revenue derived from new industrial tenants and reducing the proportion of capital invested in Magna properties (see *''REAL ESTATE BUSINESS — SIGNIFICANT MATTERS — Strategic Plan'').* For the year ended December 31, 2011, MID has invested $40.6 million (2010 — $14.2 million) in properties where Magna is the tenant. Incremental annual lease payments for these investments are expected to total $3.6 million.

Automotive Industry Trends and Magna Plant Rationalization Strategy

Magna's success is primarily dependent upon the levels of North American and European car and light truck production by Magna's customers and the per vehicle content Magna has in the various programs. OEM production volumes in different regions may be impacted by factors which may vary from one region to the next, including but not limited to general economic and political conditions, interest rates, credit availability, energy and fuel prices, international conflicts, labour relations issues, regulatory requirements, trade agreements, infrastructure, legislative changes, and environmental emissions and safety issues. These factors and a number of other economic, industry and risk factors which also affect Magna's success, including such things as relative currency values, commodity prices, price reduction pressures from Magna's customers, the financial condition of Magna's supply base and competition from manufacturers with operations in low cost countries, are discussed later in ''Risks and Uncertainties''.

These trends and the challenging environment existing in the automotive industry have resulted in Magna seeking to take advantage of lower operating cost countries and consolidating, moving, closing and/or selling operating facilities to align its capacity utilization and manufacturing footprint with vehicle production and consumer demand. Given these trends, there is a risk that Magna may take additional steps to offset the production declines and capacity reductions, which might include closing additional facilities which are leased from MID and growing its manufacturing presence in new markets where MID to date has not had a significant presence.

At December 31, 2011, Magna's plant rationalization strategy includes 11 facilities under lease from the Company (two in Canada, seven in the United States and two in Germany) with an aggregate net book value of $33.1 million after reflecting an impairment charge to one of the German properties. These 11 facilities represent 1.6 million square feet of leaseable area with annualized lease payments of approximately $6.4 million, or 3.6% of MID's annualized lease payments at December 31, 2011. The weighted average lease term to expiry (based on leaseable area) of these properties at December 31, 2011, disregarding renewal options, is approximately 3.7 years. MID management expects that given Magna's publicly disclosed strategy of continuously seeking to optimize its global manufacturing footprint, Magna may further rationalize facilities. Magna continues to be bound by the terms of the lease agreements for these leased properties regardless of its plant rationalization strategy. However, given our stated objectives to fortify the relationship with Magna, MID management is committed to work proactively with Magna's management to evaluate various options that are financially viable for MID and provide Magna with the flexibility it requires to operate its automotive business.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2011 — CONTINUING OPERATIONS

The results of operations of the Business for the three-month periods ended December 31, 2011 and 2010 as discussed in this MD&A from continuing operations include those from the income-producing property portfolio.

	Three Months Ended December 31,		
(in millions, except per share information)	**2011**	2010	Change
Statement of Income (Loss)			
Rental revenues	**$ 45.3**	$ 43.6	4%
Property operating costs	**0.6**	0.9	(33%)
General and administrative	**9.6**	14.4	(33%)
Depreciation and amortization	**10.7**	10.5	2%
Interest expense and other financing costs, net	**4.0**	4.9	(18%)
Foreign exchange losses (gains)	**(0.2)**	0.4	(150%)
Write-down of long-lived assets	**16.3**	—	NM
Operating income	**4.3**	12.5	(66%)
Other gains, net	**—**	0.1	NM
Income before income taxes	**4.3**	12.6	(66%)
Income tax expense	**0.8**	13.7	(94%)
Income (loss) from continuing operations	**$ 3.5**	$ (1.1)	NM
FFO	**14.3**	9.4	52%
Diluted FFO per share	**$ 0.30**	$ 0.20	50%
Cash Flows			
Income (loss) from continuing operations	**$ 3.5**	$ (1.1)	NM
Items not involving current cash flows	**25.9**	13.3	95%
Changes in non-cash working capital balances	**(9.0)**	10.7	(184%)
Cash provided by operating activities	**20.4**	22.9	(11%)
Capital expenditures	**(10.8)**	(2.7)	300%
Cash used in other investing activities	**—**	(0.1)	NM
Cash used in financing activities	**(23.1)**	(24.5)	6%

NM — Not meaningful

Rental Revenue

Rental revenues for the three-month period ended December 31, 2011 increased $1.7 million to $45.3 million from $43.6 million in the prior year period. The change in rental revenues is discussed below:

Rental revenue, three months ended December 31, 2010	$43.6
Contractual rent increases	0.8
Completed projects on-stream	0.8
Renewals and re-leasing of income-producing properties	0.3
Effect of changes in foreign currency exchange rates	(0.3)
Other, including straight-line adjustments of rental revenue	0.1
Rental revenue, three months ended December 31, 2011	**$45.3**

The $0.8 million increase in revenue from contractual rent adjustments includes (i) $0.5 million from cumulative CPI based increases (being increases that occur every five years or once a specified cumulative increase in CPI has occurred) implemented in 2010 and 2011 on properties representing 5.0 million square feet of leaseable area, (ii) $0.2 million from annual CPI based increases implemented in 2011 on properties representing 6.4 million square feet of leaseable area and (iii) $0.1 million from fixed contractual adjustments on properties representing 0.3 million square feet of leaseable area.

Completed projects on-stream contributed $0.8 million to rental revenue for the fourth quarter of 2011. The completion of two Magna expansion projects in Austria and Germany during the second quarter of 2011, which added a combined 0.1 million square feet of leaseable area, increased revenue by $0.2 million. The completion of two Magna expansion projects in Austria and Germany during the third quarter of 2011, which added a combined 0.2 million square feet of leaseable area, increased revenue by $0.3 million. The completion of six Magna expansion projects in Austria, Germany, Mexico and the United States during the fourth quarter of 2011, which added an aggregate of 0.1 million square feet of leaseable area respectively, increased revenue by $0.3 million.

Renewals and re-leasing of income-producing properties increased rental revenues by $0.3 million on a net basis. Renewals had a $0.2 million negative impact on rental revenues while re-leasing had a $0.5 million positive impact on revenues compared to the prior year period. In 2010 and 2011, the renewals of five Magna leases in Canada and the United States were negotiated. These renewals, representing an aggregate of 0.5 million square feet of leasable area, were negotiated at lower rental rates than the expiring lease rates thereby reducing revenues by $0.2 million in the fourth quarter of 2011 as compared to the prior year period. Offsetting these decreases in rental revenues was a $0.4 million increase in revenue relating to the leasing of a 0.1 million square foot facility to a non-Magna tenant in the third quarter of 2010 and the leasing of a 0.3 million square foot facility to a non-Magna tenant in June 2011. As a result of Magna's plant rationalization strategy (see *''REAL ESTATE BUSINESS — BUSINESS AND OPERATIONS OF MAGNA, OUR PRINCIPAL TENANT — Automotive Industry and Magna Plant Rationalization Strategy''*), the Company terminated a lease with Magna in May 2010 for a facility that has 0.2 million square feet of leaseable area. The Company subsequently entered into a long-term lease with a non-Magna tenant for this property which resulted in a $0.1 million increase in revenues in the fourth quarter of 2011 in comparison to the prior year period.

Foreign exchange had a $0.3 million negative impact on reported rental revenues as the average foreign exchange rate applied to our euro and Canadian dollar denominated rents weakened against the U.S. dollar as compared to the prior year period.

Property Operating Costs

Property operating costs, which include real estate taxes, utilities, insurance, repairs and maintenance, legal and other property-related expenses were $0.6 million in the fourth quarter of 2011 in comparison to $0.9 million in the prior year period. The decrease in property operating costs of $0.3 million is primarily due to the reduction in repairs and maintenance costs.

General and Administrative Expenses

General and administrative expenses decreased by $4.8 million to $9.6 million in the fourth quarter of 2011 from $14.4 million in the prior year period. General and administrative expenses for the fourth quarter of 2011 include $2.1 million of employee related termination expenses and recruiting costs and $2.0 million of legal, advisory and other costs pertaining to the strategic review process. General and administrative expenses for the fourth quarter of 2010 include $2.2 million of employee termination cost relating to an officer of the Company and $0.7 million of advisory and other related costs incurred primarily with respect to MID's involvement in the Debtors' Chapter 11 process (see *''ARRANGEMENT TRANSFERRED ASSETS & BUSINESS — SIGNIFICANT MATTERS — MEC's Chapter 11 Filing and Plan of Reorganization''*) and costs incurred with respect to a going-private offer from a company affiliated with the former CEO and Chairman of the Board. Excluding the employee termination expenses and advisory and other costs mentioned above, general and administrative expenses decreased $6.0 million in the fourth quarter of 2011 primarily due to (i) decreased compensation expense of $3.6 million pertaining to the Company's Non-Employee Director Share-Based Compensation Plan primarily resulting from the increase in the Company's share price during the fourth quarter of 2010 as compared to 2011 as well as payments made to the former CEO and Chairman of the Board, (ii) reduced insurance expense of $1.8 million primarily related to reduced premiums associated with the Company's Directors' and Officers' liability insurance and (iii) a reduction in professional fees of $0.5 million.

Depreciation and Amortization Expense

Depreciation and amortization expense increased by $0.2 million to $10.7 million in the three-month period ended December 31, 2011 compared to $10.5 million in the prior year period, primarily due to additional depreciation charges related to the completion of various expansion projects in 2011.

Interest Expense and Other Financing Costs, Net

Net interest expense and other financing costs expense decreased by $0.9 million to $4.0 million in the fourth quarter of 2011 ($4.2 million of interest expense less $0.2 million of interest income) compared to $4.9 million in the prior year period ($5.0 million of interest expense less $0.1 million of interest income). The decrease in net interest expense is primarily due to a $0.8 million decrease in interest expense related to short-term borrowings under the unsecured credit facility and other financing fees as the Company did not have any outstanding borrowings in the fourth quarter of 2011, and a $0.1 million increase in interest income primarily comprised of interest income from the note receivable from the sale of Lone Star LP.

Foreign Exchange Losses (Gains)

The Business recognized net foreign exchange gains of $0.2 million in the fourth quarter of 2011 compared to net foreign exchange losses of $0.4 million in the prior year period. The drivers of such foreign exchange losses and gains are primarily the re-measurement of certain assets and liabilities of MID and its subsidiaries that are denominated in a functional currency that is different from the entity's reporting currency for accounting purposes.

Write-down of long-lived assets

As a result of our long-lived asset impairment analysis, it was determined that an industrial income producing property in each of Germany and Austria had indications of impairment and the inability for the Company to recover their carrying values. Both properties have 2013 expiries and were tenanted by Magna's European interiors division which, as disclosed in Magna's recent public disclosures, have operating challenges despite continued efforts to enhance profitability. The German property was on the Magna plant rationalization list and the operation was sold to a third party in the third quarter of 2011 with the Magna subsidiary still being responsible for the remaining lease obligations. In relation to the Austrian property, we have not had any indications from the tenant that any significant lease extensions will be requested. In this respect, the Business recorded an impairment charge of $8.4 million for the Germany property and $7.9 million for the Austrian property which represents the excess of the carrying values of the assets over the estimated fair values determined based on the present value of the future estimated cash flows from the leased properties.

Income Tax Expense

The Business' income tax expense for the fourth quarter of 2011 was $0.8 million compared to an income tax expense of $13.7 million in the prior year period. During the fourth quarter of 2011, the Company recorded a tax recovery of $3.3 million resulting from the write-down of long-lived assets. Excluding the tax impact of the write-downs of the long-lived assets, the Business' income tax expense in the fourth quarter of 2011 was $4.1 million representing an effective tax rate of 19.8%. During the fourth quarter of 2010, an internal amalgamation was undertaken with the unintended result of causing the Company to incur $12.7 million of current tax expense in the prior year period. Excluding the expense relating to the internal amalgamation, the Business' income tax expense in the fourth quarter of 2010 was $1.0 million representing an effective tax rate of 7.4%. The change in the effective tax rate is primarily due to non-taxable expenses, changes in the mix of income earned in various countries in which the Business operates and changes in the statutory income tax rates.

Income (Loss) From Continuing Operations

Income from continuing operations was $3.5 million in the fourth quarter of 2011 in comparison to a $1.1 million net loss in the prior year period. The increase in income from continuing operations of $4.6 million is primarily due to the increase in rental revenue of $1.7 million, the decrease in general and administrative expenses by $4.8 million, the decrease in interest expense and other financing costs of $0.9 million, the increase in foreign exchange gains of $0.6 million and the decrease in income tax expense of $12.9 million, partially offset by the write-down of long-lived assets of $16.3 million and the increase in depreciation and amortization expense of $0.2 million.

Funds From Operations ("FFO")

	Three Months Ended December 31,		
(in thousands, except per share information)	**2011**	2010	Change
Income (loss) from continuing operations	**$ 3,544**	$ (1,112)	NM
Add back depreciation and amortization	**10,715**	10,475	2%
FFO	**$14,259**	$ 9,363	52%
Basic and diluted FFO per share	**$ 0.30**	$ 0.20	50%
Basic number of shares outstanding	**46,871**	46,708	
Diluted number of shares outstanding	**46,883**	46,708	

NM — Not meaningful

The Company determines FFO using the definition prescribed in the U.S. by the National Association of Real Estate Investment Trusts ("NAREIT"). Under the definition of FFO prescribed by NAREIT, the impact of future income taxes and any asset impairments are included in the calculation of FFO and discontinued operations are excluded from the calculation of FFO. FFO and basic 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 U.S. GAAP and therefore may not be comparable to similar measures presented by other companies.

The $4.9 million increase in FFO compared to the prior year period is primarily due to increased income from continuing operations of $4.6 million (see *"REAL ESTATE BUSINESS — RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2011 — Income From Continuing Operations"*).

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2011 — CONTINUING OPERATIONS

The results of operations of the Business for the years ended December 31, 2011 and 2010 as discussed in this MD&A from continuing operations include those from the income-producing property portfolio.

Highlights

(in millions, except per share information)	Years Ended December 31, 2011	2010	Change
Rental revenues	**$182.9**	$172.1	6%
Interest and other income from Magna Entertainment Corp. (''MEC'')	**—**	1.8	NM
Revenues	**182.9**	173.9	5%
Income from continuing operations	**59.2**	66.5	(11%)
FFO	**102.3**	107.7	(5%)
Diluted FFO per share	**$ 2.18**	$ 2.31	(6%)

NM — Not meaningful

(in millions, except number of properties)	**December 31, 2011**	December 31, 2010	Change
Number of income-producing properties	**105**	106	(1%)
Leaseable area (sq. ft.)	**27.9**	27.5	1%
Annualized lease payments (''ALP'')	**$ 179.8**	$ 176.8	2%
Income-producing properties, cost (''IPP'')	**$1,616.4**	$1,615.3	—
ALP as percentage of IPP	**11.1%**	10.9%	—

Rental Revenue

Rental revenues for the year ended December 31, 2011 increased $10.8 million to $182.9 million from $172.1 million in the prior year period. The change in rental revenues is discussed below:

Rental revenue, year ended December 31, 2010	$172.1
Contractual rent increases	3.1
Completed projects on-stream	1.6
Vacancies of income-producing properties	(0.1)
Renewals and re-leasing of income-producing properties	0.2
Effect of changes in foreign currency exchange rates	5.9
Other, including straight-line adjustments of rental revenue	0.1
Rental revenue, year ended December 31, 2011	**$182.9**

The $3.1 million increase in revenue from contractual rent adjustments includes (i) $1.8 million from cumulative CPI based increases (being increases that occur every five years or once a specified cumulative increase in CPI has occurred) implemented in 2010 and 2011 on properties representing 9.4 million square feet of leaseable area, (ii) $1.0 million from annual CPI based increases implemented in 2011 on properties representing 6.6 million square feet of leaseable area and (iii) $0.3 million from fixed contractual adjustments on properties representing 0.3 million square feet of leaseable area.

Completed projects on-stream contributed $1.6 million to rental revenue for the year ended December 31, 2011. The completion of two Magna-related expansion projects in Mexico in May 2010 and August 2010, which added a total of 0.1 million square feet of leaseable area, increased revenue in the year ended December 31, 2011 by $0.3 million. The completion of two Magna expansion projects in Austria and Germany during the second quarter of 2011, which added a combined 0.1 million square feet of leaseable area, increased revenue by $0.5 million in the year ended December 31, 2011. The completion of two Magna expansion projects in Austria and Germany during the third quarter of 2011, which added a combined 0.2 million square feet of leaseable area, increased revenue by $0.5 million. The completion of six Magna expansion or improvement projects in Austria, Germany, Mexico and the United States during the fourth quarter of 2011, which added an aggregate of 0.1 million square feet of leaseable area, increased revenue by $0.3 million.

One property became vacant in the first quarter of 2010 upon the expiry of the lease agreement pertaining to 0.1 million square feet of leasable area, resulting in a $0.1 million reduction in revenues over the prior year period.

Renewals and re-leasing had a $0.2 million positive impact on revenues compared to the prior year period. Rental revenues increased by $1.2 million due to the leasing of a 0.1 million square foot facility to a non-Magna tenant in the third quarter of 2010, the vacancy and re-leasing of a 0.2 million square foot facility to a non-Magna tenant in May 2010 and the commencement of a lease on a 0.3 million square foot facility to a non-Magna tenant in June 2011. In 2010 and 2011, the renewals of six Magna leases in Canada, the United States and Mexico were negotiated. These renewals, representing an aggregate of 0.6 million square feet of leasable area, were negotiated at lower rental rates than the expiring lease rates thereby reducing revenues by $0.9 million in the year ended December 31, 2011 as compared to the prior year period. Revenues also decreased by $0.1 million in the year ended December 31, 2011 due to a lease negotiation with a Magna tenant relating to a 0.3 million square foot facility in Mexico that was finalized in June 2010.

Foreign exchange had a $5.9 million positive impact on reported rental revenues as the average foreign exchange rate applied to our euro and Canadian dollar denominated rents strengthened against the U.S. dollar as compared to the prior year period.

Interest and Other Income from MEC

Interest and other income from MEC consist of interest and fees earned in relation to loan facilities between certain MID subsidiaries (the ''MID Lender'') and MEC and certain of its subsidiaries. The decrease in interest and other income from $1.8 million in 2010 to nil in the year ended December 31, 2011 is due to the loan facilities being settled at the conclusion of the Debtors' Chapter 11 process on April 30, 2010.

Property operating costs

Property operating costs, which include real estate taxes, utilities, insurance, repairs and maintenance, legal and other property-related expenses were $3.1 million in the year ended December 31, 2011 in comparison to $2.8 million in the prior year period. The $0.3 million increase in property operating costs is primarily due to the increase in consulting costs associated with the review of income producing properties that the Company from time to time undertakes.

General and Administrative Expenses

General and administrative expenses increased by $3.8 million to $47.4 million in the year ended December 31, 2011 from $43.6 million in the prior year period. General and administrative expenses for the year ended December 31, 2011 include $7.7 million of employee related termination expense and recruiting costs, $9.1 million of advisory and other related costs primarily incurred in connection with the Arrangement and the settlement of an outstanding litigation matter and $3.2 million of legal, advisory and other costs pertaining to the Company's strategic review process. General and administrative expenses for the year ended December 31, 2010 include $2.3 million in employee termination expense for former officers and $9.5 million of advisory and other related costs incurred primarily with respect to MID's involvement in the Debtors' Chapter 11 process (see ''*ARRANGEMENT TRANSFERRED ASSETS & BUSINESS — SIGNIFICANT MATTERS — MEC's Chapter 11 Filing and Plan of Reorganization*'') and costs incurred with respect to a going-private offer from a company affiliated with the former CEO and Chairman of the Board. Excluding the employee termination expenses and advisory and other costs mentioned above, general and administrative expenses decreased $4.4 million in the year ended December 31, 2011 primarily due to (i) decreased compensation expense of $1.1 million relating to the Company's Non-Employee Director Share Based Compensation Plan primarily resulting from the relative increase in the Company's share price during 2010 as compared to 2011, (ii) decreased insurance expense of $0.9 million primarily related to premiums associated with the Company's Directors' and Officers' liability insurance, (iii) a decrease in travel costs of $0.9 million, (iv) a decrease of $0.4 million related to the elimination of capital tax in the province of Ontario, Canada effective July 1, 2010, (v) a reduction in professional fees of $0.4 million, (vi) a reduction in contributions to social and charitable causes of $0.3 million and (vii) decreased consulting costs of $0.8 million from various projects that are undertaken from time to time. Partially offsetting these decreases in general and administrative expenses is the reversal of a $0.7 million legal provision in 2010 relating to an environmental litigation in Austria that was settled in MID's favour.

Depreciation and Amortization Expense

Depreciation and amortization expense increased by $2.0 million to $43.2 million in the year ended December 31, 2011 compared to $41.2 million in the prior year period, primarily due to the impact of foreign exchange.

Interest Expense and Other Financing Costs, Net

Net interest expense and other financing costs decreased by $2.3 million to $15.9 million in the year ended December 31, 2011 ($16.6 million of interest expense less $0.7 million of interest income) as compared to $18.2 million in the prior year period ($18.5 million of interest expense less $0.3 million of interest income). The decrease in net interest expense is due to increased capitalized interest of $1.0 million for properties under development, the increase in interest income of $0.4 million, which includes interest income from the note receivable from the sale of Lone Star LP, and the reduction in interest expense relating to short-term borrowings under the unsecured credit facility and other fees of $1.4 million partially offset by the $0.5 million foreign exchange impact relating to interest expense on the Company's unsecured debentures being denominated in Canadian dollars.

Foreign Exchange Losses (Gains)

The Business recognized net foreign exchange gains of $0.2 million in the year ended December 31, 2011 compared to a $0.1 million loss in the prior year period. The drivers of such foreign exchange losses and gains are primarily the re-measurement of certain assets and liabilities of MID and its subsidiaries that are denominated in a functional currency that is different from the entity's reporting currency for accounting purposes.

Write-down of Long-lived Assets

During the year ended December 31, 2011, the Company recorded an aggregate $19.1 million write-down relating to an industrial income producing property in each of Austria and Germany and an income producing commercial office building in the United States. As a result of our long-lived asset impairment analysis, in the fourth quarter of 2011, it was determined that an industrial income producing property in each of Germany and Austria had indications of impairment and the inability for the Company to recover their carrying values. Both properties have 2013 expiries and were tenanted by Magna's European interiors division which, as disclosed in Magna's recent public disclosures, has operating challenges despite continued efforts to enhance profitability. The German property was on the Magna plant rationalization list and its operation was sold to a third party in the third quarter of 2011 with the Magna subsidiary still being responsible for the remaining lease obligation. In relation to the Austrian property, we have not had any indications from the tenant that any significant lease extensions will be requested. In this respect, the Business recorded an impairment charge of $8.4 million for the German property and $7.9 million for the Austrian property. In addition, during the second quarter of 2011, as a result of the continued weakening in the commercial office real estate market in Michigan, the Business recorded a $2.8 million write-down of an income producing commercial office building. The write-downs represent the excess of the carrying values of the assets over the estimated fair values. Fair values were determined based on the present value of the estimated future cash flows from the leased properties.

Impairment Provision (Recovery) Related to Loans Receivable from MEC

During the year ended December 31, 2010, an impairment recovery of $10.0 million relating to the loans receivable from MEC was recorded as a result of additional information and changes in facts and circumstances arising from the settlement of the loans receivable from MEC in exchange for the MEC Transferred Assets (as defined under *''ARRANGEMENT TRANSFERRED ASSETS & BUSINESS — SIGNIFICANT MATTERS — MEC's Chapter 11 Filing and Plan of Reorganization*'').

Other Gains (Losses)

Other gains during the year ended December 31, 2010, primarily relate to a termination fee on a property in the United States that was leased to a subsidiary of Magna. In conjunction with the lease termination, the subsidiary agreed to pay the Company a fee of $1.9 million. The amount is being collected based on a repayment schedule over the remaining term of the lease, which was scheduled to expire in September 2013.

Purchase Price Consideration Adjustment

In satisfaction of MID's claims relating to the 2007 MEC Bridge Loan, the 2008 MEC Loan and the MEC Project Financing Facilities, the Company received the MEC Transferred Assets as consideration on April 30, 2010. The fair value of the MEC Transferred Assets was initially determined as at April 30, 2010 and resulted in the Company recognizing a $10.0 million impairment recovery of the loans receivable from MEC. However, certain of the fair values assigned to the MEC Transferred Assets as at April 30, 2010 were preliminary in nature and subject to change in future reporting periods. As the loans were considered settled on April 30, 2010, any changes to the fair value of the MEC Transferred Assets subsequent to that date were no longer considered an adjustment to the previously recognized impairment provision related to the loans receivable from MEC, but rather were considered an adjustment to the fair value of the purchase price consideration received by the Company and has been presented as ''purchase price consideration adjustment'' in the consolidated statements of income (loss). The total purchase price consideration was retrospectively adjusted by $20.3 million to the date of acquisition, April 30, 2010.

