



MEC

**2002
ANNUAL REPORT**



VISION

To be the world's leading electronic media wagering and entertainment company.

CORPORATE PROFILE

Magna Entertainment Corp. (MEC) is North America's number one owner and operator of thoroughbred racetracks, and one of the world's leading suppliers, via simulcasting, of live racing content to the growing inter-track, off-track and account wagering markets.

MEC operates a growing off-track betting (OTB) network in several states and a national account wagering business, XpressBet™, which permits customers to wager on races by telephone and over the Internet, where permitted by law. MEC also owns and operates HorseRacing TV™, a 24-hour television network that provides live thoroughbred, harness and quarter horse racing action from racetracks in the United States and Canada.

MEC's network of racetracks includes some of the most prestigious names in horse racing, including Santa Anita Park, Golden Gate Fields and Bay Meadows Racecourse in California, Gulfstream Park in Florida, Lone Star Park at Grand Prairie in Texas and Pimlico Race Course (home of the Preakness Stakes®) and Laurel Park in Maryland. Additional racetracks owned or managed by MEC include The Meadows in Pittsburgh, Remington Park in Oklahoma, Thistledown in Ohio, Great Lakes Downs in Michigan, Portland Meadows in Oregon, Flamboro Downs* in Ontario, Colonial Downs in Virginia and Multnomah Greyhound Park in Oregon. MEC also owns Palm Meadows, a state-of-the-art thoroughbred training center located in Palm Beach County, Florida, as well as San Luis Rey Downs, a thoroughbred training facility located near San Diego, California and Bowie Training Center in Prince George's County, Maryland.

MEC is a publicly traded company whose shares trade on the Nasdaq National Market (MECA) and the Toronto Stock Exchange (MEC.A).

*At the date of printing, the acquisition of Flamboro Downs by MEC was pending regulatory approvals.
Cover: The field rounds the turn at Pimlico Race Course.



FINANCIAL HIGHLIGHTS

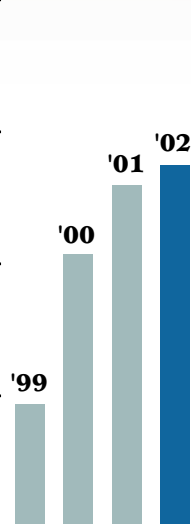
Total Revenue
(US\$ millions)

800

600

400

200



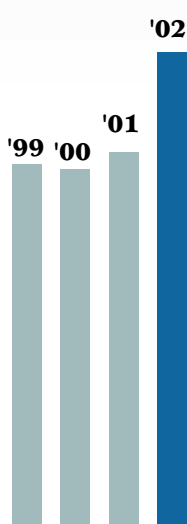
Total Shareholders' Equity
(US\$ millions)

800

600

400

200



US\$ millions, except per share amounts

2002

2001

2000

1999

Revenues

\$549.2

\$519.1

\$413.6

\$186.9

Earnings before interest,
taxes, depreciation and
amortization ("EBITDA")

\$ 0.6

\$ 51.7

\$ 21.8

\$ 9.8

Net income (loss)

\$ (14.4)

\$ 13.5

\$ 0.4

\$ (0.1)

Diluted earnings (loss) per share

\$ (0.14)

\$ 0.16

\$ 0.01

\$ -

Results Excluding the Sale of Non-Core Real Estate and Asset Write-downs

Revenues

\$540.3

\$478.5

\$375.9

\$184.3

EBITDA

\$ 21.7

\$ 31.3

\$ 14.9

\$ 9.1

Net income (loss)

\$ (2.0)

\$ 1.4

\$ (1.5)

\$ 0.0

Diluted earnings (loss) per share

\$ (0.02)

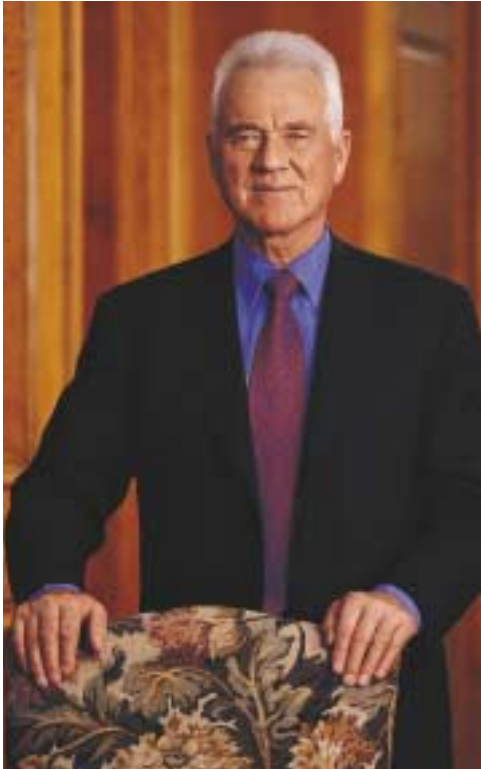
\$ 0.02

\$ (0.02)

\$ 0.00

(Refer to page 68 of the Annual Report for Reconciliation of Non-GAAP to GAAP Financial Measures)

THE CHAIRMAN'S MESSAGE



Frank Stronach
Chairman of the Board

Magna Entertainment Corp. is based upon a vision – to develop a company that uses electronic technologies to deliver the thrill and excitement of live racing and wagering into the homes of customers around the world.

The building blocks of MEC's vision are now in place. In addition to owning some of the finest racetrack properties in the world, the Company has developed its own vehicles for delivering MEC's product to an expanded audience. These vehicles include our own rapidly growing network of off-track betting sports bars, MEC's account wagering platform, XpressBet™, which enables customers to place wagers over the Internet and by telephone, and HorseRacing TV™, which provides a broadcast outlet for the Company.