Income Tax Expense (Recovery)

The Business' income tax recovery for the year ended December 31, 2011 was $4.7 million compared to an income tax expense of $33.8 million in the prior year period. During 2010, an internal amalgamation was undertaken with the unintended result of causing the Company to incur $12.7 million of current tax expense. During the year ended December 31, 2011, the Ontario Superior Court of Justice accepted the Company's application to have the amalgamation set aside and cancelled resulting in a current income tax recovery of $13.3 million, the difference in income tax amounts being foreign exchange. In addition, during 2011, the Company recorded write-downs of $19.1 million resulting in a tax recovery of $4.4 million. Excluding the reversal of the liability relating to the internal amalgamation and the tax impact of the write-downs, the Business' income tax expense for the year ended December 31, 2011 was $13.0 million representing an effective tax rate of 17.6%. In 2010, income before taxes includes an impairment recovery related to loans receivable from MEC of $10.0 million and a purchase price consideration adjustment of $20.3 million. Excluding these items, the related impact to the income tax expense and the additional unintended income tax expense of $12.7 million relating to the internal amalgamation, the Business' effective tax rate was 41.7% in the prior year period. The change in the effective tax rate is primarily due to non-taxable expenses, changes in the mix of income earned in the various countries in which the Business operates and changes in statutory income tax rates.

Income From Continuing Operations

Income from continuing operations was $59.2 million in the year ended December 31, 2011 in comparison to $66.5 million in the prior year period. The decrease in income from continuing operations of $7.3 million is primarily due to the decrease in interest and other income from MEC of $1.8 million, the decrease in the impairment recovery related to the loans receivable from MEC of $10.0 million, a decrease in the purchase price consideration adjustment of $20.3 million, the increase in general and administrative expenses of

$3.8 million, the increase in depreciation and amortization of $2.0 million, the decrease in other gains of $2.0 million and the write-down of long-lived assets of $19.1 million in 2011. Partially offsetting these amounts were the increase in rental revenue of $10.8 million, a decrease of $2.3 million in interest expense and other financing costs and a decrease of income tax expense of $38.5 million in the year ended December 31, 2011.

Funds From Operations ("FFO")

(in thousands, except per share information)	Years Ended December 31, 2011	2010	Change
Income from continuing operations	**$ 59,196**	$ 66,541	(11%)
Add back depreciation and amortization	**43,158**	41,181	5%
Deduct gain on disposal of real estate	**(88)**	—	(100%)
FFO	**$102,266**	$107,722	(5%)
Basic and Diluted FFO per share	**$ 2.18**	$ 2.31	(6%)
Basic number of shares outstanding	**46,888**	46,708	
Diluted number of shares outstanding	**46,970**	46,708	

The Company determines FFO using the definition prescribed in the U.S. by NAREIT. Under the definition of FFO prescribed by NAREIT, the impact of future income taxes and any asset impairments are included in the calculation of FFO and discontinued operations are excluded from the calculation of FFO. FFO and basic 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 U.S. GAAP and therefore may not be comparable to similar measures presented by other companies.

The $5.4 million decrease in FFO compared to the prior year period is primarily due to decreased income from continuing operations of $7.3 million (see *"REAL ESTATE BUSINESS — RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2011 — Income From Continuing Operations"*) and the add back of increased depreciation and amortization expense of $2.0 million.

LIQUIDITY AND CAPITAL RESOURCES — CONTINUING OPERATIONS

The Company's continuing operations generated cash flows from operations of $20.4 million and $113.3 million in the three-month period and year ended December 31, 2011 respectively. At December 31, 2011, the Company had cash and cash equivalents of $56.0 million and shareholders' equity of $894.0 million.

Cash Flows

Operating Activities

The Company generated cash flow from operations before changes in non-cash working capital balances of $29.4 million in the fourth quarter of 2011 compared to $12.2 million in the prior year period. The $17.2 million increase is primarily due to the increase in income from continuing operations. Also, the change in non-cash working capital balances was a use of cash of $9.0 million in the fourth quarter of 2011, largely due to a $5.9 million decrease in accounts payable and accruals, and $3.3 million decrease in deferred revenue, in comparison to cash provided of $10.7 million in the fourth quarter of 2010, primarily caused by an increase in income taxes payable of $14.1 million.

The Company generated cash flow from operations before changes in non-cash working capital balances of $121.6 million in the year ended December 31, 2011 compared to $92.5 million in the prior year period. This increase primarily resulted from an increase in items not involving current cash flows of $36.4 million (see note 17(a) to the consolidated financial statements) partially offset with the decrease in income from continuing operations of $7.3 million. Additionally, the change in non-cash working capital balances was a use of cash of $8.3 million in 2011 compared to $1.3 million in 2010 (see note 17(b) to the consolidated financial statements).

Investing Activities

Cash used in investing activities for the three-month period and year ended December 31, 2011 was $10.8 million and $50.1 million respectively, which is almost entirely as a result of capital expenditures on real estate properties. The increase of $8.1 million and $40.5 million in capital expenditures compared to the respective prior year periods is primarily due to an increase in the number of expansion or improvement projects with Magna.

Financing Activities

Cash used in financing activities in the fourth quarter of 2011 was $23.1 million, which related to the payment of dividends of $23.4 million, partially offset by $0.3 million in proceeds received on the issuance of shares from the exercise of stock options.

Cash used in financing activities in the year ended December 31, 2011 was $44.9 million and was a result of the Company's net repayment of bank indebtedness under the unsecured senior revolving credit facility of $12.3 million, the payment of dividends of $37.5 million and a $2.2 million repayment of a mortgage on an income-producing property which matured in January 2011. Partially offsetting these uses in cash was the issuance of shares from the exercise of stock options in the amount of $7.2 million.

Bank and Debenture Financing

The Company's unsecured senior revolving credit facility in the amount of $50.0 million (the ''MID Credit Facility'') matured on December 22, 2011. At December 31, 2011, the Company had issued letters of credit totalling $0.1 million (2010 — $2.9 million). At December 31, 2010, the Company had drawn $13.1 million (Cdn. $13.0 million) under the MID Credit Facility. The weighted average interest rate on the loans outstanding under the MID Credit Facility during 2011 was 4.85% (December 31, 2010 — 5.83%).

On February 7, 2012, the Company entered into an unsecured senior revolving credit facility in the amount of Cdn. $50.0 million that is available by way of U.S. dollar, Canadian dollar or euro denominated loans or letters of credit (the ''MID New Credit Facility'') and matures on February 7, 2014. However, the Company has the option to request an extension of the maturity date by one year to February 7, 2015. The MID New Credit Facility provides the Company with the ability to increase the amount of the commitment by an additional aggregate principal amount of up to Cdn. $25.0 million with the consent of the lenders participating.

Interest on drawn amounts will be calculated based on an applicable margin determined by the Company's external credit rating. Based on MID's current credit rating, the Company would be subject to interest rate margins of up to 1.75% depending on the currency and form of advance.

In December 2004, MID issued Cdn. $265.0 million of 6.05% senior unsecured debentures (the ''Debentures'') due December 22, 2016, at a price of Cdn. $995.70 per Cdn. $1,000.00 of principal amount. The Debentures rank equally with all of MID's existing and future unsecured indebtedness. At December 31, 2011, all of the Debentures remained outstanding. The total outstanding at December 31, 2011 was $258.8 million.

At December 31, 2011, the Company's debt to total capitalization ratio was 22%. Management believes that the Company's cash resources, cash flow from operations and available third-party borrowings will be sufficient to finance its operations and capital expenditures program over the next year. Additional acquisition and development activity will depend on the availability of suitable investment opportunities and related financing.

At December 31, 2011, the Company was in compliance with its debt agreements and related covenants.

Credit Ratings

On October 11, 2011, DBRS confirmed the BBB rating on the Company's senior unsecured debentures with a stable trend and on November 21, 2011, Moody's Investors Service announced that it had upgraded MID's senior unsecured debenture ratings to Baa3, from Ba1 with a stable outlook.

ARRANGEMENT TRANSFERRED ASSETS & BUSINESS (INCLUDED IN DISCONTINUED OPERATIONS)

On June 30, 2011, the Company completed the Arrangement whereby the Arrangement Transferred Assets & Business were transferred to the Stronach Shareholder in consideration for the cancellation of MID's dual class share structure through which the Stronach Shareholder controlled MID. As a result of the Arrangement, the financial position and results of operations of the Racing & Gaming Business, as well as those related to lands held for development, a property located in the United States and an income producing property located in Canada, have been presented as discontinued operations.

SIGNIFICANT MATTERS

Plan of Arrangement

On June 30, 2011, the Company completed the Arrangement under the *Business Corporations Act* (Ontario) which eliminated MID's dual class share capital structure through which the Stronach Shareholder controlled MID. Definitive agreements with respect to the Arrangement were entered into by the Company on January 31, 2011. The Arrangement was approved on March 29, 2011 by 98.08% of the votes cast by shareholders at the annual general and special meeting and on March 31, 2011, the Ontario Superior Court of Justice issued a final order approving the Arrangement. The Arrangement eliminated MID's dual class capital structure through:

i) the purchase for cancellation of 363,414 Class B Shares held by the Stronach Shareholder upon the transfer to the Stronach Shareholder of the Company's Racing & Gaming Business including $20 million of working capital at January 1, 2011, substantially all of the Company's lands held for development and associated assets and liabilities (MID was granted an option to purchase at fair value certain of these development lands if needed to expand the Company's income producing properties), a property located in the United States, an income producing property located in Canada which is also currently MID's Head Office and cash in the amount of $8.5 million. In addition, the Stronach Shareholder received a 50% interest in the note receivable and cash proceeds from the sale of Lone Star LP, a 50% interest in future payments, if any, under a holdback agreement relating to MEC's prior sale of The Meadows racetrack (the ''Meadows Holdback Note'') and a second right of refusal (behind Magna's first right of refusal) in respect of certain properties owned by MID and leased to Magna in Oberwaltersdorf, Austria and Aurora, Canada; and

ii) the purchase for cancellation by MID of each of the other 183,999 Class B Shares in consideration for 1.2 Class A Subordinate Voting Shares per Class B Share, which following cancellation of the Class B Shares and together with the then outstanding Class A Subordinate Voting Shares were renamed Common Shares.

The Maryland Jockey Club Complaint

On February 15, 2011, Power Plant Entertainment Casino Resorts Indiana, LLC, PPE Casino Resorts Maryland, LLC and The Cordish Company (the ''Plaintiffs'') sued, among other defendants, MID, certain subsidiary entities and joint ventures, including The Maryland Jockey Club (''MJC'') and certain of its subsidiaries (collectively, the ''MJC Entities''), as well as MID's former Chairman and Chief Executive Officer, Mr. Frank Stronach, in the Circuit Court for Baltimore City in Baltimore, Maryland. The claims asserted in the Plaintiffs' complaint against MID, the MJC Entities and Mr. Stronach (the ''Complaint'') are alleged to have arisen from events that occurred in Maryland in connection with the referendum conducted in November 2010 concerning the award of a gaming license to one of the Plaintiffs to conduct alternative gaming at the Arundel Mills Mall. The Complaint asserts a number of claims against all the defendants including, among other allegations, that MID and Mr. Stronach, along with a number of other defendants, engaged in actions to defame the Plaintiffs by distributing allegedly false information concerning the Plaintiffs and their operations of a gaming facility in Indiana, Indianapolis Downs, LLC operating as Indiana Live. The specific claims asserted against MID, the MJC Entities and Mr. Stronach are for alleged civil conspiracy, false light invasion of privacy and defamation. The Complaint seeks an award of damages against all defendants in the amount of $300 million in compensatory damages and $300 million in punitive damages. The Company believes this claim is without merit. On March 25, 2011, a number of defendants, including the MJC Entities and MID, filed a motion in the Circuit Court for Baltimore City, seeking to have the action transferred to the Circuit Court for Anne Arundel County. On April 29, 2011, the Indiana-based defendants named in the Complaint filed a notice to remove the Plaintiffs' claims relating to the Indiana defendants to the U.S. District Court for the District of Maryland. The Plaintiffs have sought to remand these claims to the Circuit Court for Baltimore City. The entire matter, in both the state and federal courts, was stayed by the United States Bankruptcy Court for the District of Delaware until it determined whether the claims were impacted by the bankruptcy of Indianapolis Downs, LLC. On September 6, 2011, the United States Bankruptcy Court for the District of Delaware entered an order denying the injunction motion and lifting the stay effective September 26, 2011. However, the federal court removal action remains pending as the Indiana defendants (not the Company) are opposing remand of that action. The federal court heard the motion for remand on November 21, 2011 and has not yet issued a ruling on this matter. The state court motions to transfer venue to the Circuit Court for Anne Arundel County remain before the Circuit Court of Baltimore City. All activities before the Circuit Court of Baltimore City, including the motions to transfer venue to Anne Arundel County, have been stayed pending resolution of the removal action pending in the U.S. District Court for the District of Maryland. Under the terms of the Arrangement, the Company received an indemnity from the Stronach Shareholder and certain related parties against all losses suffered by the Company in relation to the Racing & Gaming Business for the period prior to, on and after the effective date of the transfer of June 30, 2011. Accordingly, the Company has not recorded a liability related to this claim. The Company provided the Stronach Shareholder with the required disclosure notice listing the existing litigation with the Plaintiffs. The Company has retained independent counsel to monitor the litigation on its behalf.

MEC's Chapter 11 Filing and Plan of Reorganization

On March 5, 2009 (the ''Petition Date''), MEC and certain of its subsidiaries (collectively, the ''Debtors'') filed voluntary petitions for reorganization under the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware (the ''Court'') and were granted recognition of the Chapter 11 proceedings from the Ontario Superior Court of Justice under section 18.6 of the *Companies' Creditors Arrangement Act* in Canada.

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

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

On January 11, 2010, the Company announced that MID, the MID Lender, MEC and the Creditors' Committee had agreed in principle to the terms of a global settlement and release in connection with the action. Under the terms of the settlement, as amended, in exchange for the dismissal of the action with prejudice and releases of MID, the MID Lender, their affiliates, and all current and former officers and directors of MID and MEC and their respective affiliates, the unsecured creditors of MEC received on April 30, 2010, the effective date of the Joint Plan of Affiliated Debtors (as amended the ''Plan''), cash of $89.0 million plus $1.5 million as a reimbursement for certain expenses incurred in connection with the action. Under the terms of the settlement, certain assets of MEC were transferred to MID, including among other assets, Santa Anita Park, Golden Gate Fields, Gulfstream Park (including MEC's interest in The Village at Gulfstream Park™), Portland Meadows, MJC which includes Pimlico Race Course and Laurel Park, AmTote and XpressBet® (the ''MEC Transferred Assets''). The settlement and release was implemented through the Plan.

On February 18, 2010, MID announced that MEC had filed the Plan and related Disclosure Statement (the ''Disclosure Statement'') in connection with the MEC Chapter 11 proceedings which provided for, among other things, the transfer of the MEC Transferred Assets to MID. On April 26, 2010, MID announced that the Plan was confirmed by order of the Court. On April 30, 2010, the closing conditions of the Plan were satisfied or waived, and the Plan became effective following the close of business on April 30, 2010.

In satisfaction of MID's claims relating to the 2007 MEC Bridge Loan, the 2008 MEC Loan and the MEC Project Financing Facilities, in addition to the MEC Transferred Assets that were transferred to MID on the effective date of the Plan, MID received $19.9 million of the net proceeds from the sale of Thistledown by the Debtors on July 29, 2010 and the unsecured creditors of MEC received the net proceeds in excess of such amount. In addition, on May 16, 2011, the sale of Lone Star LP was completed and the unsecured creditors of MEC received the first $20.0 million of the net proceeds from the sale and MID received $25.8 million net of a working capital adjustment and closing costs. The net proceeds received by MID of $25.8 million consist of $10.8 million in cash, $0.5 million of which is being held in escrow to cover any potential claims by the purchaser, and a note receivable of $15.0 million. The note receivable bears interest at 5.0% per annum and will be repaid in three $5.0 million instalments plus accrued interest every nine months on February 15, 2012, November 15, 2012 and August 15, 2013. On February 21, 2012, the Company received its portion of the first instalment of the note receivable. The note receivable is unsecured and has been guaranteed by the parent company of the purchaser. In connection with the Arrangement, the proceeds from the sale of Lone Star LP are shared equally between the Company and the Stronach Shareholder. Payments relating to the note receivable from the sale of Lone Star LP will be made to the Stronach Shareholder who will in turn remit 50% of those payments to the Company pursuant to the terms of the Arrangement. At December 31, 2011, the Company's 50% interest of the $0.5 million of cash held in escrow and the $15.0 million note receivable from the sale of Lone Star LP that is owing to the Company are included in ''note receivable'' and ''current portion of note receivable'' on the accompanying consolidated balance sheets. The remaining 50% transferred to the Stronach Shareholder on June 30, 2011 is included in discontinued operations. At December 31, 2010, 50% of the Business' expected proceeds from the sale of Lone Star LP were included in ''receivable from Reorganized MEC'' and ''current portion of receivable from Reorganized MEC'' and the remaining 50% included in discontinued operations on the accompanying consolidated balance sheets.

Prior to the Arrangement, MID also had the right to receive 100% of any proceeds from The Meadows Holdback Note. The Company has not received any proceeds since the acquisition of the MEC Transferred Assets. In connection with the Arrangement, any future payments under The Meadows Holdback Note will be shared equally between the Company and the Stronach Shareholder. The proceeds, if any, which may be received from The Meadows Holdback Note, have not been recognized in the accompanying consolidated financial statements.

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

The Company's equity investment in MEC consisted of 2,923,302 shares of its Class B Stock and 218,116 shares of its Class A Subordinate Voting Stock, representing approximately 96% of the total voting power of its outstanding stock and approximately 54% of the total equity interest in MEC. Under the Plan, all MEC stock was cancelled on the date that substantially all the assets of Lone Star LP were sold on May 16, 2011 and the holders of MEC shares are not entitled to receive or retain any property or interest in property under the Plan.

OVERVIEW

As a result of the Arrangement, the results of operations of the Racing & Gaming Business for the years ended December 31, 2011 and 2010 are included in discontinued operations in the accompanying consolidated financial statements.

The Racing & Gaming Business' primary source of racing revenues was commissions earned from pari-mutuel wagering. Pari-mutuel wagering on horse racing is a form of wagering in which wagers on horse races are aggregated in a commingled pool of wagers (the ''mutuel pool'') and the payoff to winning customers is determined by both the total dollar amount of wagers in the mutuel pool and the allocation of those dollars among the various kinds of bets. Unlike casino gambling, the customers bet against each other, and not against the racetrack, and therefore no risk of loss is borne with respect to any wagering conducted. The Racing & Gaming Business retained a pre-determined percentage of the total amount wagered (the ''take-out'') on each event, regardless of the outcome of the wagering event, and the remaining balance of the mutuel pool was distributed to the winning customers. Of the percentage retained, a portion was paid to the horse owners in the form of purses or winnings, which encouraged the horse owners and their trainers to enter their horses in races. The share of pari-mutuel wagering revenues was based on pre-determined percentages of various categories of the pooled wagers at the racetracks. The maximum pre-determined percentages are approved by state regulators. Pari-mutuel wagering on horse racing occurred on the live races being conducted at racetracks, as well as on televised racing signals, or simulcasts, received or imported by the simulcast wagering facilities located at such racetracks or off-track betting (''OTB'') facilities, and through various forms of account wagering. The racetracks had simulcast wagering facilities to complement live horse racing, enabling customers to wager on horse races being held at other racetracks.

The Racing & Gaming Business also generated gaming revenues from its Gulfstream Park gaming operations. Gaming revenues represented the net win earned on slot wagers. Net win is the difference between wagers placed and winning payouts to patrons.

Non-wagering revenues included totalisator equipment sales and service revenues from AmTote earned in the provision of totalisator services to racetracks, food and beverage sales, program sales, admissions, parking, sponsorship, rental fees and other revenues.

Live race days were a significant factor in the operating and financial performance of the racing business. Another significant factor was the level of wagering per customer on the racing content on-track, at inter-track simulcast locations and at OTB facilities. There were also many other factors that had a significant impact on racetrack revenues. Such factors included, but were not limited to: attendance at racetracks, inter-track simulcast locations and OTB facilities; activity through the XpressBet® system; the number of races conducted at the racetracks and at racetracks whose signals are imported and the average field size per race; the ability to attract the industry's top horses and trainers; inclement weather; and changes in the economy.

Operating costs of the Racing & Gaming Business principally included salaries and benefits, the cost of providing totalisator services and manufacturing totalisator equipment, utilities, racetrack repairs and maintenance expenses, sales and marketing expenses, rent, printing costs, property taxes, license fees and insurance premiums.

The Racing & Gaming Business was seasonal in nature and racing revenues and operating results for any quarter were not indicative of the racing revenues and operating results for the year. Because the racetracks ran live race meets predominantly during the first half of the year, the racing operations historically operated at a loss in the second half of the year, with the third quarter typically generating the largest operating loss. This seasonality resulted in large quarterly fluctuations in revenues, operating results and cash flows.

LOSS FROM DISCONTINUED OPERATIONS — THREE MONTHS ENDED DECEMBER 31, 2011

For the three-month period ended December 31, 2011, the Company's results of operations were not impacted by the Arrangement Transferred Assets & Business as they were transferred to the Stronach Shareholder effective June 30, 2011. Discontinued operations in the fourth quarter of 2010 include those related to the Arrangement Transferred Assets & Business that were transferred to the Stronach Shareholder pursuant to the Arrangement.

	Three Months Ended December 31,	
	2011	2010
Revenues	**$ —**	$ 65.9
Purses, awards and other	**—**	37.1
Operating costs	**—**	35.2
Property operating costs	**—**	0.5
General and administrative	**—**	10.5
Depreciation and amortization	**—**	3.6
Interest income	**—**	(0.2)
Foreign exchange gains	**—**	(0.2)
Equity loss	**—**	23.6
Write-down of long-lived and intangible assets	**—**	44.2
Loss before income taxes	**—**	(88.4)
Income tax recovery	**—**	(0.2)
Loss from discontinued operations	**$ —**	$(88.2)

The loss from discontinued operations for the fourth quarter of 2010 amounts to $88.2 million and is primarily comprised of net losses from the Racing & Gaming Business of $47.3 million and net losses of $40.9 million from lands held for development, a property located in the United States and an income producing property located in Canada. The Racing & Gaming Business net loss included $23.6 million of its' proportionate share of losses from joint venture investments and a $3.5 million write-down of intangible assets related to goodwill and a trademark at XpressBet®. The remainder of the Racing & Gaming Business net loss was generally reflective of the seasonality of when the racetracks hold live racing. The net loss of $40.9 million from the lands held for development primarily relates to impairment charges of $40.6 million associated with parcels of land held for development located in California, Florida, Michigan and Ilz, Austria. The write-down of the lands held for development represents the excess of the carrying value over the estimated fair value determined by external real-estate appraisals.

INCOME (LOSS) FROM DISCONTINUED OPERATIONS — YEAR ENDED DECEMBER 31, 2011

In the year ended December 31, 2011, discontinued operations include the results of the Arrangement Transferred Assets & Business to June 30, 2011, the date they were transferred to the Stronach Shareholder. In the year ended December 31, 2010, discontinued operations include the operations of the Racing & Gaming Business commencing on April 30, 2010, the date the MEC Transferred Assets were acquired by the Company. As a result, the year over year comparability of the results of the Racing & Gaming Business is not meaningful and therefore, has not been provided in this MD&A.

	Years Ended December 31,	
	2011	2010
Revenues	**$268.1**	$ 184.5
Purses, awards and other	**151.8**	100.9
Operating costs	**82.0**	90.7
Property operating costs	**1.1**	1.7
General and administrative	**22.1**	27.1
Depreciation and amortization	**3.5**	9.3
Interest income	**(0.3)**	(0.4)
Foreign exchange gains	**—**	(0.1)
Equity loss	**2.0**	29.5
Write-down of long-lived and intangible assets	**—**	44.2
Operating income (loss)	**5.9**	(118.4)
Loss on disposal of real estate	**—**	(1.2)
Income (loss) before income taxes	**5.9**	(119.6)
Income tax recovery	**(1.2)**	(0.4)
Income (loss) from operations	**7.1**	(119.2)
Net gain on disposition of discontinued operations, net of income tax of $10.8 million	**89.5**	—
Income (loss) from discontinued operations	**$ 96.6**	$(119.2)

The income from discontinued operations for the year ended December 31, 2011 amounts to $7.1 million and is comprised of net income from the Racing & Gaming Business of $9.9 million partially offset by a net loss from the lands held for development, a property located in the United States and an income producing property located in Canada of $2.8 million. The Racing & Gaming Business net income was generally reflective of the seasonality of when the racetracks hold live racing. The net loss of the lands held for development and properties located in the United States and Canada relates primarily to rental revenue earned less carrying costs associated with these properties.

The distribution of the assets and liabilities under the Arrangement is considered a non-pro rata distribution and therefore has been recorded at fair value. Accordingly, the gain on disposal of the discontinued operations of $89.5 million, net of income tax of $10.8 million, was determined by the difference in the fair values and carrying values of the net assets disposed, net of costs of disposal. For further details on the disposal of the Arrangement Transferred Assets & Business, refer to note 20 to the consolidated financial statements for year ended December 31, 2011.

NET INCOME (LOSS)

Three months ended December 31, 2011

Net income of $3.5 million for the fourth quarter of 2011 increased by $92.8 million from a net loss of $89.3 million in the prior year period. The increase is due to an increase in income from continuing operations of $4.6 million and a decrease in the loss from discontinued operations of $88.2 million in the fourth quarter of 2010.

Year ended December 31, 2011

Net income of $155.8 million for the year ended December 31, 2011 increased by $208.5 million from a net loss of $52.7 million in the prior year period. The increase is primarily due to an increase in income from discontinued operations of $215.8 million.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer of MID have evaluated the effectiveness of MID's disclosure controls and procedures, as defined in National Instrument 52-109 — *Certification of Disclosure in Issuers' Annual and Interim Filings* (''NI 52-109''), as of the end of the period covered by the annual filings (as defined in NI 52-109) (the ''Evaluation Date''). They have concluded that, as of the Evaluation Date, MID's disclosure controls and procedures were effective to ensure that material information relating to MID and its consolidated subsidiaries would be made known to them by others within those entities and would be disclosed on a timely basis. However, as recommended by Canadian and United States securities regulators, MID will continue to periodically evaluate its disclosure controls and procedures and will make modifications from time to time as deemed necessary to ensure that information is recorded, processed, summarized and reported within the time periods specified in the applicable rules.

Report on Internal Control Over Financial Reporting

MID's management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in NI 52-109 and Rules 13a-15(f) and 15d-15(f) under the United States Securities Exchange Act of 1934) for MID. Under the supervision and with the participation of MID's Chief Executive Officer and Chief Financial Officer, management conducted an evaluation of the effectiveness of MID's internal control over financial reporting, as of the Evaluation Date, based on the framework set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation under this framework, management concluded that MID's internal control over financial reporting was effective as of the Evaluation Date.

Ernst & Young LLP, an independent licensed public accounting firm, who audited MID's consolidated financial statements for the year ended December 31, 2011 and whose report is included in MID's annual report for fiscal 2011, has also issued an attestation report under standards of the Public Company Accounting Oversight Board (United States) on MID's internal control over financial reporting as of the Evaluation Date. The attestation report precedes the financial statements included in MID's annual report for fiscal 2011.

Changes in Internal Control Over Financial Reporting

As of the Evaluation Date, there have been no changes in MID's internal control over financial reporting that occurred during the period beginning on the date immediately following the end of the period in respect of which MID made its most recent previous interim filing and ended on December 31, 2011 that have materially affected, or are reasonably likely to materially affect, MID's internal control over financial reporting.

Limitation on the Effectiveness of Controls and Procedures

MID's management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that MID's controls and procedures will prevent all potential error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

COMMITMENTS, CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

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.

The Company has made commitments for future payment of interest and principal on long-term debt, construction and development project commitments as well as the purchase of land. At December 31, 2011, future payments, including interest payments, under these contractual obligations were as follows:

(in thousands)	2012	2013	2014	2015	2016	Thereafter	Total
Debentures	$15,765	$15,765	$15,765	$15,765	$275,930	$—	$338,990
Operating leases	114	170	173	189	189	63	898
Construction and development projects commitments	6,453	—	—	—	—	—	6,453
Land purchase	413	—	—	—	—	—	413
Total	$22,745	$15,935	$15,938	$15,954	$276,119	$63	$346,754

At December 31, 2011, the Company had $1.1 million of letters of credit issued with various financial institutions to guarantee its various construction projects. These letters of credit are secured by cash deposits of the Company.

For further discussion of commitments, contractual obligations and contingencies, refer to notes 7, 9 and 21 to the consolidated financial statements and ''*LIQUIDITY AND CAPITAL RESOURCES*''.

OFF-BALANCE SHEET ARRANGEMENTS

Off-balance sheet arrangements consist of letters of credit, construction and development project commitments and certain operating agreements. For further details, refer to note 21 of the consolidated financial statements.

CHANGES TO BOARD OF DIRECTORS AND OFFICERS

Immediately following the completion of the Arrangement, the directors elected as post-closing directors at MID's annual general and special meeting of shareholders on March 29, 2011 commenced their term of office on June 30, 2011. The board of directors elected were G. Wesley Voorheis (Chair), Peter Dey (Vice-Chair), Michael Brody, Barry Gilbertson, William Lenehan, Gerald J. Miller and Scott I. Oran.

On July 6, 2011, the Company announced the appointment of William Lenehan as Interim Chief Executive Officer, Michael Forsayeth as Chief Financial Officer and Jennifer Tindale as Executive-Vice President, General Counsel. The appointments of Mr. Lenehan and Ms. Tindale were effective immediately and the appointment of Mr. Forsayeth became effective on August 12, 2011.

On July 14, 2011, the Company announced the departure of Dennis Mills, Vice-Chairman and Director, Don Cameron, Chief Operating Officer and Vito Ciraco, Vice-President and Associate General Counsel. On August 12, 2011, John Simonetti, the Company's Interim Chief Financial Officer stepped down following the completion of his term as Interim Chief Financial Officer and the appointment of Mr. Forsayeth.

On December 1, 2011, the Company announced the appointment of Tom Heslip as Chief Executive Officer and as a Director. Mr. Heslip replaced Mr. Lenehan, who stepped down at that time having served as MID's Interim CEO and as a Director.

Effective February 27, 2012, the Board appointed John DeAragon as Executive Vice-President, Real Estate Investment.

RELATED PARTY TRANSACTIONS

For a discussion of the Company's transactions with related parties, please refer to notes 1, 2, 3 and 20 to the consolidated financial statements and the section in this MD&A entitled *''ARRANGEMENT TRANSFERRED ASSETS & BUSINESS — SIGNIFICANT MATTERS — MEC's Chapter 11 Filing and Plan of Reorganization''*.

NEW ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

Information on new accounting standards and developments is detailed in note 1 of the Company's consolidated financial statements. There were no new accounting standards that impacted the Company in the year ended December 31, 2011.

OUTSTANDING SHARES

As at the date of this MD&A, the Company had 46,901,356 Common Shares outstanding. The increase of 30,000 Common Shares from December 31, 2011 is a result of a former officer exercising stock options on February 22, 2012. For further details of the Company's share capital transactions, other than as discussed in this MD&A, refer to notes 1 and 10 to the consolidated financial statements for year ended December 31, 2011.

DIVIDENDS

In March 2011, May 2011 and August 2011, the Company declared a quarterly dividend with respect to the three-month periods ended December 31, 2010, March 31, 2011 and June 30, 2011 respectively. The dividend of $0.10 per Common Share and Class B Share was paid on or about April 15, 2011, June 15, 2011 and September 15, 2011 to shareholders of record at the close of business on April 8, 2011, May 27, 2011 and August 26, 2011 respectively. In October 2011, the Company declared a dividend of $0.50 per Common Share with respect of the three-month period ended September 30, 2011. The dividend was paid on or about December 15, 2011 to shareholders of record at the close of business on November 25, 2011. Subsequent to December 31, 2011, the Board declared a dividend of $0.50 with respect of the three-month period ended December 31, 2011, which will be paid on or about April 12, 2012 to shareholders of record at the close of business on March 23, 2012.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates that affect the amounts reported and disclosed in the consolidated financial statements. Management bases estimates on historical experience and various other assumptions that are believed to be reasonable in the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. On an ongoing basis, management evaluates its estimates. However, actual results could differ from those estimates under different assumptions or conditions.

The Company's significant accounting policies are included in note 1 to the consolidated financial statements. Management believes the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the Company's consolidated financial statements.

Principles Of Consolidation

We consolidate entities when we have the ability to control the operating and financial decisions and policies of that entity, including if the entity is determined to be a variable interest entity and we are the primary beneficiary. We apply the equity method of accounting where we can exert significant influence, but not control, over the operating and financial decisions and policies of the entity. We use the cost method of accounting where we are unable to exert significant influence over the entity.

Long-lived Assets

The Company's most significant asset is its net investment in real estate properties. Properties are stated at cost less accumulated depreciation, reduced for impairment losses where appropriate. Cost represents acquisition and development costs, including direct construction costs, capitalized interest and indirect costs wholly attributable to development. The carrying values of the Company's long-lived assets (including real estate properties and fixed assets) not held for sale are evaluated at least annually or whenever events or changes in circumstances present indicators of impairment. If such indicators are present, the Company completes a net recoverable amount analysis for the long-lived assets by determining whether the carrying value of such assets can be recovered through projected undiscounted cash flows. If the sum of expected future cash flows, undiscounted and without interest charges, is less than net book value, the excess of the net book value over the estimated fair value, based on discounted future cash flows and, if appropriate, appraisals, is charged to operations in the period in which such impairment is determined by management.

When properties are classified by the Company as available for sale or discontinued operations, the carrying value is reduced, if necessary, to the estimated net realizable value. ''Net realizable'' value is determined based on discounted net projected cash flows of the assets and, if appropriate, appraisals and/or estimated net sales proceeds from pending offers.

For real estate properties, depreciation is provided on a straight-line basis over the estimated useful lives of buildings, which typically range from 20 to 40 years.

Accounting estimates related to long-lived assets and the impairment assessments thereof, are subject to significant measurement uncertainty and are susceptible to change as such estimates require management to make forward-looking assumptions regarding cash flows and business operations. Any resulting impairment charge could have a material impact on the Company's results of operations and financial position. For details of the impairments taken in the years ended December 31, 2011, 2010 and 2009, refer to note 15 of the consolidated financial statements.

Stock-Based Compensation

Compensation expense for stock options is based on the fair value of the options at the grant date and is recognized over the period from the grant date to the date the award is vested and its exercisability does not depend on continued service by the option holder. Compensation expense is recognized as general and administrative expenses, with a corresponding amount included in equity as contributed surplus. The contributed surplus balance is reduced as options are exercised and the amount initially recorded for the options in contributed surplus is credited to Common Shares, along with the proceeds received on exercise. In the event that options are forfeited or cancelled prior to having vested, any previously recognized expense is reversed in the period of forfeiture or cancellation.

The fair value of stock options is estimated 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 Company's restricted share unit plan is measured at fair value at the date of grant and amortized to compensation expense from the effective date of the grant to the final vesting date. Compensation expense is recognized in general and administrative expenses with a corresponding amount included in equity as contributed surplus. The contributed surplus balance is reduced and credited to Common Shares as restricted share units are released under the plan.

For further details, refer to note 14 to the consolidated financial statements.

Revenue Recognition

Where the Company has retained substantially all the benefits and risks of ownership of its rental properties, leases with its tenants are accounted for as operating leases. Where substantially all the benefits and risks of ownership of the Company's rental properties have been transferred to its tenants, the Company's leases are accounted for as direct financing leases. For leases involving land and buildings, if the fair value of the land exceeds 25% of the consolidated fair value of the land and building at the inception of the lease, the Company evaluates the land and building separately in determining the appropriate lease treatment. In such circumstances, the land lease is typically accounted for as an operating lease, and the building is accounted for as either an operating lease or a direct financing lease, as appropriate.

The Business' leases (the ''Leases'') are net leases under which the lessee is responsible for the direct payment of all operating costs related to the properties, including property taxes, insurance, utilities and routine repairs and maintenance. Revenues and operating expenses do not include any amounts related to operating costs paid directly by the lessees.

The Leases may provide for either scheduled fixed rent increases or periodic rent increases based on increases in a local price index. Where periodic rent increases depend on increases in a local price index, such rent increases are accounted for as contingent rentals and recognized in income in applicable future years. Where scheduled fixed rent increases exist in operating leases, the total scheduled fixed lease payments of the lease are recognized in income evenly on a straight-line basis over the term of the lease. The amount by which the straight-line rental revenue differs from the rents collected in accordance with the lease agreements is recognized in deferred rent receivable.

The Business' classification of its leases as either operating leases or direct financing leases, and the resulting revenue recognition treatment, depends on estimates made by management. If these estimates are inaccurate, there is risk that revenues and income for a period may otherwise differ from reported amounts.

Income Taxes

The Company uses the liability method of tax allocation for accounting for income taxes. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is provided to the extent that it is more likely than not that future tax assets will not be realized.

The Business conducts operations in a number of countries with varying statutory rates of taxation. Judgement is required in the estimation of income taxes, and future income tax assets and liabilities, in each of the Business' operating jurisdictions. This process involves estimating actual current tax exposure, assessing temporary differences that result from the different treatments of items for tax and accounting purposes, assessing whether it is more likely than not that future income tax assets will be realized and, based on all the available evidence, determining if a valuation allowance is required on all or a portion of such future income tax assets. The Business' effective tax rate can vary significantly quarter to quarter due to changes in (i) the proportion of income earned in each tax jurisdiction, (ii) current and future statutory rates of taxation,

(iii) estimates of tax exposures, (iv) the assessment of whether it is more likely than not that future income tax assets will be realized and (v) the valuation allowances recorded on future tax assets. Management's estimates used in establishing the Company's tax provision are subject to uncertainty. Actual results may be materially different from such estimates.

RISKS AND UNCERTAINTIES

Investing in our Common Shares involves a high degree of risk. The occurrence of the following risk factors could have a material adverse effect on our business, financial condition, operating results and prospects. In addition, other risks and uncertainties that are not known to us or that we currently believe are not material, may also have a material adverse effect on our business, financial condition, operating results and prospects.

Substantially all of our revenue comes from payments that we receive under leases with Magna and its operating subsidiaries, so factors affecting Magna businesses will also affect us.

Although one element of our strategic plan is to diversify by significantly increasing the lease revenue that we derive from new tenants, as of December 31, 2011, all but 15 of our income-producing properties were leased to operating subsidiaries of Magna. For the year ended December 31, 2011, Magna and its wholly-owned subsidiaries and their respective operating units collectively represented approximately 97% of our annualized lease payments.

According to Magna's public disclosure, factors that could have an adverse or material adverse effect on the profitability, financial condition, and/or operations of Magna and its operating subsidiaries include:

- The continuation of economic uncertainty, in particular uncertainty concerning the strength of the economic recovery in North America and impact of the current European ''sovereign debt crisis'';
- Declines in automobile sales and production;
- The bankruptcy of any of Magna's major customers;
- A disruption in the supply of components as a result of a deterioration of the financial condition of one of Magna's critical suppliers or other reasons which result in Magna incurring irrecoverable costs;
- Magna may not be able to compete as successfully as some of its competitors in certain product or geographic areas;
- A reduction in outsourcing by Magna's customers or loss of material production or assembly programs, combined with a failure to secure sufficient alternative programs;
- A shift away from technologies in which Magna is investing;
- Termination or non-renewal of a production purchase order by a customer;
- Significant costs associated with rationalization and downsizing of some of Magna's operations or other significant, non-recurring costs;
- Magna's inability to diversify its sales;
- Shifts in market shares among vehicles or shifts away from parts Magna produces;
- Magna's exposure to risks related to conducting business in foreign countries;
- Significant long-term fluctuations in relative currency values;
- The continuation or intensification of pricing pressures and pressure to absorb additional costs;
- Warranty and recall costs;
- Magna's inability to mitigate its exposure to elevated commodities prices, as well as energy prices;
- The electric vehicle industry is subject to a number of risks some of which could affect Magna's ability to recover its investment in its electric vehicle projects;

- Legal claims against Magna;
- Work stoppages and other labour relations disputes;
- Significant changes in laws and governmental regulations; and
- Environmental laws and regulations.

For additional information on factors affecting the business of Magna and its operating subsidiaries, we encourage you to consult Magna's public disclosure. None of Magna's public disclosure however shall be deemed to be incorporated by reference into this MD&A.

The level of business we have received from Magna has declined and beyond our existing lease agreements, we have no agreement with Magna and its operating subsidiaries that it will continue to do business with us in the same manner as it has in the past or at all.

Although MID intends to fortify its relationship with Magna, the level of business MID has received from Magna has declined significantly over the past six years and we may experience a more permanent reduction in the amount of business that MID receives from Magna. Although our income-producing property portfolio decreased from 109 properties at the end of 2006 to 105 properties at December 31, 2011, our total leaseable area of approximately 27.9 million square feet has increased slightly since the end of 2006.

Although we intend to diversify by significantly increasing the lease revenue that we derive from new tenants, virtually all the historical growth of our rental portfolio has been dependent on our relationship with Magna and its operating subsidiaries as tenants of our income-producing properties and as the customers for our development projects. Additionally, the success of our strategic plan is expected to depend, in part, on our ability to fortify our relationship with Magna including selectively investing in Magna properties and opportunistically growing with Magna in new strategic locations. However, although we have acted as the developer, real estate advisor, property manager and owner of a significant number of the industrial facilities for Magna and its operating subsidiaries since our inception, we have no assurance that we will continue to do so. We will continue to compete for any future business from Magna and its operating subsidiaries with other independent third parties.

Magna's plant rationalization strategy may adversely affect our business.

Magna's publicly announced plant rationalization strategy currently includes 11 facilities under lease from the Company (two in Canada, seven in the United States and two in Germany) with an aggregate net book value of $33.1 million at December 31, 2011 after taking an impairment charge for one of the German properties. These 11 facilities represent 1.6 million square feet of leaseable area with annualized lease payments of approximately $6.4 million, or 3.6% of MID's annualized lease payments at December 31, 2011. The weighted average lease term to expiry (based on leaseable area) of these properties at December 31, 2011, disregarding renewal options, is approximately 3.7 years.

MID management expects that given Magna's publicly disclosed strategy of continuously seeking to optimize its global manufacturing footprint, Magna may continue to rationalize facilities. Magna continues to be bound by the terms of any related lease agreements regardless of its plant rationalization strategy. However, given our stated objective to fortify the relationship with Magna, MID management is committed to work proactively with Magna's management to evaluate options that are financially viable for MID and provide Magna with the flexibility it requires to operate its automotive business.

Given the cyclical nature and related pressures in the automotive industry and Magna's current plant rationalization plan, we may not be able to do the same amount of business with Magna and its operating subsidiaries as we have done in the past. An adverse change in our business relationship with Magna could have a significant adverse effect on the growth and profitability of our business.

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

Our tenants have in the past determined, and may in the future determine, not to lease certain properties from us and not to renew certain leases on terms as favourable to us as our existing arrangements with them, or at all. We may be unable to lease a vacant property in our portfolio (including those vacated as part of Magna's plant rationalization strategy) on economically favourable terms, particularly properties that were designed and built with unique features or are located in secondary or rural markets.

In addition, we may not be able to renew an expiring lease or to find a new tenant for the property for which the lease has expired, in each case on terms at least as favourable as the expired lease or at all. Renewal options are generally based on changes in the CPI or prevailing market rates. Market rates may be lower at the time of the renewal options, and accordingly, leases may be renewed at lower levels of rent than are currently in place. Our tenants may fail to renew their leases if they need to relocate their operations as a result of changes in location of their customers' operations or if they choose to discontinue operations as a result of the loss of business.

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

Our operating and net income and the value of our property portfolio depends on the credit and financial stability of our tenants.

We would be adversely affected if a significant number of tenants were to become unable to meet their obligations to us, or if we were unable to lease a significant amount of available space on economically favourable terms.

Additionally, the tenants for the majority of the properties in our rental portfolio are non-public subsidiaries of Magna International Inc., the public company, which does not guarantee the obligations of its subsidiaries under their leases with us. As a result, we may not have the contractual right to proceed directly against the public company in the event that one of these subsidiaries defaulted on its lease with us. We could be materially adversely affected if Magna or its operating subsidiaries became unable to meet their respective financial obligations under their leases, and if the public company was unwilling or unable to provide funds to such subsidiaries for the purpose of enabling them to meet such obligations.

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

Leases representing 38% of our total leasable area as at December 31, 2011 expire in 2017. Our leases generally provide for periodic rent escalations based on specified percentage increases or a CPI adjustment, subject in some cases to a cap. As a result, the long-term nature of these leases limits our ability to increase rents contemporaneously with increases in market rates and may therefore limit our revenue growth and the market value of our income-producing property portfolio.

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

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

Capital and operating expenditures necessary to comply with environmental laws and regulations, to defend against claims of liability or to remediate contaminated property may have a material adverse effect on our results of operations and financial condition. To date, environmental laws and regulations have not had a material adverse effect on our operations or financial condition. However, changes in these government laws and regulations are ongoing and we may become subject to more stringent environmental standards as a result of changes to environmental laws and regulations, compliance with which may have a material adverse effect on our results of operations and financial condition. We cannot predict future costs that we may be required to incur to meet environmental obligations. A lack of effective baselines affects verification of whether an environmental condition was caused by a tenant or existed previously.

Moreover, environmental laws may impose restrictions on the manner in which a property may be used or transferred or in which businesses may be operated, limiting development or expansion of our property portfolio or requiring significant expenditures.

Our international operations expose us to additional risks that may materially adversely affect our business.

During 2011, 34% of our revenue was generated in Canada, 31% of our revenue was generated in Austria, 17% of our revenue was generated in the United States, 9% of our revenue was generated in Germany, 7% of our revenue was generated in Mexico and our remaining revenue was generated in four other countries. Operating in different regions and countries exposes us to political, economic, and other risks as well as multiple foreign regulatory requirements that are subject to change, including:

- Economic downturns in countries or geographic regions where we have significant operations, particularly if the sovereign debt crisis that is currently affecting the European Union continues or intensifies over an extended period;
- Economic tensions between governments and changes in international trade and investment policies;
- Regulations restricting our ability to do business in certain countries;
- Local regulatory compliance requirements;
- Consequences from changes in tax laws including restrictions on the repatriation of funds; and
- Political and economic instability, natural calamities, war, and terrorism.

The effects of these risks may, individually or in the aggregate, materially adversely affect our business.

We are subject to risks affecting the automotive parts industry.

Since Magna and its operating subsidiaries operate in the automotive parts industry, our business is, and for the foreseeable future will be, subject to conditions affecting the automotive industry generally. Although we intend to lease additional properties to tenants other than Magna and its operating subsidiaries, it is likely that our dependence on the automotive industry will continue to be significant.

Vehicle sales globally have shown steep declines on an annualized basis since their peak in January 2008. Many of the economic and market conditions that drove the drop in vehicle sales in North America and worldwide, including declines in real estate values, unemployment, tightened credit markets, depressed consumer confidence and weak housing markets, continue to affect sales. Recent concerns over levels of sovereign indebtedness have contributed to a renewed tightening of credit markets in many jurisdictions, including jurisdictions where we operate. Although vehicle sales have begun to recover in certain markets, the recovery in vehicle sales in certain markets, including North America, has been proceeding slowly and there is no assurance that this recovery in vehicle sales will continue or spread across other markets. Further, sales volumes may again decline severely or take longer to recover than we expect, and if they do, our results of operations and financial condition will be materially adversely affected. A decrease in the long-term profitability or viability of the automotive industry and the automotive parts sector in particular would have a material adverse impact on the financial condition of our tenants and could therefore adversely impact the value of our properties and our operating results.

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

A substantial majority of our current property portfolio is located outside of the United States and generates lease payments that are not denominated in U.S. dollars. Since we currently report our financial results in U.S. dollars and do not currently hedge our non-U.S. dollar rental revenues, we are subject to foreign currency fluctuations that could, from time to time, have an adverse impact on our financial position or operating results.

From time to time, we may attempt to minimize or hedge our exposure to the impact that changes in foreign currency rates or interest rates may have on our revenue and liabilities through the use of derivative financial instruments. The use of derivative financial instruments, including forwards, futures, swaps and options, in our risk management strategy carries certain risks, including the risk that losses on a hedge position will reduce our profits and the cash available for development projects or dividends. A hedge may not be effective in eliminating all the risks inherent in any particular position. Our profitability may be adversely affected during any period as a result of the use of derivatives.

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

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

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

Because we own, lease and develop real property, we are subject to the risks generally incident to investments in real property. The investment returns available from investments in real estate depend in large part on the amount of income earned and capital appreciation generated by the properties, as well as the expenses incurred. We may experience delays and incur substantial costs in enforcing our rights as lessor under defaulted leases, including costs associated with being unable to rent unleased properties to new tenants on a timely basis or with making improvements or repairs required by a new tenant.

In addition, a variety of other factors outside of our control affect income from properties and real estate values, including environmental laws and other governmental regulations, real estate, zoning, tax and eminent domain laws, interest rate levels and the availability of financing. For example, new or existing environmental, real estate, zoning or tax laws can make it more expensive or time consuming to develop real property or expand, modify or renovate existing structures. When interest rates increase, the cost of acquiring, developing, expanding or renovating real property increases and real property values may decrease as the number of potential buyers decreases. In addition, real estate investments are often difficult to sell quickly. Similarly, if financing becomes less available, it becomes more difficult both to acquire and to sell real property. Moreover, governments can, under eminent domain laws, take real property. Sometimes this taking is for less compensation than the owner believes the property is worth.

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

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

- the potential insolvency of a third party developer (where we are not the developer);

- a third party developer's failure to use advanced funds in payment of construction costs;
- construction delays or cost overruns that may increase project costs;
- receipt of zoning, occupancy and other required governmental permits and authorizations;
- development costs incurred for projects that are not pursued to completion;
- natural disasters, such as earthquakes, hurricanes, floods or fires that could adversely impact a project;
- increases in interest rates during the period of the development;
- ability to raise capital; and
- governmental restrictions on the nature or size of a project.

Our development projects may not be completed on time or within budget, and there may be no market for the new use after we have completed development, either of which could adversely affect our operating results.

Real property investments are relatively illiquid and are subject to volatile valuations that could result in significant impairment charges.

Real estate investments are relatively illiquid. This will tend to limit our ability to adjust or adapt our portfolio promptly in response to changing economic or investment conditions. If for whatever reason, liquidation of assets is required, there is a significant risk that we would realize sale proceeds of less than the current book value of our real estate investments.

We have recorded impairment charges related to long-lived assets in recent years as a result of Magna's plant rationalization program and other factors discussed above. If any of the risks outlined in this Risk and Uncertainties section materialize, any resulting impairment could have a material adverse affect on our profitability.

Additionally, many of our significant leases provide our tenants with rights of first refusal, which may adversely affect the marketability and market value of our income-producing property portfolio. These rights of first refusal may deter third parties from incurring the time and expense that would be necessary for them to bid on our properties in the event that we desire to sell those properties. Accordingly, these rights of first refusal may adversely affect our ability to sell our properties or the prices that we receive for them upon any sale.

We may not be able to pay dividends at our current rate or at all.

Although our current dividend policy is to pay a quarterly dividend at the rate of $0.50 per common share to reflect a targeted annualized dividend of $2.00 per common share, with the quarterly dividend rate being set and approved by our board of directors having regard to our financial resources, cash requirements and other relevant factors, the declaration of dividends is at the discretion of our board of directors, and we cannot assure you that we will actually pay dividends at the rate we currently expect, particularly if our business or cash flows are materially adversely affected by one or more of the risks described elsewhere in this section, or if our board of directors determines that it is in the best interests of the Company to change our current dividend policy.

We may be unable to successfully implement our strategic plan, or may fail to realize benefits which are currently targeted to result from the implementation of that plan.

The objectives of the strategic plan are subject to known and unknown risks, uncertainties and other unpredictable factors which, in addition to those discussed in this document, include: adverse changes to foreign or domestic tax or other laws; our inability to develop a suitable structure for the REIT conversion; changes in economic, market and competitive conditions and other risks that may adversely affect our ability to fortify and grow our relationship with Magna, expand and diversify our lease portfolio, increase our leverage, and reduce general and administrative costs.

We may not be able to convert to a REIT.

The timing or completion of the conversion of MID to a REIT cannot be predicted with certainty, and there can be no assurance at this time that all required or desirable approvals and consents to effect a conversion will be obtained in a timely manner or at all. The implementation of a conversion to a REIT may result in a taxable disposition of their MID shares to at least some of MID's shareholders, as well as in the incurring of material Canadian or foreign tax and other transaction costs to MID; and there is a possibility that the Board of Directors may determine that potential benefits of a conversion of MID to a REIT do not justify potential costs of the conversion or of on-going issues, risks or costs that might result from such conversion. In particular, any challenge by the Canada Revenue Agency to the continued availability of capital losses which MID realized in 2011 could result in MID being found to have realized material capital gains tax on implementation of the conversion. In addition, the conversion potentially might be delayed by the Board of Directors until such time as a majority of MID's shareholders are resident in Canada in light of Canadian income tax risks that may arise if a majority of the unitholders of a Canadian REIT are non-residents.

We may be unable to obtain necessary future financing.

Our access to third-party financing will be subject to a number of factors, including general market conditions; our credit rating; the market's perception of our stability and growth potential; and our current and future cash flow and earnings. There is no assurance that capital will be available when needed or on favourable terms. Our failure to access required capital on acceptable terms could adversely affect our investments, cash flows, operating results or financial condition. Additionally, as a result of global economic volatility, we may have restricted access to capital and increased borrowing costs. The lending capacity of all financial institutions has diminished and risk premiums have increased independent of our business and asset base. As future acquisitions and capital expenditures will be financed out of cash generated from operations, borrowings and possible future debt or equity security issuances, our ability to do so is dependent on, among other factors, the overall state of capital markets and investor appetite for investments in the real estate sector and automotive industry and in our securities in particular.

To the extent that external sources of capital become limited or unavailable or available on onerous terms, our ability to make acquisitions and capital investments and maintain existing assets may be impaired, and our assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

We may face unexpected risks relating to acquisitions.

In implementing our strategic plan, we expect to acquire new properties and may also acquire going-concern businesses. Integrating acquired properties and businesses involve a number of risks that could materially and adversely affect our business, including:

- failure of the acquired properties or businesses to achieve expected investment results;
- risks relating to the integration of the acquired properties or businesses and the retention and integration of key personnel relating to the acquired properties or businesses;
- the risk that acquisitions may require substantial financial resources that otherwise could be used in the development of other aspects of our business; and
- the risk that major tenants or clients of the acquired properties or businesses may not be retained following the acquisition of such properties or businesses.

Furthermore, the properties and businesses acquired many have undisclosed liabilities for which we may not be entitled to any recourse against the vendor, and any contractual, legal, insurance or other remedies may be insufficient. The discovery of any material liabilities subsequent to the closing of the acquisition for any property or business could have a material adverse effect on our cash flows, financial condition and results of operations.

We may incur significant capital expenditures and other fixed costs.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. This may include expenditures to fulfill mandatory requirements for energy efficiency. In order to retain desirable rentable space and to generate adequate revenue over the long term, we must maintain or, in some cases, improve each property's condition to meet market demand.

Maintaining a rental property in accordance with market standards over its useful life can entail costs, which we may not be able to pass on to our tenants; such costs may include: a new roof, paved areas or structural repair. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of construction or currently unknown building code violations, could result in substantial unbudgeted costs for refurbishment or modernization. If the actual costs of maintaining or upgrading a property exceed our estimates, or if hidden defects are discovered during maintenance or upgrading, which are not covered by insurance or contractual warranties, or if we are not permitted to raise the rents due to legal constraints, we will incur additional and unexpected costs. If competing properties of a similar type are built in the area where one of our properties is located or similar properties located in the vicinity of one of our properties are substantially refurbished, the net operating income derived from, and the value of, such property could be reduced.

Any failure by us to undertake appropriate maintenance and refurbishment work in response to the factors described above could adversely affect the rental income we earn from such properties.

Potential losses to our properties may not be covered by insurance or may exceed our policy coverage limits.

We do not carry insurance for generally uninsured losses, such as losses from riots, war, or terrorist attacks.

If we experience a loss which is uninsured or which exceeds our policy coverage limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, the recent disruption in the financial markets makes it more difficult to evaluate the stability and net assets or capitalization of insurance companies, and any insurer's ability to meet its claim payment obligations. A failure of an insurance company to make payments to us upon an event of loss covered by an insurance policy could have a material adverse effect on our business and financial condition.

Because we are involved in litigation from time to time and are subject to numerous laws and governmental regulations, we could incur substantial judgments, fines, legal fees and other costs.

We are sometimes the subject of complaints or litigation from tenants, employees or other third parties for various actions. The damages sought against us in these litigation claims can be substantial. If one or more of the claims were to greatly exceed our liability insurance coverage limits or if our insurance policies do not cover a claim, this could have a material adverse effect on our business, financial condition, results of operations and cash flows. Additionally, we are subject to numerous federal, provincial and local laws and governmental regulations relating to environmental protections, product quality standards, and building and zoning requirements. If we fail to comply with existing or future laws or regulations, we may be subject to governmental or judicial fines or sanctions, while incurring substantial legal fees and costs. In addition, our capital expenses could increase due to remediation measures that may be required if we are found to be noncompliant with any existing or future laws or regulations.

SELECTED ANNUAL AND QUARTERLY FINANCIAL DATA

Refer to note 1 of the consolidated financial statements for a description of the accounting policies used in the determination of the financial data.

(in thousands, except per share information)

Years Ended and As at December 31,	**2011**	2010	2009
Revenue:			
Real Estate Business[1]			
Rental Revenue	**$ 182,949**	$ 172,070	$ 170,286
Interest and other income from MEC	**—**	1,824	43,469
	$ 182,949	$ 173,894	$ 213,755
Income (loss) from continuing operations attributable to MID:			
Real Estate Business[1][2]	**$ 59,196**	$ 66,541	$ (43,632)
Net income (loss) attributable to MID:			
Real Estate Business[1][2]	**$ 59,196**	$ 66,541	$ (43,632)
Discontinued operations[1]	**96,601**	(119,245)	1,343
	$ 155,797	$ (52,704)	$ (42,289)
Cash dividends declared per share	**$ 0.80**	$ 0.50	$ 0.60
Basic and diluted earnings (loss) per share from continuing operations	**$ 1.26**	$ 1.42	$ (0.93)
Basic and diluted earnings (loss) per share	**$ 3.32**	$ (1.13)	$ (0.91)
Total Assets:			
Real Estate Business	**$1,224,593**	$1,285,329	$1,918,151
Total Debt:			
Real Estate Business	**$ 258,836**	$ 279,637	$ 253,204

Year Ended December 31, 2011	Mar 31	Jun 30	Sep 30	Dec 31	Total
Revenue:					
Real Estate Business[1]					
Rental Revenue	$44,867	$ 46,361	$46,411	$45,310	$182,949
Income from continuing operations attributable to MID:					
Real Estate Business[1][2]	$12,836	$ 27,292	$15,524	$ 3,544	$ 59,196
Net income attributable to MID:					
Real Estate Business[1][2]	$12,836	$ 27,292	$15,524	$ 3,544	$ 59,196
Discontinued operations[1]	10,885	85,716	—	—	96,601
	$23,721	$113,008	$15,524	$ 3,544	$155,797
Basic and diluted earnings per share from continuing operations	$ 0.27	$ 0.58	$ 0.33	$ 0.08	$ 1.26
Basic and diluted earnings per share	$ 0.51	$ 2.40	$ 0.33	$ 0.08	$ 3.32
FFO:					
Real Estate Business[2]	$23,432	$ 38,207	$26,368	$14,259	$102,266
FFO per share:					
Real Estate Business[2]	$ 0.51	$ 0.81	$ 0.56	$ 0.30	$ 2.18
Diluted shares outstanding	46,947	47,165	46,862	46,883	46,970

Year Ended December 31, 2010	Mar 31	Jun 30	Sep 30	Dec 31	Total
Revenue:					
Real Estate Business[1]					
Rental Revenue	$43,607	$42,281	$ 42,595	$ 43,587	$ 172,070
Interest and other income from MEC	784	1,040	—	—	1,824
	$44,391	$43,321	$ 42,595	$ 43,587	$ 173,894
Income (loss) from continuing operations attributable to MID:					
Real Estate Business[1][2]	$15,287	$38,472	$ 13,894	$ (1,112)	$ 66,541
Net income (loss) attributable to MID:					
Real Estate Business[1][2]	$15,287	$38,472	$ 13,894	$ (1,112)	$ 66,541
Discontinued operations[1]	(158)	(6,472)	(24,419)	(88,196)	(119,245)
	$15,129	$32,000	$(10,525)	$(89,308)	$ (52,704)
Basic and diluted earnings (loss) per share from continuing operations	$ 0.32	$ 0.82	$ 0.30	$ (0.02)	$ 1.42
Basic and diluted earnings (loss) per share	$ 0.32	$ 0.68	$ (0.22)	$ (1.91)	$ (1.13)
FFO:					
Real Estate Business[2]	$25,720	$48,587	$ 24,052	$ 9,363	$ 107,722
FFO per share:					
Real Estate Business[2]	$ 0.55	$ 1.04	$ 0.52	$ 0.20	$ 2.31
Diluted shares outstanding	46,708	46,708	46,708	46,708	46,708

(1) As a result of the Arrangement, the results of operations of the Arrangement Transferred Assets & Business have been presented as discontinued operations for all periods presented. The Racing & Gaming Business results of operations are included in the Company's consolidated results of operations subsequent to the effective date of the Plan of April 30, 2010 (see ''*ARRANGEMENT TRANSFERRED ASSETS & BUSINESS — SIGNIFICANT MATTERS — MEC's Chapter 11 Filing and Plan of Reorganization*''). For the third and fourth quarters of 2011, the Company's results of operations were not impacted by the Arrangement Transferred Assets & Business as they were transferred to the Stronach Shareholder effective June 30, 2011. The results of MEC's operations up to the Petition Date in the year ended December 31, 2009 have also been presented as discontinued operations.

(2) The Business' results for 2011 include (i) $6.0 million and $2.4 million ($6.0 million and $1.9 million net of income taxes) in the first and second quarters respectively, of advisory and other costs primarily incurred in connection with the Arrangement (see ''*ARRANGEMENT TRANSFERRED ASSETS & BUSINESS — SIGNIFICANT MATTERS — Plan of Arrangement*'') and the settlement of an outstanding litigation, (ii) $2.8 million ($1.7 million net of income taxes) in the second quarter relating to a write-down of an income producing commercial office building, (iii) $13.3 million in income tax recovery relating to an internal amalgamation completed in 2010 that was set aside and cancelled during the second quarter, (iv) $5.6 million ($4.0 million net of income taxes) and $1.6 million ($1.1 million net of income taxes) in the third and fourth quarters respectively relating to employee termination costs and (v) a write-down of $16.3 million ($13.0 million net of income taxes) relating to two income producing properties in Austria and Germany in the fourth quarter.

The Real Estate Business' results for 2010 include (i) $4.5 million, $3.4 million, $0.8 million and $0.7 million ($4.5 million, $3.4 million, $0.8 million and $0.7 million net of income taxes) in the first, second, third and fourth quarters respectively, of advisory and other costs primarily incurred in connection with MID's involvement in the Debtors' Chapter 11 process (see ''*ARRANGEMENT TRANSFERRED ASSETS & BUSINESS — SIGNIFICANT MATTERS — MEC's Chapter 11 Filing and Plan of Reorganization*''), (ii) $10.0 million ($10.0 million net of income taxes) in the second quarter of a recovery of the impairment provision related to loans receivable from MEC, (iii) $20.3 million ($20.3 million net of income taxes) in the second quarter of a purchase price consideration adjustment related to the MEC Transferred Assets, (iv) $1.9 million ($1.2 million net of income taxes) relating to a lease termination fee in the second quarter and (v) $12.7 million in the fourth quarter of income tax expense relating to an internal reorganization completed in 2010. The purchase price consideration adjustment of $18.7 million and $2.3 million incurred in the third and fourth quarters of 2010 respectively, partially offset with a $0.7 million purchase price consideration adjustment incurred in the first quarter of 2011 has been retrospectively adjusted to the second quarter of 2010 as certain of the fair values of the MEC Transferred Assets were accounted for in accordance with Accounting Standards Codification 805, ''Business Combinations'', (''ASC 805''). These fair values were preliminary in nature and subject to change in future reporting periods. Such changes in estimates are accounted for on a retrospective basis as at the acquisition date.

FORWARD-LOOKING STATEMENTS

This MD&A contains 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, capital structure, cost of capital, tenant base, tax consequences, economic performance or expectations, or the assumptions underlying any of the foregoing. In particular, this MD&A contains forward-looking statements regarding a proposed conversion to a REIT, the proposed fortification and growth of MID's relationship with Magna, the proposed expansion and diversification of MID's lease portfolio, and expected increases in leverage. Words such as ''may'', ''would'', ''could'', ''will'', ''likely'', ''expect'', ''anticipate'', ''believe'', ''intend'', ''plan'', ''forecast'', ''project'', ''estimate'', ''seek'' and similar expressions are used to identify forward-looking statements. Forward-looking statements should not be read as guarantees of future events, 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. In particular, MID cautions that the timing or completion of the REIT conversion process cannot be predicted with certainty, and there can be no assurance at this time that all required or desirable approvals and consents to effect a conversion will be obtained in a timely manner or at all. There can also be no assurance that the proposed fortification and growth of MID's relationship with Magna, the proposed expansion and diversification of MID's lease portfolio, and expected increases in leverage can be achieved in a timely manner, or at all. 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 risk of changes to tax or other laws that may adversely affect the REIT conversion; the inability of MID to develop a suitable structure for the REIT conversion; the inability to obtain all required consents and approvals for the REIT conversion; economic, market and competitive conditions and other risks that may adversely affect MID's ability to fortify and grow its relationship with Magna, expand and diversify its lease portfolio and increase its leverage; and the risks set forth in the ''Risks and Uncertainties'' section in this MD&A which investors are strongly advised to review. The ''Risks and Uncertainties'' section also contains information about the material factors or assumptions underlying such forward-looking statements. Forward-looking statements speak only as of the date the statements were made and unless otherwise required by applicable securities laws, the Company expressly disclaims any intention and undertakes no obligation to update or revise any forward-looking statements contained in this MD&A to reflect subsequent information, events or circumstances or otherwise.

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Audited Consolidated Financial Statements and Notes

For the year ended December 31, 2011

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of MI Developments Inc. (the ''Company'') is responsible for the preparation and presentation of the consolidated financial statements and all the information in the 2011 Annual Report. The consolidated financial statements were prepared by management in accordance with United States generally accepted accounting principles (''U.S. GAAP'').

Where alternative accounting methods exist, management has selected those it considered to be most appropriate in the circumstances. Financial statements include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis to ensure that the consolidated financial statements are presented fairly in all material respects. Financial information presented elsewhere in this Annual Report has been prepared by management to ensure consistency with information contained in the consolidated financial statements. The consolidated financial statements have been audited by the independent auditors, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

Management is responsible for the development and maintenance of systems of internal accounting and administrative cost controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is accurate, relevant and reliable and that the Company's assets are appropriately accounted for and adequately safeguarded. Management has determined that, as at December 31, 2011 and based on the framework set forth in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, internal control over financial reporting is effective. The Company's Chief Executive Officer and Chief Financial Officer, in compliance with Section 302 of the U.S. Sarbanes-Oxley Act of 2002 (''SOX''), provide a SOX-related certification in connection with the Company's annual disclosure document in the U.S. (Form 40-F) to the U.S. Securities and Exchange Commission. According to Multilateral Instrument 52-109, a similar certification is provided to the Canadian Securities Administrators.

The Company's Audit Committee is appointed by its Board of Directors annually and is comprised solely of outside independent directors. The Audit Committee meets periodically with management, as well as with the independent auditors, to satisfy itself that each is properly discharging its responsibilities, to review the consolidated financial statements and the independent auditors' report and to discuss significant financial reporting issues and auditing matters. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders.

The consolidated financial statements have been audited by Ernst & Young LLP, the independent auditors, in accordance with United States generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) on behalf of the shareholders. The Auditors' Report outlines the nature of their examination and their opinion on the consolidated financial statements of the Company. The independent auditors have full and unrestricted access to the Audit Committee.

THOMAS HESLIP	MICHAEL FORSAYETH
Chief Executive Officer	Chief Financial Officer

Toronto, Canada,
March 9, 2012.

INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of
MI Developments Inc.

We have audited the accompanying consolidated financial statements of MI Developments Inc. (the ''Company''), which comprise the consolidated balance sheets as at December 31, 2011 and 2010, and the consolidated statements of income (loss), comprehensive income (loss), changes in deficit and cash flows for each of the years in the three-year period ended December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with United States generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2011 and 2010, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2011 in accordance with United States generally accepted accounting principles.

Other matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 9, 2012 expressed an unqualified opinion on the Company's internal control over financial reporting.

Ernst & Young LLP

Toronto, Canada
March 9, 2012

Chartered Accountants
Licensed Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS UNDER THE STANDARDS OF THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD (UNITED STATES)

The Board of Directors and Shareholders of
MI Developments Inc.

We have audited MI Developments Inc.'s (the ''Company'') internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the ''COSO criteria''). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Discussion and Analysis of Results of Operations and Financial Position, under the heading of ''CONTROLS AND PROCEDURES — Report on Internal Control Over Financial Reporting''. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) and Canadian generally accepted auditing standards, the consolidated balance sheets as at December 31, 2011 and 2010, and the consolidated statements of income (loss), comprehensive income (loss), changes in deficit and cash flows for each of the years in the three-year period ended December 31, 2011, and a summary of significant accounting policies and other explanatory information of the Company and our report dated March 9, 2012 expressed an unqualified opinion thereon.

Ernst & Young LLP

Toronto, Canada
March 9, 2012

Chartered Accountants
Licensed Public Accountants

Consolidated Balance Sheets

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

As at December 31,	Note	2011	2010 (restated — note 20)
ASSETS			
Non-current assets:			
Real estate properties, net	4	**$1,135,475**	$1,174,271
Deferred rent receivable		**12,492**	13,420
Future tax assets	6	**1,270**	2,629
Note receivable	2	**2,500**	—
Receivable from Reorganized MEC	2	**—**	7,500
Fixed assets, net		**35**	95
Other assets	5	**3,538**	4,356
Discontinued operations	1, 20	**—**	586,309
		1,155,310	1,788,580
Current assets:			
Current portion of note receivable	2	**5,250**	—
Current portion of receivable from Reorganized MEC	2	**—**	5,689
Accounts receivable		**6,447**	2,817
Income taxes receivable		**995**	1,469
Prepaid expenses and other		**634**	6,351
Cash and cash equivalents		**55,957**	66,732
Current assets of discontinued operations	1, 20	**—**	72,115
Total assets		**$1,224,593**	$1,943,753
LIABILITIES AND SHAREHOLDERS' EQUITY			
Non-current liabilities:			
Senior unsecured debentures, net	7	**$ 258,836**	$ 264,312
Future tax liabilities	6	**29,718**	37,751
Deferred revenue		**3,922**	—
Discontinued operations	1, 20	**—**	33,140
		292,476	335,203
Current liabilities:			
Long-term debt due within one year	7	**—**	2,254
Deferred revenue		**3,539**	2,752
Accounts payable and accrued liabilities	8	**14,195**	24,032
Income taxes payable		**20,339**	24,211
Bank indebtedness	9	**—**	13,071
Current liabilities of discontinued operations	1, 20	**—**	50,542
Total liabilities		**330,549**	452,065
Shareholders' equity:			
Common Shares (Shares issued — 46,871,356; 2010 — 46,160,564)	10	**1,521,093**	1,506,088
Class B Shares (Shares issued: nil; 2010 — 547,413)	10	**—**	17,866
Contributed surplus	11	**57,636**	59,020
Deficit		**(845,770)**	(267,227)
Accumulated other comprehensive income	12	**161,085**	175,941
Total shareholders' equity		**894,044**	1,491,688
Total liabilities and shareholders' equity		**$1,224,593**	$1,943,753
Commitments and contingencies	21		

See accompanying notes

On behalf of the Board:

/s/ G. WESLEY VOORHEIS
Director

/s/ GERALD J. MILLER
Director

Consolidated Statements of Income (Loss)

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

Years ended December 31,	Note	2011	2010	2009
			(restated — note 20)	
Revenues				
Rental		**$182,949**	$172,070	$170,286
Interest and other income from MEC	3(a)	**—**	1,824	43,469
		182,949	173,894	213,755
Operating costs, expenses and income				
Property operating costs		**3,081**	2,784	2,227
General and administrative		**47,400**	43,586	48,431
Depreciation and amortization		**43,158**	41,181	40,973
Interest expense and other financing costs, net	7(c)	**15,926**	18,217	14,687
Foreign exchange losses (gains)		**(191)**	86	(543)
Write-down of long-lived assets	15	**19,149**	—	4,498
Impairment provision (recovery) related to loans receivable from MEC	3(a)	**—**	(9,987)	90,800
Operating income		**54,426**	78,027	12,682
Deconsolidation adjustment to the carrying values of MID's investment in, and amounts due from, MEC	1(d)	**—**	—	(46,677)
Gain on disposal of real estate		**88**	—	206
Other gains (losses), net	3(c),12	**—**	1,971	(7,798)
Purchase price consideration adjustment	2	**—**	20,335	—
Income (loss) before income taxes		**54,514**	100,333	(41,587)
Income tax expense (recovery)	6	**(4,682)**	33,792	2,045
Income (loss) from continuing operations		**59,196**	66,541	(43,632)
Income (loss) from discontinued operations, net of income tax	20	**96,601**	(119,245)	(4,965)
Net income (loss)		**155,797**	(52,704)	(48,597)
Add net loss attributable to the noncontrolling interest	13	**—**	—	6,308
Net income (loss) attributable to MID		**$155,797**	$ (52,704)	$ (42,289)
Income (loss) attributable to MID from				
— continuing operations		**$ 59,196**	$ 66,541	$ (43,632)
— discontinued operations		**96,601**	(119,245)	1,343
Net income (loss) attributable to MID		**$155,797**	$ (52,704)	$ (42,289)
Basic and diluted earnings (loss) attributable to each MID Common or Class B Share	16			
— continuing operations		**$ 1.26**	$ 1.42	$ (0.93)
— discontinued operations		**2.06**	(2.55)	0.02
Total		**$ 3.32**	$ (1.13)	$ (0.91)
Average number of Common and Class B Shares outstanding during the year (in thousands)	16			
— Basic		**46,888**	46,708	46,708
— Diluted		**46,970**	46,708	46,708

See accompanying notes

Consolidated Statements of Comprehensive Income (Loss)

(U.S. dollars in thousands)

Years ended December 31,	Note	2011	2010	2009
Net income (loss)		**$155,797**	$(52,704)	$(48,597)
Other comprehensive income (loss):				
Change in fair value of interest rate swaps, net of taxes	12,13	**—**	—	171
Foreign currency translation adjustment	12,13	**(14,324)**	(22,079)	48,241
Recognition of foreign currency translation loss (gain) in net income (loss)	12	**—**	(42)	7,798
Change in net unrecognized actuarial pension losses	12	**—**	(120)	—
Reclassification to net income (loss) of foreign currency translation gain of discontinued operations upon deconsolidation	12	**(652)**	—	—
Reclassification to net income (loss) of net unrecognized actuarial pension losses of discontinued operations upon deconsolidation	12	**120**	—	—
Reclassification to income of MEC's accumulated other comprehensive income upon deconsolidation of MEC	1(d),12	**—**	—	(19,850)
Comprehensive income (loss)		**140,941**	(74,945)	(12,237)
Add comprehensive loss attributable to the noncontrolling interest	13	**—**	—	6,303
Comprehensive income (loss) attributable to MID		**$140,941**	$(74,945)	$ (5,934)

See accompanying notes

Consolidated Statements of Changes in Deficit

(U.S. dollars in thousands)

Years ended December 31,	Note	2011	2010	2009
Deficit, beginning of year		**$(267,227)**	$(191,169)	$(120,855)
Net income (loss) attributable to MID		**155,797**	(52,704)	(42,289)
Dividends		**(37,544)**	(23,354)	(28,025)
Distribution under Plan of Arrangement	**1, 20**	**(696,796)**	—	—
Deficit, end of year		**$(845,770)**	$(267,227)	$(191,169)

See accompanying notes

Consolidated Statements of Cash Flows

(U.S. dollars in thousands)

Years ended December 31,	Note	2011	2010	2009
			(restated — note 20)	
OPERATING ACTIVITIES				
Income (loss) from continuing operations		**$ 59,196**	$ 66,541	$ (43,632)
Items not involving current cash flows	17(a)	**62,415**	25,971	141,903
Changes in non-cash working capital balances	17(b)	**(8,285)**	(1,304)	12,366
Cash provided by operating activities		**113,326**	91,208	110,637
INVESTING ACTIVITIES				
Real estate and fixed asset additions		**(50,341)**	(9,794)	(8,021)
Proceeds on disposal of real estate and fixed assets, net		**133**	—	692
Decrease (increase) in other assets		**156**	(2,618)	(824)
Loan repayments from MEC		**—**	60,794	10,632
Loan advances to MEC, net		**—**	(13,804)	(54,072)
Acquisition of MEC Transferred Assets, net of cash	2	**—**	(50,520)	—
Cash used in investing activities		**(50,052)**	(15,942)	(51,593)
FINANCING ACTIVITIES				
Proceeds from bank indebtedness		**37,618**	77,077	—
Repayment of bank indebtedness		**(49,936)**	(64,181)	—
Repayment of long-term debt		**(2,238)**	(225)	(3,309)
Issuance of shares		**7,235**	—	—
Dividends paid		**(37,544)**	(23,354)	(28,025)
Cash used in financing activities		**(44,865)**	(10,683)	(31,334)
Effect of exchange rate changes on cash and cash equivalents		**584**	(1,033)	5,235
Net cash flows provided by continuing operations		**18,993**	63,550	32,945
DISCONTINUED OPERATIONS				
Cash provided by (used in) operating activities		**629**	(2,405)	(5,663)
Cash provided by (used in) investing activities		**(49,072)**	5,048	(45,108)
Cash used in financing activities		**—**	(115,949)	(1,885)
Net cash flows used in discontinued operations		**(48,443)**	(113,306)	(52,656)
Net decrease in cash and cash equivalents during the year		**(29,450)**	(49,756)	(19,711)
Cash and cash equivalents, beginning of year		**85,407**	135,163	154,874
Cash and cash equivalents, end of year		**55,957**	85,407	135,163
Less: cash and cash equivalents of discontinued operations, end of year		**—**	(18,675)	(164)
Cash and cash equivalents of continuing operations, end of year		**$ 55,957**	$ 66,732	$134,999

See accompanying notes

Notes to Consolidated Financial Statements

(All amounts, except per share amounts, in thousands of U.S. dollars unless otherwise noted)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Organization, Segmented Information and Basis of Presentation

Organization

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

On March 5, 2009 (the ''Petition Date''), MEC and certain of its subsidiaries (collectively, the ''Debtors'') filed voluntary petitions for reorganization under Chapter 11 of Title 11 of the United States Code (the ''Bankruptcy Code'') in the United States Bankruptcy Court for the District of Delaware (the ''Court'') and were granted recognition of the Chapter 11 proceedings from the Ontario Superior Court of Justice under section 18.6 of the Companies' Creditors Arrangement Act in Canada. On February 18, 2010, MID announced that MEC had filed the Joint Plan of Affiliated Debtors, an agreement amongst the Official Committee of Unsecured Creditors (the ''Creditors' Committee''), MID and MI Developments US Financing Inc. pursuant to the Bankruptcy Code (as amended, the ''Plan'') and related Disclosure Statement in connection with the MEC Chapter 11 proceedings. The Plan provided, among other things, that the assets of MEC remaining after certain asset sales were to be transferred to MID, including, among other assets, Santa Anita Park, Golden Gate Fields, Gulfstream Park (including MEC's interest in The Village at Gulfstream Park™, a joint venture between MEC and Forest City Enterprises, Inc.), Portland Meadows, AmTote International, Inc. (''AmTote'') and XpressBet®, Inc. (''XpressBet''). On March 23, 2010, the Plan was amended to include the transfer of The Maryland Jockey Club (''MJC'') to MID (together with the assets referred to in the preceding sentence, the ''MEC Transferred Assets''). On April 30, 2010, the closing conditions of the Plan were satisfied or waived, and the Plan became effective following the close of business on April 30, 2010 (note 2).

On June 30, 2011, the Company completed a court-approved plan of arrangement (the ''Arrangement'') under the *Business Corporations Act* (Ontario) which eliminated MID's dual class share capital structure through which Mr. Frank Stronach and his family controlled MID (the ''Stronach Shareholder''). Definitive agreements with respect to the Arrangement were entered into by the Company on January 31, 2011. The Arrangement was approved on March 29, 2011 by 98.08% of the votes cast by shareholders at the annual general and special meeting and on March 31, 2011, the Ontario Superior Court of Justice issued a final order approving the Arrangement. The Arrangement eliminated MID's dual class share capital structure through:

i) the purchase for cancellation of 363,414 Class B Shares held by the Stronach Shareholder upon the transfer to the Stronach Shareholder of the Company's Racing & Gaming Business including $20 million of working capital at January 1, 2011, substantially all of the Company's lands held for development and associated assets and liabilities (MID was granted an option to purchase at fair value certain of these development lands if needed to expand the Company's income producing properties), a property located in the United States, an income producing property located in Canada which is also currently MID's Head Office and cash in the amount of $8.5 million. In addition, the Stronach Shareholder received a 50% interest in the note receivable and cash proceeds from the sale of Lone Star LP (note 2), a 50% interest in any future payments under a holdback agreement relating to MEC's prior sale of The Meadows racetrack (note 2) and a second right of refusal (behind Magna's first right of refusal) in respect of certain properties owned by MID and leased to Magna in Oberwaltersdorf, Austria and Aurora, Canada (the assets and liabilities transferred to the Stronach Shareholder pursuant to the Arrangement are collectively referred to as the ''Arrangement Transferred Assets & Business''); and

ii) the purchase for cancellation by MID of each of the other 183,999 Class B Shares in consideration for 1.2 Class A Subordinate Voting Shares per Class B Share, which following cancellation of the Class B Shares and together with the then outstanding Class A Subordinate Voting Shares were renamed Common Shares.

Segmented Information and Discontinued Operations

The Company's reportable segments reflect the manner in which the Company is organized and managed by its senior management. Subsequent to the effective date of the Plan on April 30, 2010 until the completion of the Arrangement on June 30, 2011, the Company's operations were segmented between the ''Real Estate Business'' and the ''Racing & Gaming Business''. The Company's reportable segments were determined based upon the distinct nature of their operations and that each segment offered different services and was managed separately. Prior to the deconsolidation of MEC at the Petition Date on March 5, 2009, the Company's operations were segmented in the Company's internal financial reports between wholly-owned operations (''Real Estate Business'') and publicly-traded operations (''MEC''). This segregation of operations between wholly-owned and publicly-traded operations recognized the fact that, in the case of the Real Estate Business, the Company's Board of Directors (the ''Board'') and executive management have direct responsibility for the key operating, financing and resource allocation decisions, whereas, in the case of MEC, such responsibility resided with MEC's separate Board of Directors and executive management. However, as a result of the Arrangement noted above, the financial position and results of operations of the Arrangement Transferred Assets & Business have been presented as discontinued operations (note 20) and, as such, have been excluded from continuing operations for all periods presented. Accordingly, the Company's single reportable segment pertains to the Real Estate Business' income producing properties.

The Company's lands held for development and associated assets and liabilities, a property located in the United States and an income producing property located in Canada were previously presented in the Real Estate Business segment and have been presented as discontinued operations for the years ended December 31, 2011, 2010 and 2009.

Real Estate Business

The Company's real estate operations are engaged primarily in the acquisition, development, construction, leasing, management and ownership of a predominantly industrial rental portfolio. At December 31, 2011, the Company's real estate portfolio consists of 105 income producing industrial and commercial properties, representing 27.9 million square feet of leaseable area located in nine countries: Canada, the United States, Mexico, Austria, Germany, the Czech Republic, the United Kingdom, Spain and Poland. Substantially all of these real estate assets are leased to Magna's automotive operating subsidiaries.

Racing & Gaming Business

As a result of the Plan, following the close of business on April 30, 2010, MID became the owner and operator of horse racetracks and a supplier, via simulcasting, of live horse racing content to the inter-track, off-track and account wagering markets.

As a result of the Arrangement, the Racing & Gaming Business is included in discontinued operations (note 20). The Racing & Gaming Business owned and operated four thoroughbred racetracks located in the United States, as well as the simulcast wagering venues at these tracks, including: Santa Anita Park, Golden Gate Fields, Gulfstream Park (which includes a casino with alternative gaming machines) and

Portland Meadows; XpressBet®, a United States based national account wagering business; AmTote, a provider of totalisator services to the pari-mutuel industry; and a thoroughbred training centre in Palm Meadows, Florida. The Racing & Gaming Business also included: a 50% joint venture interest in The Village at Gulfstream Park™, an outdoor shopping and entertainment centre located adjacent to Gulfstream Park; a 50% joint venture interest in HRTV, LLC, which owns Horse Racing TV®, a television network focused on horse racing; a 51% interest in Maryland RE & R LLC, a joint venture with real estate and racing operations in Maryland, including Pimlico Race Course, Laurel Park and a thoroughbred training centre and a 49% joint venture interest in Laurel Gaming LLC, a joint venture established to pursue gaming opportunities at the Maryland properties.

Prior to the deconsolidation of MEC at the Petition Date, MEC's operations primarily included the operation and management of seven thoroughbred racetracks, one standardbred racetrack and two racetracks that ran both thoroughbred and quarter horse meets, as well as the simulcast wagering venues at these tracks. Certain of these racetracks were acquired by MID on April 30, 2010 (note 2). Three of the racetracks owned or operated by MEC (two in the United States and one in Austria) included casino operations with alternative gaming machines. MEC also owned and operated XpressBet®, AmTote, three thoroughbred training centres, joint venture interests in The Village at Gulfstream Park™ and HRTV, LLC, and 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 included a residential development in Austria.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in U.S. dollars following United States generally accepted accounting principles (''U.S. GAAP'').

(b) Consolidated Financial Statements

The accompanying consolidated financial statements include the accounts of MID and its subsidiaries (references to ''MID'' or the ''Company'' include MID's subsidiaries). All significant intercompany balances and transactions have been eliminated.

(c) Comparative Amounts

The Company has reordered the consolidated balance sheet as at December 31, 2010. In addition, property operating costs and certain expenses have been reclassified in the consolidated statements of income (loss) for the years ended December 31, 2010 and 2009 to conform to the current year's presentation.

(d) Deconsolidation of MEC

As a result of the MEC Chapter 11 filing on the Petition Date as described above, the Company concluded that, under U.S. GAAP, it ceased to have the ability to exert control over MEC on or about the Petition Date. Accordingly, the Company's investment in MEC was deconsolidated from the Company's results beginning on the Petition Date.

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

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

Reversal of MEC's net assets	$ (84,345)
Reclassification to income of MEC's accumulated other comprehensive income (note 12)	19,850
Reclassification to income of the noncontrolling interest in MEC (note 13)	18,322
	(46,173)
Fair value adjustment to loans receivable from MEC	(504)
Deconsolidation adjustment to the carrying values of MID's investment in, and amounts due from, MEC	**$(46,677)**

U.S. GAAP requires the carrying values of any investment in, and amounts due from, a deconsolidated subsidiary to be adjusted to their fair value at the date of deconsolidation. In light of the significant uncertainty, at the Petition Date, as to whether MEC shareholders, including MID, would receive any recovery at the conclusion of MEC's Chapter 11 process, the carrying value of MID's equity investment in MEC was reduced to zero. Although, subject to the uncertainties of MEC's Chapter 11 process, MID management believed at the Petition Date that the claims of MID Islandi s.f. (the ''MID Lender'') were adequately secured and therefore had no reason to believe that the amount of the MEC loan facilities with the MID Lender was impaired upon deconsolidation of MEC, a reduction in the carrying values of the MEC loan facilities (note 3(a)) was required under U.S. GAAP, reflecting the fact that certain of the MEC loan facilities bore interest at a fixed rate of 10.5% per annum, which was not considered to be reflective of the market rate of interest that would have been used had such facilities been established on the Petition Date. The fair value of the loans receivable from MEC was determined at the Petition Date based on the estimated future cash flows of the loans receivable from MEC being discounted to the Petition Date using a discount rate equal to the London Interbank Offered Rate (''LIBOR'') plus 12.0%. The discount rate was equal to the interest rate charged to MEC on the secured non-revolving debtor-in-possession financing facility (the ''DIP Loan'') that was implemented as of the Petition Date, and therefore was considered to approximate a reasonable market interest rate for the MEC loan facilities for this purpose. Accordingly, upon deconsolidation of MEC, the Company reduced its carrying values of the MEC loan facilities by $0.5 million (net of derecognizing $1.9 million of unamortized deferred arrangement fees at the Petition Date). As a result, the adjusted aggregate carrying values of the MEC loan facilities at the Petition Date was $2.4 million less than the aggregate face value of the MEC loan facilities. The adjusted carrying values were accreted up to the face value of the MEC loan facilities over the estimated period of time before the loans were expected to be repaid, with such accretion being recognized in ''interest and other income from MEC'' on the accompanying consolidated statements of income (loss).

(e) Foreign Currency Translation

The assets and liabilities of the Company's self-sustaining operations having a functional currency other than the U.S. dollar are translated into the Company's U.S. dollar reporting currency using the exchange rate in effect at the year-end and revenues and expenses are translated at the average rate during the year. Unrealized foreign exchange gains or losses on translation of the Company's net investment in these operations are recognized as a component of ''other comprehensive income (loss)'' and are included in the ''accumulated other comprehensive income'' component of shareholders' equity.

The appropriate amounts of foreign currency translation adjustments in the ''accumulated other comprehensive income'' component of shareholders' equity are released from ''other comprehensive income (loss)'' and included in the consolidated statements of income (loss) when there is a sale or partial sale of the Company's investment in the self-sustaining operations having a functional currency other than the U.S. dollar, or upon a complete or substantially complete liquidation of the investment.

Foreign exchange gains and losses on transactions occurring in a currency different from an operation's functional currency are reflected in income, except for gains and losses on foreign exchange forward contracts subject to hedge accounting in accordance with the Company's accounting policy for ''Financial Instruments'' as described below.

(f) Financial Instruments

All financial instruments, including derivative financial instruments, are included on the Company's consolidated balance sheets and measured either at their fair values or, under certain circumstances, at cost or amortized cost. Unrealized gains and losses resulting from changes in fair values are recognized in the consolidated statements of income (loss).

All of the Company's consolidated financial assets would 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 would 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 measurements dependent on the classification of each financial instrument.

''Held for trading'' financial assets, which include ''cash and cash equivalents'', are measured at fair value and all gains and losses are included in income in the period in which they arise. ''Loans and receivables'', which include certain ''other assets'', ''note receivable'' and ''accounts receivable'', 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 ''senior unsecured debentures, net'', ''long-term debt'', ''dividends payable'', ''accounts payable and accrued liabilities'' and ''bank indebtedness'', are recorded at amortized cost. The Company does not have any consolidated financial liabilities classified as ''held for trading''.

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 sheets net of the related financing costs, with the net balance accreting to the face value of the debt over its term.

The Company may utilize derivative financial instruments from time to time in the management of its foreign currency and interest rate exposures. The Company's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The Company from time to time uses hedge accounting, as described below, to ensure that counterbalancing gains, losses, revenues and expenses, including the effects of counterbalancing changes in cash flows, are recognized in income in the same period or periods. When hedge accounting is not employed, the Company measures and recognizes the fair value of the hedging instrument on the consolidated balance sheets with changes in such fair value being recognized in the consolidated statements of income (loss) in the period in which they occur.

Hedge Accounting

When hedge accounting is employed, the Company first formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking such hedge transactions. This process includes linking derivative financial hedging instruments to forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative financial instruments used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items and whether the hedging relationship may be expected to remain highly effective in future periods. 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 statements of income (loss). When it is determined that a hedging relationship is not, or has ceased to be, highly effective, the use of hedge accounting is discontinued on a prospective basis.

Unrecognized gains or losses associated with derivative financial instruments that have been terminated or cease to be effective as a hedging instrument prior to maturity are amortized in the consolidated statements of income (loss) over the remaining term of the original hedge. If the hedged item is sold or settled prior to the termination of the related derivative financial instrument, the entire unrecognized gain or loss, and any subsequent gain or loss on such derivative instrument, is recognized in the consolidated statements of income (loss).

Net cash flows arising from derivative financial instruments used to hedge anticipated foreign currency transactions and interest rate fluctuations are classified in the same manner as the cash flows from the hedged transactions on the consolidated statements of cash flows.

Foreign Exchange Forward Contracts

The Company, on occasion, purchases foreign exchange forward contracts to hedge specific anticipated foreign currency transactions. When hedge accounting is employed, the fair value of the hedging instrument is recognized on the consolidated balance sheets. Foreign exchange translation gains and losses, together with any premium or discount, on derivative financial instruments are recognized in ''other comprehensive income (loss)'' and included in the ''accumulated other comprehensive income'' component of shareholders' equity until the hedged transaction is included in the consolidated statements of income (loss). At that time, the amount previously included in ''accumulated other comprehensive income'' is released from ''other comprehensive income (loss)'' and included in the consolidated statements of income (loss).

Interest Rate Swaps

MEC occasionally utilized interest rate swap contracts to hedge exposure to interest rate fluctuations on its variable rate debt. These swap contracts were accounted for using hedge accounting, with the fair value of the hedging instrument being recognized on the consolidated balance sheets as an asset or liability with the offset being recognized, net of related income taxes and the noncontrolling interest impact, in ''accumulated other comprehensive income''. To the extent that changes in the fair value of the hedging instrument offset changes in the fair value of the hedged item, they were recorded, net of related income taxes and the noncontrolling interest impact, in ''other comprehensive income (loss)'' and ''accumulated other comprehensive income''.

(g) Cash and Cash Equivalents

Cash and cash equivalents include cash on account, demand deposits and short-term investments with maturities of less than three months at the date of acquisition.

(h) Loans Receivable from MEC

Prior to the settlement of loans receivable from MEC on April 30, 2010, such amounts were stated at cost net of any deferred arrangement fees and valuation allowance. Deferred arrangement fees were amortized over the term of the related loans.

Loans receivable from MEC were considered impaired when, based on information and events, it was possible that the Company would not collect all amounts due according to the contractual terms of the loan agreements. If the Company determined that the loans were impaired, a valuation allowance was established equal to the difference between the carrying amounts of the loans receivable and estimated recoverable value. Estimated recoverable value was based on the present value of the expected future cash flows discounted at the loans' effective interest rate or the fair value of the collateral. The present value of the expected future cash flows was accreted to its recoverable value, with the passage of time, and recognized as interest income from MEC in the consolidated statements of income (loss). Changes in the fair value of the collateral, if any, were reported as either an increase or decrease to the impairment provision relating to loans receivable from MEC on the consolidated statements of income (loss).

The valuation allowance was maintained at a level believed adequate by management to absorb estimated probable credit losses. Management's periodic evaluation of the adequacy of the valuation allowance was based on MEC's ability to pay, the estimated value of the underlying collateral and other relevant factors. Accounting estimates related to impairment provisions for loans receivable from MEC were subject to significant measurement uncertainty and were susceptible to change as such estimates required management to make forward-looking assumptions regarding the timing and amount of future cash flows expected to be received or the fair value of the collateral related to the loans receivable from MEC.

The Company did not accrue interest income on the loans receivable from MEC once it was determined that the loans were impaired.

(i) Real Estate Properties

In all cases below, ''cost'' represents acquisition and development costs, including direct construction costs, capitalized interest and indirect costs wholly attributable to development.

Revenue-producing Properties

Revenue-producing properties are stated at cost less accumulated depreciation, reduced for impairment losses where appropriate.

Government grants and tax credits received for capital expenditures are reflected as a reduction of the cost of the related asset.

Depreciation is provided on a straight-line basis over the estimated useful lives of buildings (including buildings under capital leases), which typically range from 20 to 40 years.

Development Properties

The Company's development properties are stated at cost, reduced for impairment losses when appropriate. Properties under development are classified as such until the property is substantially completed and available for occupancy. Depreciation is not recorded for development properties.

Properties Held for Sale

Properties held for sale are carried at the lower of (i) cost less accumulated depreciation and (ii) net realizable value. Depreciation ceases once a property is classified as held for sale.

(j) Fixed Assets

Fixed assets are recorded at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the fixed assets, which typically range from 3 to 5 years for computer hardware and software and 5 to 7 years for other furniture and fixtures.

Government grants and tax credits received for capital expenditures are reflected as a reduction of the cost of the related asset.

(k) Impairment of Long-lived Assets

For long-lived assets (including real estate properties and fixed assets) not held for sale, the Company assesses at least annually whether there are indicators of impairment. If such indicators are present, the Company completes a net recoverable amount analysis for the long-lived assets by determining whether the carrying value of such assets can be recovered through projected undiscounted cash flows. If the sum of expected future cash flows, undiscounted and without interest charges, is less than net book value, the excess of the net book value over the estimated fair value, based on discounted projected future cash flows and, if appropriate, appraisals, is charged to operations in the period in which such impairment is determined by management.

When long-lived assets are classified by the Company as held for sale or discontinued operations, the carrying value is reduced, if necessary, to the estimated net realizable value. ''Net realizable value'' is determined based on discounted projected net cash flows of the assets and, if appropriate, appraisals and/or estimated net sales proceeds from pending offers.

Accounting estimates related to long-lived assets are subject to significant measurement uncertainty and are susceptible to changes as such estimates require management to make forward-looking assumptions regarding cash flows and business operations.

(l) Deferred Financing Costs

The costs of issuing long-term debt are capitalized and amortized over the term of the related debt.

(m) Revenue Recognition

Where the Company has retained substantially all the benefits and risks of ownership of its rental properties, leases with its tenants are accounted for as operating leases. Where substantially all the benefits and risks of ownership of the Company's rental properties have been transferred to its tenants, the Company's leases are accounted for as direct financing leases. For leases involving land and buildings, if the fair value of the land exceeds 25% of the consolidated fair value of the land and building at the inception of the lease, the Company evaluates the land and building separately in determining the appropriate lease treatment. In such circumstances, the land lease is typically accounted for as an operating lease, and the building is accounted for as either an operating lease or a direct financing lease, as appropriate.

The Real Estate Business' leases (the ''Leases'') are net leases under which the lessee is responsible for the direct payment of all operating costs related to the properties, including property taxes, insurance, utilities and routine repairs and maintenance. Revenues and operating expenses do not include any amounts related to operating costs paid directly by the lessees.

The Leases may provide for either scheduled fixed rent increases or periodic rent increases based on increases in a local price index. Where periodic rent increases depend on increases in a local price index, such rent increases are accounted for as contingent rentals and recognized in income in applicable future years. Where scheduled fixed rent increases exist in operating leases, the total scheduled fixed lease payments of the lease are recognized in income evenly on a straight-line basis over the term of the lease. The amount by which the straight-line rental revenue differs from the rents collected in accordance with the lease agreements is recognized in ''deferred rent receivable''.

(n) Stock-Based Compensation Plans

Compensation expense for stock option grants is based on the fair value of the options at the grant date and is recognized over the period from the grant date to the date the award is vested and its exercisability does not depend on continued service by the option holder. Compensation expense is recognized as general and administrative expenses, with a corresponding amount included in equity as contributed surplus. The contributed surplus balance is reduced as options are exercised and the amount initially recorded for the options in contributed surplus is credited to Common Shares, along with the proceeds received on exercise. In the event that options are forfeited or cancelled prior to having vested, any previously recognized expense is reversed in the period of forfeiture or cancellation.

The Company's restricted share unit plan is measured at fair value at the date of grant and amortized to compensation expense from the effective date of the grant to the final vesting date. Compensation expense is recognized in general and administrative expenses with a corresponding amount included in equity as contributed surplus. The contributed surplus balance is reduced and credited to Common Shares as restricted share units are released under the plan.

Compensation expense and a corresponding liability are recognized for deferred share units (''DSUs'') based on the market value of the underlying shares. During the period in which the DSUs are outstanding, the liability is adjusted for changes in the market value of the underlying stock, with such adjustments being recognized as compensation expense in general and administrative expenses in the period in which they occur.

The stock-based compensation plans are described in note 14.

(o) Income Taxes

The Company uses the liability method of tax allocation for accounting for income taxes. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is provided to the extent that it is more likely than not that future tax assets will not be realized. Management's estimates used in establishing the Company's tax provision are subject to uncertainty. Actual results may be materially different from such estimates.

(p) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Management believes that the estimates utilized in preparing the consolidated financial statements are reasonable and prudent; however, actual results could differ from those estimates.

(q) Revenue Recognition — Racing & Gaming Business

Racing revenues included pari-mutuel wagering revenues, gaming revenues and non-wagering revenues. Pari-mutuel wagering revenues associated with horseracing were recorded on a daily basis. Pari-mutuel wagering revenues were recognized gross of purses, stakes and awards and pari-mutuel wagering taxes. The costs relating to these amounts are included in ''purses, awards and other'' in discontinued operations (note 20).

Gaming revenues represented the net win earned on slot wagers. Net win is the difference between wagers placed and winning payouts to patrons, and was recorded at the time wagers were made. The costs associated with gaming revenues represented statutory required amounts distributed to the state as tax and to the horsemen to supplement purses and are included in ''purses, awards and other'' in discontinued operations (note 20).

Non-wagering revenues included totalisator equipment sales and service revenues from AmTote earned in the provision of totalisator services to racetracks, food and beverage sales, program sales, admissions, parking, sponsorship, rental fees and other revenues. Revenues derived principally from totalisator equipment sales were recognized upon shipment or acceptance of the equipment by the customer depending on the terms of the underlying contracts. Revenues generated from service contracts in the provision of totalisator services were recognized when earned based on the terms of the service contract. Revenues from food and beverage sales and program sales were recorded at the time of sale. Revenues from admissions and parking were recorded on a daily basis, except for seasonal amounts which were recorded rateably over the racing season. Revenues from sponsorship and rental fees were recorded rateably over the terms of the respective agreements or when the related event occurred.

(r) Goodwill and Other Intangible Assets

Intangible assets of the Racing & Gaming Business were classified into three categories: (i) intangible assets with definite lives subject to amortization; (ii) intangible assets with indefinite lives not subject to amortization; and (iii) goodwill. Intangible assets with definite lives consisted of customer contracts and software technology and were amortized on a straight-line basis over the period of expected benefit ranging from three to eight years. An impairment review was conducted when there were indicators of impairment using the net recoverable amount analysis disclosed above. Intangible assets with indefinite lives consisted of a trademark. The trademark was not amortized but was evaluated for impairment by comparing the carrying amount to the estimated fair value using the ''relief from royalty valuation'' methodology. This approach involved estimating reasonable royalty rates for the trademark and applying royalty rates to a net revenue stream and then discounting the resulting cash flows to determine the fair value. If the fair value was less than the carrying value of the trademark, an impairment charge was recorded. Goodwill represented the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. Goodwill was evaluated for impairment on an annual basis or when impairment indicators were present. Goodwill impairment was assessed based on a comparison of the fair value of a reporting unit to the underlying carrying value of the reporting unit's net assets, including goodwill. When the carrying amount of the reporting unit exceeded its fair value, the reporting unit's goodwill was compared with its fair value to measure the amount of the impairment loss, if any. The fair value of goodwill was determined using estimated discounted future cash flows of the reporting unit.

(s) Player Slot Rewards

Slot patrons that registered in the player reward program at the gaming facility at Gulfstream Park received a player card that tracked play and rewards points based on levels of slot play. The points could be redeemed for free plays, complimentary food and beverage and select merchandise at the respective racetrack. On a daily basis, a liability was recorded based on the points earned times the expected redemption rate, which was determined using redemption experience with a corresponding expense in ''purses, awards and other'' in discontinued operations (note 20). The redemption value was based on the actual average cost of complimentary food and beverage and select merchandise and free plays. Revenues did not include the retail amount of food, beverage and other items provided free of charge to customers.

(t) Employee Benefit Plans

The cost of providing benefits through defined benefit pension plans for the Racing & Gaming Business was actuarially determined and recognized in income using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. Differences arising from plan amendments, changes in assumptions and experience gains and losses were recognized in income over the expected average remaining service life of employees.

(u) Interests in Joint Ventures

The Racing & Gaming Business' interests in joint ventures for which it had the ability to exercise significant influence over operating and financial policies were accounted for using the equity method.

(v) Self-insurance

The Racing & Gaming Business self-insured for employee medical and dental coverage up to $250 per incident. Self-insurance reserves included known claims and estimates of incurred but not reported claims based on past claim experience. The Racing & Gaming Business also maintained stop-loss insurance coverage for medical claims that exceeded $250 per incident.

(w) Advertising

Costs incurred for producing advertising associated with horseracing and slot operations were generally expensed when the advertising program commenced. Costs incurred with respect to promotions for specific live race days were expensed on the applicable race day.

(x) Seasonality

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

(y) Accounting Changes

Multiple-Deliverable Revenue Arrangements

In September 2009, the Financial Accounting Standards Board (''FASB'') amended Accounting Standards Codification (''ASC'') 605, ''Revenue Recognition: Multiple-Deliverable Revenue Arrangements''. ASC 605 has been amended: (1) to provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated and the consideration allocated; (2) to require an entity to allocate revenue in an arrangement using estimated selling prices of deliverables if a vendor does not have third party evidence of selling price; and (3) to eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method. The amendments are effective for fiscal years beginning on or after June 30, 2010 and adoption may be either prospective or retrospective. The adoption of ASC 605, effective January 1, 2011, did not have any impact on the Company's consolidated financial statements.

Stock-Based Compensation

In April 2010, the FASB issued Accounting Standards Update (''ASU'') 2010-13, ''Compensation — Stock Compensation: Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades''. ASU 2010-13 provides guidance on the classification of a share-based payment award as either equity or a liability. A share-based payment that contains a condition that is not a market, performance or service condition is required to be classified as a liability. ASU 2010-13 is effective for fiscal years beginning on or after December 15, 2010. The adoption of ASU 2010-13, effective January 1, 2011, did not have any impact on the Company's consolidated financial statements.

Fair Value Measurement

In May 2011, the FASB issued ASU 2011-04, ''Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (''IFRS'')''. The new guidance results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. The amendments are to be applied prospectively and are effective for interim and annual periods beginning after December 15, 2011. The Company is evaluating the potential impact on the consolidated financial statements.

Comprehensive Income

In June 2011, the FASB issued ASU 2011-05, ''Comprehensive Income (Topic 220): Presentation of Comprehensive Income''. ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of changes in shareholders' equity, and requires the presentation of components of net income and other comprehensive income either in a single continuous statement or in two separate but consecutive statements. ASU 2011-05 is effective, on a retrospective basis, for interim and annual periods beginning after December 15, 2011. The Company does not expect the adoption of this standard to have a significant impact on its consolidated financial statements.

2. ACQUISITION OF MEC TRANSFERRED ASSETS

The Company accounted for the transfer of the MEC Transferred Assets, in consideration for satisfying MID's claims relating to the 2007 MEC Bridge Loan, the 2008 MEC Loan and the MEC Project Financing Facilities (all as defined in note 3(a)), with an estimated fair value of $346.4 million less $40.0 million of cash acquired at April 30, 2010 and the cash payment of $89.0 million to the unsecured creditors of MEC plus $1.5 million as a reimbursement for certain expenses incurred in connection with the action commenced by the Creditors' Committee, under the acquisition method of accounting. Accordingly, the fair value of the consideration was allocated to the net assets acquired and liabilities assumed based on the determination of fair values at April 30, 2010. Determination of fair value required the use of significant assumptions and estimates including future expected cash flows and applicable discount rates and the use of third-party valuations. The Company's final allocation of the fair values of assets acquired and liabilities assumed is as follows:

Assets acquired:	
Restricted cash	$ 10,190
Accounts receivable	65,053
Receivable from Reorganized MEC	67,677
Other current assets	20,479
Real estate properties	375,944
Fixed assets	17,517
Intangible assets	29,200
Goodwill	41,004
Other non-current assets	38,157
	$665,221
Liabilities assumed:	
Bank indebtedness	$ 41,910
Accounts payable and accrued liabilities	108,346
Income taxes payable	1,160
Long-term debt due within one year	74,039
Deferred revenue	5,328
Future tax liabilities	33,224
Other long-term liabilities	4,346
	268,353
Total purchase price consideration (net of $39,980 of transferred or acquired cash)	$396,868

Goodwill arose from the acquisition of XpressBet, MJC and AmTote. Goodwill arising from the acquisition of XpressBet of $10.4 million was deductible for tax purposes and the remainder arising from the acquisition of MJC and AmTote in the aggregate amount of $30.6 million was not deductible for tax purposes.

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

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

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

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

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

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

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

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

During the measurement period, the total purchase price consideration of $396.9 million was retrospectively adjusted by $20.3 million to the date of acquisition on April 30, 2010, due to additional information obtained relating to certain preliminary amounts previously recorded for the above assets acquired and liabilities assumed. The total purchase price consideration adjustment of $20.3 million is comprised of the following items:

Directors' and officers' insurance proceeds(i)	$ 8,400
Bankruptcy claims(ii)	11,112
Proceeds from the sale of Lone Star LP(iii)	(575)
Changes in fair value of net assets retained under the Plan(iv)	1,398
Purchase price consideration adjustment	$20,335

(i) Directors' and officers' insurance proceeds

Under the Plan, rights of MID and MEC against MEC's directors' and officers' insurers were preserved with regard to the settlement in order to seek appropriate compensation for the release of all current and former officers and directors of MID and MEC and their respective affiliates. At April 30, 2010, MID was in continued discussions with the insurers regarding its claim. Given the complex nature of the claim and related discussions, the expected proceeds could not be reasonably estimated. During the measurement period, settlement agreements were subsequently entered into in September 2010 and October 2010 with the insurers, resulting in MID receiving compensation of $5.9 million and $2.5 million, respectively. Given that these events confirmed facts and circumstances that existed at April 30, 2010, the Company recognized a retrospective adjustment of $8.4 million to the purchase price consideration and related allocations to the MEC Transferred Assets on April 30, 2010.

(ii) Bankruptcy claims

At April 30, 2010, the settlement of allowed administrative, priority and other claims which the Company assumed under the Plan were ongoing and subject to Court approval. Consequently, at each reporting date during the measurement period, the Company made estimates of such settlements based on claims that were resolved, continued to be objected to and/or negotiated and claims which were pending Court approval. As a result, the Company revised the estimates related to expected allowed administrative, priority and other claims assumed by the Company under the Plan by approximately $11.1 million as a result of information received and/or the cash settlement of certain allowed administrative, priority and other claims previously outstanding. Accordingly, the Company recognized a retrospective adjustment of $11.1 million to the purchase price consideration and related allocations to the MEC Transferred Assets on April 30, 2010.

(iii) Proceeds from the sale of Lone Star LP

At April 30, 2010, the Company estimated the expected proceeds from the sale of Lone Star LP included in ''receivable from Reorganized MEC''. During the measurement period, the Company revised its estimates relating to the expected proceeds as a result of information obtained relating to the estimated closing costs and Lone Star LP's anticipated working capital position. Accordingly, the Company recognized a retrospective adjustment of $0.6 million to the purchase price consideration and related allocations to the MEC Transferred Assets on April 30, 2010.

(iv) Changes in fair value of net assets retained under the Plan

At April 30, 2010, the Company estimated the working capital, including pre-petition accounts receivable on account of track wagering and litigation and other accruals, of the MEC Transferred Assets under the Plan. During the measurement period, the Company revised its estimates relating to pre-petition accounts receivable relating to track wagering and litigation accruals and other liabilities as a result of information obtained relating to the estimated and/or actual settlement of such amounts. As a result of changes in fair value of the MEC Transferred Assets, there was a corresponding change in the determination of future tax balances associated with differences between estimated fair value and the tax basis of assets acquired and liabilities assumed. Accordingly, the Company recognized a retrospective adjustment of $1.4 million to the purchase price consideration and related allocations to the MEC Transferred Assets on April 30, 2010.

In satisfaction of MID's claims relating to the 2007 MEC Bridge Loan, the 2008 MEC Loan and the MEC Project Financing Facilities, in addition to the assets of MEC that were transferred to MID on the effective date of the Plan, MID received $51.0 million of the amounts previously segregated by the Debtors from the sale of Remington Park, as well as $19.9 million of the net proceeds from the sale of Thistledown by the Debtors on July 29, 2010 and the unsecured creditors of MEC received the net proceeds in excess of such amount. In addition, on May 16, 2011, the sale of Lone Star LP was completed and the unsecured creditors of MEC received the first $20.0 million of the net proceeds from the sale and MID received $25.8 million, net of a working capital adjustment and closing costs. The net proceeds received by MID of $25.8 million consisted of $10.8 million in cash, $0.5 million of which is being held in escrow to cover any potential claims by the purchaser, and a note receivable of $15.0 million. The note receivable bears interest at 5.0% per annum and will be repaid in three $5.0 million instalments plus accrued interest every nine months on February 15, 2012, November 15, 2012 and August 15, 2013. On February 21, 2012, the Company received its portion of the first instalment of the note receivable with accrued interest. The note receivable is unsecured and has been guaranteed by the parent company of the purchaser. From the effective date of the Plan to November 30, 2010, the unsecured creditors and MID funded the costs and expenses incurred in connection with the operations of Lone Star LP on a pro rata basis based upon their respective proceeds. Following November 30, 2010 to the date the Lone Star LP sale was consummated on May 16, 2011, MID did not fund the costs and expenses incurred in connection with Lone Star LP's operations. On the acquisition of the MEC Transferred Assets, the Company had determined that it effectively received a variable interest in Lone Star LP. As a result of the bankruptcy, the power to direct the activities that impacted Lone Star LP's economic performance ultimately rested with the administrator retained by the Debtors to administer the Plan and, as such, the Company did not control the variable interest in Lone Star LP. Based on the above, the Company determined that it was a non-primary beneficiary and, accordingly, this variable interest entity did not meet the criteria for consolidation.

In connection with the Arrangement, the proceeds from the sale of Lone Star LP are shared equally between the Company and the Stronach Shareholder. Payments relating to the note receivable from the sale of Lone Star LP will be made to the Stronach Shareholder who will in turn remit 50% of those payments to the Company pursuant to the terms of the Arrangement. At December 31, 2011, the Company's 50% interest of the $0.5 million cash held in escrow and the $15.0 million note receivable from the sale of Lone Star LP that is owing to the Company are included in ''note receivable'' and ''current portion of note receivable'' on the accompanying consolidated balance sheets and the remaining 50% transferred to the Stronach Shareholder on June 30, 2011 is included in discontinued operations. At December 31, 2010, 50% of the Company's expected proceeds from the sale of Lone Star LP were included in ''receivable from Reorganized MEC'' and ''current portion of receivable from Reorganized MEC'' and the remaining 50% included in discontinued operations on the accompanying consolidated balance sheets.

Prior to the Arrangement, MID also had the right to receive 100% of any proceeds from PA Meadows, LLC's future payments under the holdback relating to MEC's prior sale of The Meadows racetrack (note 21(e)). The Company has not received any proceeds since the acquisition of the MEC Transferred Assets. In connection with the Arrangement, any future payments under such holdback will be shared equally between the Company and the Stronach Shareholder. Due to the uncertainty of receiving any proceeds under the holdback, at December 31, 2011, no amounts have been recorded in the accompanying consolidated financial statements.

3. TRANSACTIONS WITH RELATED PARTIES

In 2011 MID agreed to pay reasonable legal and advisory fees of certain Class A Shareholders incurred in connection with the Arrangement. In accordance with such agreement, a $2.2 million payment was made to a company owned by an individual who became Chairman of the new Board of Directors (the ''Board'') following the completion of the Arrangement, for legal and advisory services relating to the Arrangement.

On July 1, 2011, following completion of the Arrangement, Mr. Frank Stronach no longer serves as the Chairman and Chief Executive Officer of the Company and the Stronach Shareholder no longer has a controlling interest in MID. Consequently, Mr. Stronach and the Company ceased to be related parties for accounting purposes. Furthermore, effective July 1, 2011, MID and Magna are no longer considered to be related parties for accounting purposes due to the factors noted above.

The transactions with Mr. Stronach, Magna and MEC that occurred while related with MID prior to the completion of the Arrangement on June 30, 2011 are noted below.

(a) Loans to MEC

The outstanding balances of the loans receivable from MEC were settled on April 30, 2010 as part of the Plan and the acquisition of the MEC Transferred Assets (note 2). These loans were comprised of: a bridge loan of up to $80.0 million (subsequently increased to $125.0 million) through a non-revolving facility (the ''2007 MEC Bridge Loan''); project financing facilities made available to Gulfstream Park Racing Association, Inc. and Remington Park, Inc., the wholly-owned subsidiaries of MEC that owned and/or operated Gulfstream Park and Remington Park, respectively, in the amounts of $162.3 million and $34.2 million, respectively, plus costs and capitalized interest (together, the ''MEC Project Financing Facilities''); a loan of up to a maximum commitment, subject to certain conditions being met, of $125.0 million (plus costs and fees) (the ''2008 MEC Loan''); and a debtor-in-possession loan extended to MEC in connection with MEC's Chapter 11 proceedings (the ''DIP Loan''). For the year ended December 31, 2011, the Company did not receive interest and other income from MEC as the loans were settled on April 30, 2010 (2010 — $1.8 million; 2009 — $43.5 million).

In connection with the development and completion of the Plan (note 1(a)), the Company estimated the values and resulting recoveries of loans receivable from MEC, net of any related obligations, provided to the Company pursuant to the terms of the Plan. As a result of such analysis, the Company estimated that it would be unable to realize on all amounts due in accordance with the contractual terms of the MEC loans. Accordingly, for the year ended December 31, 2009, the Company recorded a $90.8 million impairment provision related to the loans receivable from MEC, which represented the excess of the carrying amounts of the loans receivable and the estimated recoverable value.

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

Years ended December 31,	**2011**	2010	2009
Balance, beginning of year	**$ —**	$ 90,800	$ —
Impairment provision	**—**	—	90,800
Impairment recovery related to loans receivable from MEC	**—**	(9,987)	—
Release of valuation allowance on settlement under the Plan	**—**	(80,813)	—
Balance, end of year	**$ —**	$ —	$90,800

As a result of the transfer of the MEC Transferred Assets under the Plan effective April 30, 2010 (note 2), the Company reduced the impairment provision by $10.0 million in the three-month period ended June 30, 2010 as a result of assessing the fair value of the MEC Transferred Assets on April 30, 2010. Estimated recoverable value was determined based on the future cash flows from expected proceeds to be received from Court-approved sales of MEC's assets, discounted at the loans' effective interest rate, and the fair value of the collateral based on third-party appraisals or other valuation techniques, such as discounted cash flows, for those MEC assets that were transferred to the Company under the Plan or for which the Court had yet to approve for sale under the Plan, net of expected allowed administrative, priority and other claims to be paid by the Company under the Plan.

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

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

Directors' and officers' insurance proceeds(i)	$ 13,000
Sale proceeds from liquidated assets under the Plan(ii)	7,538
Bankruptcy claims(iii)	(15,907)
Changes in fair value of net assets retained under the Plan(iv)	5,356
Impairment recovery	$ 9,987

The significant changes in facts or circumstances that resulted in the recognition of the $10.0 million reduction in the impairment provision in the year ended December 31, 2010 are primarily as a result of the following:

(i) Directors' and officers' insurance proceeds

Under the Plan, rights of MID and MEC against MEC's directors' and officers' insurers were preserved with regard to the settlement in order to seek appropriate compensation for the release of all current and former officers and directors of MID and MEC and their respective affiliates. At April 30, 2010, MID was in discussions with the insurers regarding its claim. Given the complex nature of the claim and related discussions, the expected proceeds could not be reasonably estimated. A settlement agreement was subsequently entered into in July 2010 with one of the insurers, resulting in MID receiving compensation of $13.0 million. Given that these events confirmed facts and circumstances that existed at April 30, 2010, the Company recognized an asset and reduced the impairment provision by $13.0 million related to the MEC Transferred Assets on April 30, 2010.

(ii) Sale proceeds from liquidated assets under the Plan

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

(iii) Bankruptcy claims

The settlement of allowed administrative, priority and other claims which the Company assumed under the Plan were ongoing and subject to Court approval. Consequently, the Company made estimates of such settlements based on claims that were resolved, continued to be objected to and/or negotiated and claims which were pending Court approval. As a result, the Company revised the estimates related to expected allowed administrative, priority and other claims assumed by the Company under the Plan by approximately $15.9 million as a result of additional information received and/or the cash settlement of certain allowed administrative, priority and other claims previously outstanding. Accordingly, the Company increased the impairment provision by $15.9 million related to the MEC Transferred Assets on April 30, 2010.

(iv) Changes in fair value of net assets retained under the Plan

The Company estimated the working capital of the MEC Transferred Assets under the Plan based on available unaudited internally prepared results and operating projections. On the effective date of the Plan, the fair value of the working capital differed from the original estimates as a result of actual operating results and events related to the bankruptcy process. The Company also estimated the fair value of the real estate of the MEC Transferred Assets taking into consideration: (i) certain economic and industry information relevant to the MEC Transferred Assets' operating business; (ii) various indications of interest received by MEC in connection with the sales marketing efforts conducted by financial advisors of MEC during the Chapter 11 proceedings; and (iii) third-party real estate appraisals. Throughout the bankruptcy process and to the effective date of the Plan, the Company continually updated such information related to market conditions and assumptions related to the real estate values based on the premise of highest and best use. The appraisals included additional information related to assumptions regarding potential uses, costs related to obtaining appropriate entitlements and demolition costs, and comparable sales data for real estate transactions in each jurisdiction. As a result of changes in fair value of the MEC Transferred Assets, there was a corresponding change in the determination of future tax balances associated with differences between estimated fair value and the tax basis of assets acquired and liabilities assumed. Accordingly, the Company reduced the impairment provision by $5.4 million related to the MEC Transferred Assets on April 30, 2010.

(b) Charges and Sales to Magna

Substantially all rental revenue and income from direct financing leases relate to leases with Magna and its subsidiaries. At December 31, 2010, included in accounts receivable and other assets relating to the long-term portion of a lease termination fee are amounts due from Magna and its subsidiaries in the amount of $1.1 million and $0.5 million, respectively.

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

(c) Magna Lease Terminations

During the year ended December 31, 2010, the Company and Magna agreed to terminate the lease on a property in the United States. In conjunction with the lease termination, Magna agreed to pay the Company a fee of $1.9 million, which amount will be collected based on a repayment schedule over the remaining term of the original lease which was scheduled to expire in September 2013. The amount has been recognized in ''other gains (losses), net'' in the Company's consolidated statements of income (loss) for the year ended December 31, 2010.

(d) Expansion Costs Reimbursed to Magna

During the first half of 2011, the Company paid $3 thousand (2010 — $0.5 million; 2009 — $0.1 million) to Magna as reimbursement for expenditures incurred by Magna in relation to expansions of the Real Estate Business' revenue-producing properties.

(e) Charges from Magna

Magna charges the Company for certain administrative and professional services and use of shared facilities. For the first half of 2011, these charges totalled $0.1 million (2010 — $2.4 million; 2009 — $1.1 million) and are included in ''general and administrative'' expenses in the Company's consolidated statements of income (loss). The Company also incurred nil costs (2010 — nil; 2009 — $0.1 million) for services provided by Magna in relation to certain properties held for development, which were primarily capitalized to ''real estate properties, net''.

During the period from January 1, 2009 to the Petition Date, MEC incurred $1.0 million of charges from Magna and its subsidiaries for rental of facilities and central shared and other services.

Included in ''accounts payable and accrued liabilities'' at December 31, 2010 are amounts due to Magna and its subsidiaries totalling $0.7 million.

(f) Legal, Consulting and Other Services

In conjunction with the Arrangement (note 1), during the first half of 2011, a $1.0 million payment was approved to an affiliate of Mr. Frank Stronach for services rendered as Chairman of the Company. In December 2010 and 2009, the Compensation Committee recommended to the Board and the Board subsequently approved a $2.0 million payment for each year to an affiliate of Mr. Stronach, Chairman of the Company, for services rendered on behalf of the Company.

Included in ''accounts receivable'' at December 31, 2010 are amounts due from an entity controlled by Mr. Frank Stronach and his family of $0.6 million related to the reimbursement of expenses incurred for an offer to acquire the Company's shares. The amount owing was fully repaid in 2011.

During the first half of 2011, the Company incurred $0.1 million (2010 — $0.1 million; 2009 — nil) for consulting services from a company affiliated with a former Director of the Company.

During the year ended December 31, 2009, the Company incurred $0.3 million of legal services at standard billing rates from a legal firm whose Senior Partner had been a Director of the Company from March 17, 2005 to May 7, 2009.

Commencing in November 2008, a company affiliated with a Director of the Company (since August 29, 2003) entered into a consulting arrangement with the Company providing for an annual retainer of

$96 thousand plus out-of-pocket business expenses. The Director ceased to be a Director of the Company on May 7, 2009. During the year ended December 31, 2009, $40 thousand was paid by the Company under such arrangement.

These legal, consulting and other costs are included in ''general and administrative'' expenses in the Company's consolidated statements of income (loss).

4. REAL ESTATE PROPERTIES

(a) Real estate properties consist of:

As at December 31,	2011	2010
		(restated — note 20)
Revenue-producing properties		
Land and improvements	**$ 199,364**	$ 213,665
Buildings, parking lots and roadways — cost	**1,416,995**	1,401,629
Buildings, parking lots and roadways — accumulated depreciation	**(483,397)**	(451,347)
	1,132,962	1,163,947
Development properties		
Properties under development	**2,513**	10,324
	$1,135,475	$1,174,271

(b) Future minimum rental payments to be received under operating leases in effect at December 31, 2011, substantially all of which are with Magna or its automotive operating subsidiaries, are shown in the following table. These amounts are determined using foreign exchange rates as at December 31, 2011, and only include the contracted fixed rent increases and do not include rents from any renewals on lease expiry.

2012	$ 178,219
2013	169,142
2014	148,740
2015	144,565
2016	140,488
Thereafter	283,796
	$1,064,950

5. OTHER ASSETS

Other assets consist of:

As at December 31,	2011	2010
		(restated — note 20)
Deferred leasing costs	**$1,175**	$1,333
Long-term receivables	**420**	958
Tenant inducements	**1,943**	2,065
	$3,538	$4,356

6. INCOME TAXES

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

Years ended December 31,	**2011**	2010	2009
		(restated — note 20)	
Expected income taxes at Canadian statutory rate of 28.25% (2010 — 31%; 2009 — 33%)	**$ 15,400**	$ 31,103	$(13,724)
Foreign rate differentials	**(9,362)**	(11,155)	(27,838)
Changes in enacted tax rates and legislation	**—**	—	(1,536)
Reversal of prior years' provisions for uncertain tax positions	**(250)**	—	(173)
Non-deductible foreign currency translation loss on translation of the net investment in a foreign operation	**—**	—	2,573
Non-deductible expenses	**1,623**	1,452	1,818
Valuation allowance on provision relating to loans receivable from MEC	**—**	—	25,245
Impairment recovery relating to loans receivable from MEC	**—**	5,577	—
Purchase price consideration adjustment	**—**	(8,134)	—
Tax resulting from internal amalgamation (note 6(h))	**(13,268)**	12,745	—
Deconsolidation adjustment to the carrying value of MID's investment in, and amounts due from, MEC	**—**	—	15,237
Other	**1,175**	2,204	443
	$ (4,682)	$ 33,792	$ 2,045

(b) The details of income (loss) before income taxes from continuing operations, by jurisdiction, are as follows:

Years ended December 31,	**2011**	2010	2009
		(restated — note 20)	
Canadian	**$(10,726)**	$ (3,808)	$ (9,023)
Foreign	**65,240**	104,141	(32,564)
	$ 54,514	$100,333	$(41,587)

(c) The details of the income tax expense (recovery) from continuing operations are as follows:

Years ended December 31,	**2011**	2010	2009
		(restated — note 20)	
Current provision (recovery):			
Canadian federal taxes	**$ (6,998)**	$ 7,554	$ 1,272
Canadian provincial taxes	**(4,983)**	5,456	937
Foreign taxes	**10,775**	10,342	11,709
	(1,206)	23,352	13,918
Future provision (recovery):			
Canadian federal taxes	**475**	(67)	(2,892)
Canadian provincial taxes	**339**	(47)	(2,132)
Foreign taxes	**(4,290)**	10,554	(6,849)
	(3,476)	10,440	(11,873)
	$ (4,682)	$ 33,792	$ 2,045

(d) A future income tax provision (recovery) from continuing operations has been recognized on temporary differences, which consist of the following:

Years ended December 31,	**2011**	2010	2009
		(restated — note 20)	
Reductions in tax value of assets below book value	**$(4,758)**	$ 3,462	$ (7,726)
Changes in enacted tax rates and legislation	**—**	—	(1,536)
Tax losses utilized	**—**	—	1,597
Impairment provision relating to loans receivable from MEC	**—**	5,577	(5,577)
Other	**1,282**	1,401	1,369
	$(3,476)	$ 10,440	$(11,873)

(e) Future tax assets consist of the following temporary differences:

As at December 31,	**2011**	2010
		(restated — note 20)
Tax value of assets in excess of book value	**$1,270**	$2,629

(f) Future tax liabilities consist of the following temporary differences:

As at December 31,	**2011**	2010
		(restated — note 20)
Book value of assets in excess of tax value	**$25,371**	$31,014
Other	**4,347**	6,737
	$29,718	$37,751

(g) Net cash payments of income taxes amounted to $15.3 million for the year ended December 31, 2011 (2010 — $10.1 million; 2009 — $11.8 million).

(h) The Company conducts operations in a number of countries with varying statutory rates of taxation. Judgement is required in the estimation of income taxes, and future income tax assets and liabilities, in each of the Company's operating jurisdictions. This process involves estimating actual current tax exposure, assessing temporary differences that result from the different treatments of items for tax and accounting purposes, assessing whether it is more likely than not that future income tax assets will be realized and, based on all the available evidence, determining if a valuation allowance is required on all or a portion of such future income tax assets. The Company reports a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

During 2010, an internal amalgamation was undertaken with the unintended result of causing the Company to incur a $12.7 million tax liability which was recorded as a current tax expense during 2010. During the year ended December 31, 2011, the Ontario Superior Court of Justice accepted the Company's application to have the amalgamation set aside and cancelled with the result that a current income tax recovery of $13.3 million was recorded during the year ended December 31, 2011.

As at December 31, 2011, the Company had $10.7 million (2010 — $10.4 million) of unrecognized income tax benefits (including $0.7 million (2010 — $1.0 million) of related accrued interest and penalties), all of which could ultimately reduce the Company's effective tax rate. The Company is currently under audit in Canada, Austria and Mexico. Given the stage of completion of the audits, the Company is unable to estimate the range of any possible changes to the unrecognized income tax benefit that these audits may cause over the next year.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Years ended December 31,	2011	2010	2009
Unrecognized tax benefits balance, beginning of year	**$10,444**	$ 8,316	$6,538
Gross increases for tax positions of prior years	**—**	—	642
Gross decreases for tax positions of prior years	**(250)**	—	(173)
Gross increases for tax positions of current year	**835**	2,020	1,112
Lapse due to statute of limitations	**—**	—	(602)
Foreign currency impact	**(326)**	108	799
Unrecognized tax benefits balance, end of year	**$10,703**	$10,444	$8,316

For the year ended December 31, 2011, no interest and penalties were paid and recorded (2010 — nil; 2009 — nil) as part of the provision for income taxes in the consolidated statements of income (loss).

As at December 31, 2011, the following tax years remained subject to examination by the major tax jurisdictions:

Major Jurisdictions	
Canada	2007 through 2011
United States	2007 through 2011
Mexico	2005 through 2011
Austria	2006 through 2011

At December 31, 2011, the Company had capital loss carryforwards totalling approximately $715.4 million that do not expire.

7. SENIOR UNSECURED DEBENTURES AND LONG-TERM DEBT

(a) Senior Unsecured Debentures

On December 22, 2004, MID issued Cdn. $265.0 million of 6.05% senior unsecured debentures (the ''Debentures'') due December 22, 2016, at a price of Cdn. $995.70 per Cdn. $1,000.00 of principal amount. The Debentures rank equally with all MID's existing and future senior unsecured indebtedness.

The Debentures are redeemable, in whole or in part, at MID's option at any time and from time to time, at a price equal to accrued and unpaid interest plus the greater of (a) 100% of the principal amount of the Debentures to be redeemed; and (b) the Canada Yield Price. The Canada Yield Price means, in respect of a Debenture, a price equal to which, if the Debenture were to be issued at such price on the redemption date, would provide a yield thereon from the redemption date to its maturity date equal to 42.5 basis points above the yield that a non-callable Government of Canada bond, trading at par, would carry if issued on the redemption date with a maturity date of December 22, 2016. At December 31, 2011, all of the Debentures remained outstanding.

Interest on the Debentures is payable in Canadian dollars on a semi-annual basis. The unamortized portion of the $3.1 million of expenses incurred in connection with the issuance of the Debentures is presented as a reduction of the carrying amount on the Company's consolidated balance sheets. These costs, together with the discount in the issue price of the Debentures of Cdn. $1.1 million, are being accreted into the carrying value of the Debentures over the term to maturity with a corresponding charge to interest expense.

(b) Long-term Debt

At December 31, 2010, the Company had a mortgage in the amount of $2.3 million which bore interest at 8.1% per annum with a maturity date in January 2011. The mortgage was fully repaid in January 2011.

(c) The Company's net interest expense, including interest expense and other financing costs on bank indebtedness (note 9) and the senior unsecured debentures, is comprised as follows:

Years ended December 31,	**2011**	2010	2009
		(restated — note 20)	
Gross interest cost	**$17,849**	$18,698	$ 15,166
Less: interest capitalized	**(1,209)**	(182)	(67)
Interest expense	**16,640**	18,516	15,099
Interest income	**(714)**	(299)	(412)
Interest expense, net	**$15,926**	$18,217	$ 14,687

Interest capitalized relates to real estate properties under development.

Gross interest cost consists of the following:

Years ended December 31,	**2011**	2010	2009
		(restated — note 20)	
Interest on indebtedness initially incurred for a term of more than one year	**$16,571**	$16,092	$ 14,602
Other interest	**1,278**	2,606	564
	$17,849	$18,698	$ 15,166

Consolidated interest paid in cash for the year ended December 31, 2011 was $18.0 million (2010 — $18.8 million; 2009 — $16.2 million).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

As at December 31,	**2011**	2010
		(restated — note 20)
Accounts payable	**$ 4,462**	$ 6,805
Accrued salaries and wages	**1,523**	504
Accrued interest payable	**381**	390
Accrued construction payable	**4,162**	6,854
Accrued director share-based compensation	**970**	4,237
Other accrued liabilities	**2,697**	5,242
	$14,195	$24,032

9. BANK INDEBTEDNESS

The Company's unsecured senior revolving credit facility in the amount of $50.0 million (the ''MID Credit Facility'') matured on December 22, 2011. At December 31, 2010, the Company had drawn $13.1 million (Cdn. $13.0 million) under the MID Credit Facility. The weighted average interest rate on the loans outstanding under the MID Credit Facility during 2011 was 4.85% (2010 — 5.83%).

At December 31, 2011, the Company had issued letters of credit totalling $0.1 million (2010 — $2.9 million).

On February 7, 2012, the Company entered into an unsecured senior revolving credit facility in the amount of Cdn. $50.0 million that is available by way of U.S. dollar, Canadian dollar or euro denominated loans or letters of credit (the ''MID New Credit Facility'') and matures on February 7, 2014. However, the Company has the option to request an extension of the maturity date by one year to February 7, 2015. The MID New Credit Facility provides the Company with the ability to increase the amount of the commitment by an additional aggregate principal amount of up to Cdn. $25.0 million with the consent of the lenders participating.

Interest on drawn amounts will be calculated based on an applicable margin determined by the Company's external credit rating. Based on MID's current credit rating, the Company would be subject to interest at a rate per annum equal to the base rate (i.e. LIBOR, Canadian prime business rate or Canadian dollar bankers' acceptances) depending on the currency the Company borrows in plus an applicable margin of up to 1.75%.

10. SHARE CAPITAL

Prior to June 30, 2011, the Company had two classes of outstanding share capital; Class A Subordinate Voting Shares and Class B Shares. In accordance with the Arrangement (note 1), on June 30, 2011 the Company's Articles were amended to delete the Class B Shares from the authorized capital of MID and to make non-substantive consequential changes to its Articles including renaming the Class A Subordinate Voting Shares as Common Shares and eliminating provisions which no longer apply due to the elimination of the Class B Shares. On matters presented for shareholder vote, holders of Common Shares are entitled to one vote per share and prior to June 30, 2011, holders of Class B Shares were entitled to 500 votes per share. On June 30, 2011, 363,414 Class B Shares held by the Stronach Shareholder were purchased for cancellation upon the transfer to the Stronach Shareholder of the Arrangement Transferred Assets & Business. The remaining 183,999 Class B Shares were purchased for cancellation in consideration for 1.2 Class A Subordinate Voting Shares per Class B Share which were renamed Common Shares.

The Company's authorized share capital consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares issuable in series, all with no par value.

Changes in the Company's share capital for the years ended December 31, 2011, 2010 and 2009 are shown in the following table:

	Common Shares		Class B Shares		Total	
	Number	Stated Value	Number	Stated Value	Number	Stated Value
Shares issued and outstanding, December 31, 2009 and 2010	46,160,564	$1,506,088	547,413	$ 17,866	46,707,977	$1,523,954
Issued on exercise of stock options	490,000	9,000	—	—	490,000	9,000
Purchase for cancellation:						
Stronach Shareholder	—	—	(363,414)	(11,861)	(363,414)	(11,861)
Non-Stronach shareholders	220,792	6,005	(183,999)	(6,005)	36,793	—
Shares issued and outstanding, December 31, 2011	**46,871,356**	**$1,521,093**	**—**	**$ —**	**46,871,356**	**$1,521,093**

On November 25, 2011, the Toronto Stock Exchange (''TSX'') accepted the Company's Notice of Intention to Make a Normal Course Issuer Bid (''NCIB'') to purchase up to 3,998,589 Common Shares, representing approximately 10% of the public float and 8.5% of the issued and outstanding Common Shares. Pursuant to the NCIB, MID may purchase Common Shares through the facilities of the TSX, the New York Stock Exchange and any alternative trading system in Canada. The NCIB will terminate on the earlier of the date on which the maximum purchases allowed have been completed or November 28, 2012. Purchases of Common Shares are made at the market price at the time of purchase and all Common Shares purchased will be cancelled. As at December 31, 2011, no Common Shares had been acquired under the NCIB.

11. CONTRIBUTED SURPLUS

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

Years ended December 31,	2011	2010	2009
Contributed surplus, beginning of year	**$59,020**	$58,575	$57,062
Transfer to share capital on exercise of stock options	**(1,765)**	—	—
Stock-based compensation	**381**	445	1,513
Contributed surplus, end of year	**$57,636**	$59,020	$58,575

12. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

Years ended December 31,	2011	2010	2009
Accumulated other comprehensive income, beginning of year	**$175,941**	$198,182	$161,827
Change in fair value of interest rate swaps, net of taxes and noncontrolling interest	**—**	—	92
Foreign currency translation adjustment, net of noncontrolling interest(i)	**(14,324)**	(22,079)	48,315
Recognition of foreign currency translation loss (gain) in net income (loss)(ii)	**—**	(42)	7,798
Change in net unrecognized actuarial pension losses, net of noncontrolling interest	**—**	(120)	—
Reclassification to net income (loss) of foreign currency translation gain of discontinued operations upon deconsolidation(iii)	**(652)**	—	—
Reclassification to net income (loss) of net unrecognized actuarial pension losses of discontinued operations upon deconsolidation(iii)	**120**	—	—
Reclassification to income upon deconsolidation of MEC (note 1(d))	**—**	—	(19,850)
Accumulated other comprehensive income, end of year(iv)	**$161,085**	$175,941	$198,182

(i) The Company incurs unrealized foreign currency translation gains and losses related to its self-sustaining operations having functional currencies other than the U.S. dollar. The foreign currency translation losses in the years ended December 31, 2011 and 2010 are primarily due to the weakening of the euro and the Canadian dollar against the U.S. dollar. The foreign currency translation gain in the year ended December 31, 2009 is primarily due to the strengthening of the euro and the Canadian dollar against the U.S. dollar.

(ii) Included in "other gains (losses), net" for the year ended December 31, 2009 is a $7.8 million foreign currency translation loss realized from a capital transaction that gave rise to a reduction in the net investment in a foreign operation, which was considered a substantially complete liquidation of that foreign operation. For the year ended December 31, 2010, $0.1 million included in "other gains (losses), net" represents the remaining foreign currency translation gain realized from the final liquidation of that foreign operation.

(iii) Included in "income (loss) from discontinued operations, net of income tax" on the consolidated statements of income (loss) for the year ended December 31, 2011 is the reclassification to net income (loss) of a $0.6 million foreign currency translation gain and a $0.1 million unrecognized actuarial pension loss associated with the Racing & Gaming Business upon deconsolidation.

(iv) Accumulated other comprehensive income consists of:

As at December 31,	2011	2010
Foreign currency translation adjustment	**$161,085**	$176,061
Net unrecognized actuarial pension losses	**—**	(120)
	$161,085	$175,941

13. NONCONTROLLING INTEREST

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

Years ended December 31,	2011	2010	2009
Noncontrolling interest, beginning of year	**$ —**	$ —	$ 24,182
MEC's stock-based compensation	**—**	—	23
Disgorgement payment received from noncontrolling interest(i)	**—**	—	420
Comprehensive income (loss):			
Net loss attributable to the noncontrolling interest	**—**	—	(6,308)
Other comprehensive income (loss) attributable to the noncontrolling interest:			
Change in fair value of interest rate swaps, net of taxes	**—**	—	79
Foreign currency translation adjustment	**—**	—	(74)
Reclassification to income upon deconsolidation of MEC (note 1(d))	**—**	—	(18,322)
Noncontrolling interest, end of year	**$ —**	$ —	$ —

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

14. STOCK-BASED COMPENSATION

On August 29, 2003, the Board approved the Incentive Stock Option Plan (the ''MID Plan''), which allows for the grant of stock options or stock appreciation rights to directors, officers, employees and consultants. Amendments to the MID Plan were approved by the Company's shareholders at the May 11, 2007 Annual and Special Meeting, and became effective on June 6, 2007. At December 31, 2011, a maximum of 2.12 million Common Shares are available to be issued under the MID Plan.

MID has granted stock options to certain directors and officers to purchase Common Shares. Except for the options granted on November 12, 2009 and August 18, 2010, as described below, such options have generally been granted with 1/5th of the options vesting on the date of grant and the remaining options vesting over a period of four years at a rate of 1/5th on each anniversary of the date of grant. On November 12, 2009, MID granted to the outside directors and to management an aggregate of 455,000 stock options to acquire Common Shares. The options granted vested 50% on the date of grant, 25% on the first anniversary of the date of grant and 25% on the second anniversary of the date of grant. On August 18, 2010, MID granted to outside directors an aggregate of 95,000 stock options to acquire Common Shares. The options granted vested 50% on the date of grant and 50% on the first anniversary of the date of grant. On December 23, 2010, all the issued and unvested options were fully vested by amendment to the stock option agreements and, as a result, at December 31, 2011, there is no unrecognized compensation expense relating to outstanding options. Options expire on the tenth anniversary of the date of grant, subject to earlier cancellation of the events specified in the stock option agreement entered into by MID with each recipient of options.

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

	2011		2010		2009	
	Number	**Weighted Average Exercise Price (Cdn. $)**	Number	Weighted Average Exercise Price (Cdn. $)	Number	Weighted Average Exercise Price (Cdn. $)
Outstanding, beginning of year	**835,000**	**22.66**	881,544	24.50	494,544	34.83
Granted	**—**	**—**	95,000	12.90	455,000	14.54
Exercised	**(490,000)**	**14.22**	—	—	—	—
Cancelled or forfeited	**(110,000)**	**31.85**	(141,544)	27.55	(68,000)	32.97
Outstanding, end of year	**235,000**	**31.99**	835,000	22.66	881,544	24.50

On February 22, 2012, 30,000 stock options were exercised by a former officer of the Company.

The following table provides further detail with respect to options outstanding and exercisable at December 31, 2011:

Options Outstanding and Exercisable

Number	Exercise Price (Cdn. $)	Weighted Average Remaining Life in Years
125,000	31.85	1.7
50,000	35.62	3.0
50,000	32.21	5.7
10,000	14.54	7.9
235,000	**31.99**	**3.1**

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

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

Years ended December 31,	**2011**	2010	2009
Risk-free interest rate	**—**	1.3%	1.4%
Expected dividend yield	**—**	3.3%	4.3%
Expected volatility of Common Shares	**—**	58.7%	56.2%
Weighted average expected life (years)	**—**	2.0	2.0
Weighted average fair value per option granted	**—**	$ 3.40	$ 3.65

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 Common 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 Common Shares. The DSP also takes into account any dividends paid on the Common Shares. Effective January 1, 2008, the DSP was amended such that directors were required to receive at least 50% of their Board retainer fees in DSUs. Under the DSP, when a director leaves the Board, the director receives a cash payment at an elected date equal to the value of the accrued DSUs at such date. There is no option under the DSP for directors to receive Common Shares in exchange for DSUs.

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

Years ended December 31,	**2011**	2010	2009
Outstanding, beginning of year	**156,357**	115,939	80,948
Granted	**34,281**	52,058	80,472
Redeemed	**(160,137)**	(11,640)	(45,481)
Outstanding, end of year	**30,501**	156,357	115,939

During the year ended December 31, 2011, 160,137 DSUs were redeemed by the former directors of the Company following completion of the Arrangement for cash proceeds of $4.9 million. During the year ended December 31, 2010, 11,640 DSUs were redeemed by a director, who left the Board in 2009, for cash proceeds of $0.1 million. During the year ended December 31, 2009, 45,481 DSUs were redeemed by five directors, two of which left the Board in 2008 and three of which left the Board in 2009, for aggregate cash proceeds of $0.4 million.

Effective August 7, 2011, MID established an Executive Share Unit Plan (the ''Share Plan''). The Share Plan is designed to provide equity-based compensation in the form of share units to executives and other key employees (the ''Participants''). The maximum number of Common Shares which may be issued pursuant to the Share Plan is 1.0 million. The Share Plan entitles a Participant to receive, at the discretion of the Compensation Committee of the Board, one Common Share for each share unit or a cash payment equal to the market value of the share unit, which on any date is the volume weighted average trading price of a Common Share on the TSX or New York Stock Exchange over the preceding 5 trading days. The Share Plan also provides for the accrual of dividend equivalent amounts based on dividends paid on the Common Shares. Vesting conditions on share units are determined by the Compensation Committee of the Board at the time they are granted and share units are settled within 60 days following vesting. Shareholder and TSX approval is required prior to any share units being settled with treasury shares. During the year ended December 31, 2011, 38 thousand share units were granted with a weighted average grant date fair value of $25.71 and 26 thousand share units with a weighted average fair value of $24.97 are outstanding at December 31, 2011. During the year ended December 31, 2011, 12 thousand share units were settled for cash in the amount of $0.4 million. At December 31, 2011, unrecognized compensation cost related to the Share Plan was $0.3 million and is expected to be recognized by June 30, 2012.

During the year ended December 31, 2011, the Company recognized stock-based compensation expense of $2.4 million (2010 — $3.4 million; 2009 — $2.7 million), which includes a $1.7 million expense (2010 — $3.0 million expense; 2009 — $1.2 million expense) pertaining to DSUs and $0.7 million expense (2010 and 2009 — nil) pertaining to share units.

15. WRITE-DOWN OF LONG-LIVED ASSETS

Write-downs relating to long-lived assets have been recognized as follows:

Years ended December 31,	2011	2010	2009
Continuing operations			
Commercial office — Europe[(i)]	**$ 16,349**	$ —	$ —
Commercial office — U.S.[(ii)]	**2,800**	—	4,498
	19,149	—	4,498
Discontinued operations — Arrangement Transferred Assets and Business			
Development properties — Land and improvements[(iii)]	**—**	40,646	—
XpressBet[(iv)]	**—**	3,513	—
	—	44,159	—
	$ 19,149	$ 44,159	$ 4,498

(i) During the fourth quarter of 2011, the Company recorded a $16.3 million write-down of two income producing properties in Austria and Germany. The Company obtained information related to the leasing of these properties that indicated the existence of potential impairments and the inability to recover their carrying values. The write-downs represent the excess of the carrying values of the assets over the estimated fair values determined by the present value of the expected future cash flows from the leased properties. The write-downs reduced the cost of each property's land and building values.

(ii) As a result of continued weakening in the commercial office real estate market in Michigan, in the second quarter of 2011, the Company recorded a $2.8 million write-down of a revenue-producing commercial office building. In the fourth quarter of 2009, the Company recorded a $4.5 million write-down on the same property. The write-downs represent the excess of the carrying value of the asset over the estimated fair value. Fair value was determined based on the present value of the estimated future cash flows from the leased property. The write-downs reduced the cost of the building.

(iii) During the year ended December 31, 2010, the Company recorded impairment charges of $40.6 million relating to parcels of land held for development located in California, Florida, Michigan and Ilz, Austria. In connection with the Arrangement, in the fourth quarter of 2010 (note 1), the Company obtained information related to the above noted properties that indicated the existence of potential impairments and inability to recover the carrying value. The write-down represents the excess of the carrying value of the assets over the estimated fair values based on external real-estate appraisals. The write-down reduced the cost of the land and was included in discontinued operations for the year ended December 31, 2010 (note 20).

(iv) During the year ended December 31, 2010, XpressBet's operations were adversely impacted by certain credit card companies choosing to block otherwise exempt internet gambling related transactions. As a result, the 2011 business plan reflected reductions in estimated future cash flows based on lower expectations for growth and profitability as it was anticipated that it would require additional time and investment to re-acquire customers that either reduced or ceased their account wagering activity. Accordingly, during the year ended December 31, 2010, XpressBet recorded an impairment charge of $3.2 million relating to goodwill and $0.3 million relating to its trademark which is included in discontinued operations for the year ended December 31, 2010. (note 20)

During the year ended December 31, 2010, an unconsolidated joint venture of the Racing & Gaming Business recorded a write-down of goodwill in the amount of $29.2 million for which the Company's share of the write-down was $14.9 million which is included in discontinued operations on the consolidated statements of income (loss) (note 20).

16. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share are computed as follows:

Years ended December 31,	2011	2010	2009
		(restated — note 20)	
Income (loss) from continuing operations	**$ 59,196**	$ 66,541	$(43,632)
Income (loss) from discontinued operations	**96,601**	(119,245)	1,343
Net income (loss) attributable to MID	**$155,797**	$(52,704)	$(42,289)
Weighted average number of Common and Class B Shares outstanding (thousands)	**46,888**	46,708	46,708
Adjustment:			
Stock options and share units	**82**	—	—
	46,970	46,708	46,708
Basic and diluted earnings (loss) per Common or Class B Share			
— from continuing operations	**$ 1.26**	$ 1.42	$ (0.93)
— from discontinued operations	**2.06**	(2.55)	0.02
	$ 3.32	$ (1.13)	$ (0.91)

The computation of diluted earnings (loss) per share for the years ended December 31, 2011, 2010 and 2009 excludes the effect of the potential exercise of 225,000 (2010 — 881,544; 2009 — 494,544) options to acquire Common Shares of the Company because these options were not ''in the money''.

17. DETAILS OF CASH FROM OPERATING ACTIVITIES

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

Years ended December 31,	2011	2010	2009
		(restated — note 20)	
Straight-line rent adjustment	**$ 1,369**	$ 1,069	$ 760
Stock-based compensation expense	**2,014**	3,402	2,734
Depreciation and amortization	**43,158**	41,181	40,973
Write-down of long-lived assets	**19,149**	—	4,498
Future income taxes	**(3,476)**	10,440	(11,873)
Gain on disposal of real estate	**(88)**	—	(206)
Purchase price consideration adjustment	**—**	(20,335)	—
Impairment provision (recovery) related to loans receivable from MEC	**—**	(9,987)	90,800
Interest and other income from MEC	**—**	—	(40,567)
Other losses (gains), net	**—**	(42)	7,798
Deconsolidation adjustment to the carrying values of MID's investment in, and amounts due from, MEC	**—**	—	46,677
Other	**289**	243	309
	$ 62,415	$ 25,971	$141,903

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

Years ended December 31,	**2011**	2010	2009
		(restated — note 20)	
Accounts receivable	**$ (3,968)**	$(1,036)	$ 569
Prepaid expenses and other	**5,737**	(5,436)	42
Accounts payable and accrued liabilities	**(9,563)**	(5,618)	7,350
Income taxes	**(5,379)**	13,907	2,981
Deferred revenue	**4,888**	(2,508)	1,542
Loans receivable from MEC, net	**—**	(613)	(118)
	$ (8,285)	$(1,304)	$12,366

(c) Non-cash investing and financing activities

On April 30, 2010, the Company acquired the MEC Transferred Assets with the purchase price being settled by the outstanding MEC loans of $347.1 million and cash payments aggregating $90.5 million.

On June 30, 2011, the Company cancelled 363,414 Class B Shares upon the disposition of the Arrangement Transferred Assets & Business (note 1). In addition, the remaining 183,999 Class B Shares were purchased for cancellation for Class A Subordinate Voting Shares which were renamed Common Shares.

18. DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE INFORMATION

(a) Fair Value

The Company has determined the estimated fair values of its consolidated financial instruments using available market information and appropriate valuation methodologies. However, considerable judgment is required to develop these estimates. Accordingly, these estimated fair values are not necessarily indicative of the amounts the Company would realize in a current market exchange. The methods and assumptions used to estimate the fair value of financial instruments are described below:

Note receivable

The fair value of the note receivable approximates its carrying value as it bears interest at current market rates.

Receivable from Reorganized MEC

The fair value of the receivable from Reorganized MEC at December 31, 2010 was determined based on future cash flows from expected proceeds to be received from a Court-approved sale of an MEC asset.

Accounts receivable, cash and cash equivalents, accounts payable and accrued liabilities and bank indebtedness

Due to the short period to maturity of these instruments, the carrying values as presented in the consolidated balance sheets are reasonable estimates of their fair value.

Senior unsecured debentures

The fair value of the senior unsecured debentures is determined using the quoted market price of the senior unsecured debentures. At December 31, 2011, the fair value of the senior unsecured debentures was approximately $286.9 million (2010 — $282.4 million).

(b) Credit Risk

The Company's consolidated financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, accounts receivable and note receivable.

Cash and cash equivalents include short-term investments, such as commercial paper, which are only invested in governments and corporations with a minimum credit rating of A — (based on Standard & Poor's (''S&P'') rating scale) or A3 (based on Moody's Investor Services' rating scale). Concentration of credit risk is further reduced by limiting the amount that is invested in any one government or corporation. The Company does not have investments in asset-backed commercial paper.

Magna contributed approximately 97% of the Company's rental revenue. As at December 31, 2011 and 2010, the Company's allowance for doubtful accounts in ''accounts receivable'' on the consolidated balance sheets was a nominal amount.

The credit risk associated with the note receivable is mitigated by the guarantee provided by the parent company of the note holder (note 2). Exposure to losses on the note receivable is dependent on the note holder's financial condition. The Company monitors its exposure throughout the year.

(c) Interest Rate Risk

The Company's consolidated results of operations are primarily exposed to interest rate risk on its credit facilities. As there were no outstanding balances on these financial liabilities as at December 31, 2011, a 50 basis point change in annual interest rates, with all other variables held constant, would have no impact on the consolidated ''interest expense and other financing costs, net'' for the year ended December 31, 2011.

The Company is also exposed to interest rate risk on short-term investments with maturities of up to three months from the date of acquisition that are included in ''cash and cash equivalents'' on the Company's consolidated balance sheets. The balance of the Company's short-term investments fluctuates depending on the timing of the Company's operating cash flows, capital expenditures and other liquidity requirements. Assuming the balance of short-term investments at December 31, 2011 were outstanding throughout the entire year then ended, a 50 basis point change in annual interest rates, with all other variables held constant, would have impacted consolidated ''interest expense and other financing costs, net'' for the year ended December 31, 2011 by approximately $0.2 million.

(d) Currency Risk

The Company is structured such that its foreign operations are self-sustaining. As a result, the Company's currency risk associated with financial instruments is limited as its financial assets and liabilities are generally denominated in the functional currency of the subsidiary that holds the financial instrument. However, the Company's corporate operations, which utilize the Canadian dollar as the functional currency, have exposure to U.S. dollar and euro denominated financial assets and liabilities. Based on the balance of these financial instruments at December 31, 2011, a 10% change in exchange rates between the Canadian dollar and the relevant currencies at December 31, 2011 would not have had a material impact on the Company's consolidated net income (loss) for the year ended December 31, 2011.

The Company periodically purchases foreign exchange forward contracts to hedge specific anticipated foreign currency transactions. At December 31, 2011 and 2010, the Company did not have any foreign exchange forward contracts outstanding.

(e) Derivative Financial Instruments

The following table summarizes the impact of these derivative financial instruments on the Company's consolidated financial statements for the years ended December 31, 2011, 2010 and 2009:

Years ended December 31,	Location of Losses (Gains) Recognized in Income on Derivatives	Amount of Losses (Gains) Recognized in Income on Derivatives 2011	2010	2009
Derivatives not designated as hedging instruments				
Foreign exchange forward contracts	Foreign exchange losses (gains)	$ —	$ (10)	$526

(f) Fair Value Measurements

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

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

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

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

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

As at December 31, 2011,	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS CARRIED AT FAIR VALUE ON A RECURRING BASIS			
Assets carried at fair value			
Cash and cash equivalents	**$ 55,957**	**$—**	**$ —**
ASSETS CARRIED AT FAIR VALUE ON A NONRECURRING BASIS			
Income producing properties[i]	**$ —**	**$—**	**$ 12,560**

As at December 31, 2010,	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS CARRIED AT FAIR VALUE ON A RECURRING BASIS			
Assets carried at fair value			
Cash and cash equivalents — continuing operations	$ 66,732	$—	$ —
Cash and cash equivalents — discontinued operations	$ 18,675	$—	$ —
Restricted cash — discontinued operations	$ 9,334	$—	$ —
ASSETS CARRIED AT FAIR VALUE ON A NONRECURRING BASIS			
Trademark — discontinued operations(ii)	$ —	$—	$ 3,800
Goodwill — discontinued operations(iii)	$ —	$—	$ 7,191
Development properties — Land and improvements — discontinued operations(iv)	$ —	$—	$ 39,449

(i) During the year ended December 31, 2011, two income producing properties with an aggregate cost of $28.7 million were written down to an aggregate fair value of $12.6 million (note 15). The aggregate write-down of $16.3 million is included in ''write-down of long-lived assets'' on the consolidated statements of income (loss) for the year ended December 31, 2011. This is a Level 3 fair value measurement as the fair value of the income producing property was determined based on the present value of estimated future cash flows from the leased property.

(ii) During the year ended December 31, 2010, a trademark with a cost of $4.1 million was written down to fair value of $3.8 million (note 15). The write-down of $0.3 million is included in discontinued operations on the consolidated statements of income (loss) for the year ended December 31, 2010. This is a Level 3 fair value measurement as the fair value of the trademark was determined based on the present value of estimated royalty rates using a net revenue stream determined by the relief-from-royalty valuation methodology.

(iii) During the year ended December 31, 2010, goodwill in the amount of $10.4 million was written down to fair value of $7.2 million (note 15). The write-down of $3.2 million is included in discontinued operations on the consolidated statements of income (loss) for the year ended December 31, 2010. This is a Level 3 fair value measurement as the fair value of goodwill was determined based on the present value of future cash flows of the reporting unit.

(iv) During the year ended December 31, 2010, certain lands held for development in the amount of $80.0 million were written down to fair value of $39.4 million (note 15). The write-down of $40.6 million is included in discontinued operations on the consolidated statements of income (loss) for the year ended December 31, 2010. This is a Level 3 fair value measurement as the fair value of the development properties was determined based on external real estate appraisals using estimated prices at which comparable assets could be purchased and adjusted for, among other things, location, size zoning/density and topography of the properties.

19. SEGMENTED INFORMATION

The following tables present certain information with respect to geographic segmentation:

Revenues — years ended December 31,	**2011**	2010	2009
		(restated — note 20)	
Europe	**$ 78,755**	$ 73,419	$128,352
Canada	**60,831**	57,273	52,631
United States	**31,096**	31,213	20,698
Mexico	**12,267**	11,989	12,074
	$182,949	$173,894	$213,755

Real estate properties, net — as at December 31,	**2011**	2010
		(restated — note 20)
Europe	**$ 453,813**	$ 471,605
Canada	**403,294**	416,260
United States	**211,570**	216,764
Mexico	**66,798**	69,642
	$1,135,475	$1,174,271

Fixed assets, net — as at December 31,	**2011**	2010
		(restated — note 20)
Europe	**$ 5**	$49
Canada	**30**	46
	$35	$95

20. DISCONTINUED OPERATIONS

As a result of the approval by MID's shareholders and the Ontario Superior Court of Justice of the Arrangement (note 1), the Company has presented the Arrangement Transferred Assets & Business as discontinued operations in the accompanying consolidated financial statements.

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

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

In March 2008, MEC committed to a plan to sell Magna Racino™. MEC had initiated a program to locate potential buyers and, prior to the Petition Date, was marketing the assets for sale through a real estate agent.

The Company's results of operations related to the discontinued operations are shown in the following table:

Years ended December 31,	**2011**	2010	2009
Revenues	**$268,107**	$ 184,466	$174,804
Purses, awards and other	**151,848**	100,945	92,595
Operating costs	**82,027**	90,655	63,872
Property operating costs	**1,123**	1,720	1,673
General and administrative	**22,113**	27,135	9,581
Depreciation and amortization	**3,511**	9,256	7,361
Interest expense (income)	**(311)**	(413)	4,903
Foreign exchange losses (gains)	**(58)**	(102)	157
Equity loss (gain)	**1,964**	29,501	(65)
Write-down of long-lived and intangible assets	**—**	44,159	—
Operating income (loss)	**5,890**	(118,390)	(5,273)
Loss on disposal of real estate	**—**	(1,205)	—
Income (loss) before income taxes	**5,890**	(119,595)	(5,273)
Income tax recovery	**(1,206)**	(350)	(308)
Income (loss) from operations	**7,096**	(119,245)	(4,965)
Net gain on disposition of discontinued operations, net of income taxes of $10.8 million	**89,505**	—	—
Income (loss) from discontinued operations, net of income taxes	**$ 96,601**	$(119,245)	$ (4,965)

The distribution of the assets and liabilities under the Arrangement is considered a non-pro rata distribution and therefore has been recorded at fair value. Accordingly, the gain on disposition of discontinued operations was determined as the difference in the fair values and carrying values of the net assets disposed, net of costs of disposal. The difference between the fair value of the net assets disposed of and the carrying value of the 363,414 Class B Shares cancelled in the amount of $696.8 million has been recorded in the consolidated statements of changes in deficit as ''Distribution under Plan of Arrangement'' for the year ended December 31,

2011. A summary of the fair values and carrying values of the Arrangement Transferred Assets & Business is as follows:

	Fair Value	Carrying Value	Gain	Fair Value Measurement(i)
Development Properties				
Current assets	$ 2,375	$ 2,375	$ —	Level 1 and 2
Land held for development	223,217	135,398	87,819	Level 3
Current liabilities	(4,351)	(4,351)	—	Level 2
Future taxes	(1,428)	(1,428)	—	Level 3
Income Producing Property and Property in United States				
Land and building	16,377	9,576	6,801	Level 3
Racing & Gaming Business				
Current assets	84,613	84,613	—	Level 1 and 2
Fixed assets	7,100	7,100	—	Level 2
Racing lands and other long-term assets	401,793	393,892	7,901	Level 3
Technology companies	46,961	41,525	5,436	Level 3
Current liabilities	(38,593)	(38,593)	—	Level 2
Future taxes	(24,994)	(24,994)	—	Level 3
Other liabilities	(4,413)	(4,413)	—	Level 2
Gain on disposition before transaction costs and income taxes	708,657	600,700	107,957	
Transaction costs			(8,233)	
Net gain on disposition before undernoted			99,724	
Reclassification to net income (loss) of foreign currency translation gain and net unrecognized actuarial pension losses			532	
Income taxes			(10,751)	
Net gain on disposition of discontinued operations			$ 89,505	

(i) Refer to note 18(f) for the fair value hierarchy.

The fair values of the racetrack assets of the Racing & Gaming Business were determined based on the underlying real estate as this was considered to be the highest and best use. The fair values of the real estate were primarily determined by external real estate appraisals reflecting estimated prices at which comparable assets could be purchased and adjusted for the estimated costs to convert the land for its appraised purpose.

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

The fair values of the technology companies, which primarily included XpressBet® and AmTote, were determined in consultation with an external valuator using a discounted cash flow analysis under the income valuation methodology. The income approach required estimating a number of factors including projected revenue growth, customer attrition rates, profit margin and the discount rate. Projected revenue growth, customer attrition rates and profit margin were based upon past experience and management's best estimate of future operating results. The discount rate represents the respective entity's weighted average cost of capital including a risk premium where warranted.

The fair value of the 50% joint venture interest in The Village at Gulfstream Park™ was determined based on an external real estate appraisal using discounted cash flow analysis under the income valuation method. The fair value of the 51% joint venture interest in MJC was determined based on the underlying real estate determined by external real estate appraisals as this was considered to be the highest and best use.

The fair values of the lands held for development, a property located in the United States and an income producing property located in Canada were determined by external real estate appraisals or broker opinions that reflected a market approach using estimated prices at which comparable assets could be purchased.

The remaining assets and liabilities of the Racing & Gaming Business, as well as the other assets and liabilities associated with the lands held for development were primarily cash and cash equivalents, restricted cash, accounts receivable, other current assets, accounts payable and accrued liabilities, income taxes receivable and deferred revenue, for which the carrying value approximated fair value. The current and long-term portions of the proceeds from the sale of Lone Star LP, representing 50% of the outstanding total proceeds from the sale, approximate fair value as the note receivable bears interest at current market rates negotiated between arm's-length parties.

The Company's assets and liabilities related to discontinued operations at December 31, 2010 are shown below. At December 31, 2011, all assets and liabilities related to discontinued operations have been transferred to the Stronach Shareholder and accordingly, no amounts are recorded in the Company's consolidated balance sheet.

As at December 31,	**2011**	2010
ASSETS		
Non-current assets:		
Real estate properties, net	**$ —**	$490,730
Future tax assets	**—**	967
Receivable from Reorganized MEC	**—**	7,500
Fixed assets, net	**—**	15,127
Other assets, net	**—**	38,629
Intangible assets, net	**—**	24,753
Goodwill	**—**	8,603
	—	586,309
Current assets:		
Receivable from Reorganized MEC	**—**	5,689
Inventories	**—**	4,763
Accounts receivable	**—**	27,212
Income taxes receivable	**—**	715
Prepaid expenses and other	**—**	5,727
Cash and cash equivalents	**—**	18,675
Restricted cash	**—**	9,334
	—	72,115
Total assets	**$ —**	$658,424
LIABILITIES		
Non-current liabilities:		
Future tax liabilities	**$ —**	$ 28,800
Other long-term liabilities	**—**	4,340
	—	33,140
Current liabilities:		
Deferred revenue	**—**	3,624
Accounts payable and accrued liabilities	**—**	46,838
Income taxes payable	**—**	80
	—	50,542
Total liabilities	**$ —**	$ 83,682

The Company's commitments and contingencies relating to the discontinued operations were assumed on closing of the Arrangement by the Stronach Shareholder or shortly thereafter.

21. 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 February 15, 2011, Power Plant Entertainment Casino Resorts Indiana, LLC, PPE Casino Resorts Maryland, LLC and The Cordish Company (the ''Plaintiffs'') sued, among other defendants, MID, certain subsidiary entities and joint ventures, including The Maryland Jockey Club (''MJC'') and certain of its subsidiaries (collectively, the ''MJC Entities''), as well as MID's former Chairman and Chief Executive Officer, Mr. Frank Stronach, in the Circuit Court for Baltimore City in Baltimore, Maryland. The claims asserted in the Plaintiffs' complaint against MID, the MJC Entities and Mr. Stronach (the ''Complaint'') are alleged to have arisen from events that occurred in Maryland in connection with the referendum conducted in November 2010 concerning the award of a gaming license to one of the Plaintiffs to conduct alternative gaming at the Arundel Mills Mall. The Complaint asserts a number of claims against all the defendants including, among other allegations, that MID and Mr. Stronach, along with a number of other defendants, engaged in actions to defame the Plaintiffs by distributing allegedly false information concerning the Plaintiffs and their operations of a gaming facility in Indiana, Indianapolis Downs, LLC operating as Indiana Live. The specific claims asserted against MID, the MJC Entities and Mr. Stronach are for alleged civil conspiracy, false light invasion of privacy and defamation. The Complaint seeks an award of damages against all defendants in the amount of $300 million in compensatory damages and $300 million in punitive damages. The Company believes this claim is without merit. On March 25, 2011, a number of defendants, including the MJC Entities and MID, filed a motion in the Circuit Court for Baltimore City, seeking to have the action transferred to the Circuit Court for Anne Arundel County. On April 29, 2011, the Indiana-based defendants named in the Complaint filed a notice to remove the Plaintiffs' claims relating to the Indiana defendants to the U.S. District Court for the District of Maryland. The Plaintiffs have sought to remand these claims to the Circuit Court for Baltimore City. The entire matter, in both the state and federal courts, was stayed by the United States Bankruptcy Court for the District of Delaware until it determined whether the claims were impacted by the bankruptcy of Indianapolis Downs, LLC. On September 6, 2011, the United States Bankruptcy Court for the District of Delaware entered an order denying the injunction motion and lifting the stay effective September 26, 2011. However, the federal court removal action remains pending as the Indiana defendants (not the Company) are opposing remand of that action. The federal court heard the motion for remand on November 21, 2011 and has not yet issued a ruling on this matter. The state court motions to transfer venue to the Circuit Court for Anne Arundel County remain before the Circuit Court of Baltimore City. All activities before the Circuit Court of Baltimore City, including the motions to transfer venue to Anne Arundel County, have been stayed pending resolution of the removal action pending in the U.S. District Court for the District of Maryland. Under the terms of the Arrangement, the Company received an indemnity from the Stronach Shareholder and certain related parties against all losses suffered by the Company in relation to the Racing & Gaming Business for the period prior to, on and after the effective date of the transfer of June 30, 2011. Accordingly, the Company has not recorded a liability related to this claim. The Company provided the Stronach Shareholder with the required disclosure notice listing the existing litigation with the Plaintiffs. The Company has retained independent counsel to monitor the litigation on its behalf.

(c) The Company had total letters of credit outstanding of $1.2 million issued with various financial institutions at December 31, 2011 to guarantee various construction projects. These letters of credit are secured by cash deposits of the Company.

(d) At December 31, 2011, the Company's contractual commitments related to construction and development projects outstanding amounted to approximately $6.5 million. In addition, the Company has committed to purchase 5.6 acres of land in Salzgitter, Germany totalling $0.4 million.

(e) On November 14, 2006, MEC completed the sale to PA Meadows, LLC of all the outstanding shares of Washington Trotting Association, Inc., Mountain Laurel Racing, Inc. and MEC Pennsylvania Racing, Inc. (collectively ''The Meadows'') through which MEC owned and operated The Meadows, a standardbred racetrack in Pennsylvania. On closing, MEC received cash consideration and a holdback agreement (''The Meadows Holdback Agreement''), under which $25.0 million was payable to MEC over a five-year period, subject to the offset for certain indemnification obligations as well as the purchaser having available excess cash flow. In April 2009, MEC estimated $10.0 million (less certain offsets) was payable based upon certain triggering events in The Meadows Holdback Agreement; however, payment was not made by PA Meadows, LLC. Accordingly, MEC commenced litigation proceedings for collection of the $10.0 million proceeds plus interest. In addition, in February 2010 and February 2011, an additional $5.0 million, less certain offsets, for each year was considered owing under the terms of The Meadows Holdback Agreement; however, payments were not made. As part of the acquisition of the MEC Transferred Assets (note 2), MID received the right to receive any payments under The Meadows Holdback Agreement. In February 2011, an unfavourable decision was made by the court concerning the motion for summary judgment made by MEC with respect to whether any amounts were owed from certain triggering events under The Meadows Holdback Agreement. As a result, MID expects that payments from The Meadows Holdback Agreement will commence once the purchaser has available excess cash flow, if any. In connection with the Arrangement (note 1), any proceeds received from PA Meadows, LLC will be shared equally between the Company and the Stronach Shareholder.

(f) At December 31, 2011, the Company had commitments under operating leases requiring future minimum annual rental payments as follows:

2012	**$114**
2013	**170**
2014	**173**
2015	**189**
2016	**189**
Thereafter	**63**
	$898

Corporate Information

Board of Directors

G. Wesley Voorheis
Chairman of the Board

Peter Dey
Vice-Chairman

Michael Brody
Director

Barry Gilbertson
Director

Thomas Heslip
Director

Gerald J. Miller
Director

Scott I. Oran
Director

Officers

Thomas Heslip
Chief Executive Officer

Michael Forsayeth
Chief Financial Officer

Jennifer Tindale
Executive Vice-President,
General Counsel

John De Aragon
Executive Vice President Real Estate Investment

Lorne Kumer
Executive Vice-President Real Estate Portfolio and Asset Management

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Chief Executive Officer
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Michael Forsayeth
Chief Financial Officer
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Transfer Agents and Registrars

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Phone: 1 (800) 564-6253
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United States
Computershare Trust Company N.A.
250 Royall Street
Canton, Massachusetts, USA 02021
Phone: 1 (800) 962-4284

Exchange Listings

Common Shares
– Toronto Stock Exchange **(MIM)**
– New York Stock Exchange **(MIM)**

2012 Annual Meeting of Shareholders

The 2012 Annual General & Special Meeting of Shareholders will be held at the Design Exchange, Trading Floor, 234 Bay Street, Toronto, Ontario, Canada on Wednesday, June 13, 2012 commencing at 10:00 a.m. *(Toronto time)*.

Please refer to our website (www.midevelopments.com) for information on MID's compliance with the corporate governance standards of the New York Stock Exchange and applicable Canadian standards and guidelines.

Publicly Available Documents

Copies of the financial statements for the year ended December 31, 2011 are available through the Internet on the Electronic Data Gathering Analysis and Retrieval System (EDGAR), which can be accessed at www.sec.gov, and on the System for Electronic Document Analysis and Retrieval (SEDAR), which can be accessed at www.sedar.com. Other required securities filings can also be found on EDGAR and SEDAR.

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