MEC's different channels of electronic distribution provide the Company with a global presence, allowing it to reach customers around the world. Wagering in North America represents only 15% of the estimated \$100 billion that is wagered globally each year on horse racing. By further developing our electronic platforms for broadcasting and account wagering, MEC plans to tap into international markets and become a significant player in the global gaming industry.

As the horse racing industry becomes more sophisticated in delivering its product through electronic media, its growth should not be restricted by excessive and outdated regulation with respect to matters as fundamental as what time of day or year tracks are allowed to operate. Naturally, we believe governments and regulators have an important role to play in protecting the public and upholding the integrity of the sport. However, provided there is compliance with prevailing laws and regulations, racetracks should be free to respond to the market and to determine how and when they operate their businesses. Those businesses that run a good operation and cater to the customer will prosper. Those that do not will ultimately go out of business.

It is encouraging to see a growing recognition among legislators that horse racing should not be unfairly handicapped by laws and rules that were created at a time when our industry was the only form of legalized gaming. This change in government attitude is a positive sign for the horse racing industry, which is an important economic force that creates many spin-off jobs in the service sector and other areas of the economy.

The legalization of slot machines and video lottery terminals (VLTs) at racetrack facilities in many parts of North America is an indication of legislators' and regulators' growing recognition of the importance of racing to the overall economy. Although the addition of slot machines or VLTs may ultimately be helpful to some of our operations by placing them on a more level playing field with other forms of gaming, we will not lose sight of our primary focus – to provide the best live horse racing in the world. That is why we are constantly striving to improve our customer service, our racetracks and our training facilities. To that end, in 2002 MEC opened its state-of-the-art Palm Meadows training facility in Florida to support the racing community in that state. MEC also added several important racetracks to its stable of properties, including Pimlico Race Course, home of the Preakness Stakes®, the middle jewel of thoroughbred racing's famous Triple Crown.

Another example of our continuing efforts to revitalize horse racing is the Sunshine Millions™, an initiative MEC launched in January of this year. The day of racing showcased the best horses from California and Florida in head-to-head competition, with \$3.6 million in guaranteed purses, and national promotions and prizes for our customers. The event, which included a wide variety of live entertainment, attracted large crowds and increased wagering at off-track and inter-track locations across the country. The Sunshine Millions™ was an example of how we can successfully work together with horse breeders and horse owners to create a dynamic racing product – one that satisfies the needs of our existing customers while attracting new people to our sport.

MEC management remains firmly committed to the long-term success of our Company. As we continue to innovate and evolve, I wish to thank our shareholders for their continued confidence in MEC's strategic vision. You have our assurance that we will continue to strive for greater cost efficiencies and leverage our dominant position as the number one supplier of horse racing content in order to reach new markets, grow our customer base and improve our financial results. I also wish to thank the management team at MEC for their contributions. And, I wish to thank our employees and racetrack managers for delivering a great product to our customers.

With the foundation of our business now largely in place, MEC will remain at the forefront of the global horse racing and wagering industry. As the owner of several one-of-a-kind American institutions and brand names such as the Preakness Stakes®, Santa Anita Park and Gulfstream Park, and some of the most valuable, sought-after real estate in North America, MEC offers enormous potential for future growth. We have a vision that provides a blueprint for success, and I strongly believe MEC will mature into one of the world's great entertainment businesses.



Frank Stronach

Chairman of the Board

LETTER TO SHAREHOLDERS



Jim McAlpine

President & Chief Executive Officer

We at MEC have a number of clearly defined strategies to achieve our vision of becoming a global leader in electronic media wagering and entertainment. By continuing to successfully execute these strategies, we will ensure our future growth and profitability.

Over the past four years we have firmly established our position as the number one owner and operator of thoroughbred racetracks in North America. From our initial acquisition of Santa Anita Park in December 1998, to our most recent acquisition of Pimlico Race Course, home of the world-famous Preakness Stakes®, MEC has assembled a formidable network of world-class racetrack properties. No other racetrack operator in North America produces as much quality racing as MEC.

We have also taken important steps to expand distribution of MEC racing and wagering. Today, MEC racing reaches more customers in more places than ever before.

2002 Operating Highlights

- In January 2002, we launched our new Internet account wagering platform, XpressBet.com, which attracted more than 10,000 new customers in its first year of operation. As the off-track and in-home markets for account wagering continue to grow, XpressBet™ will play an increasingly important role in bringing MEC's racing product to customers around the world.
- During the year we announced the acquisition of four new racetracks: Lone Star Park at Grand Prairie, Texas (completed in October); Pimlico Race Course and Laurel Park in Maryland (completed in November); and Flamboro Downs in Ontario (pending regulatory approvals). Lone Star is one of the industry's most modern racetrack facilities and provides us with top-quality racing in one of the industry's key states. Pimlico and Laurel give us 220 days of live thoroughbred racing in the mid-Atlantic region, in a vital time zone. And through our acquisition of Pimlico, we now own one of the greatest brands in the sports and entertainment world – the Preakness Stakes®. Flamboro Downs will bring a new and increasingly important element to our business – namely a relationship with the Ontario Lottery and Gaming Corporation, which operates the gaming facility at Flamboro.

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- In July we launched HorseRacing TV™, a 24-hour television network focused exclusively on horse racing, including coverage of all MEC racetracks. At year-end HRTV was available to approximately one million cable customers in parts of Western Pennsylvania and to digital television subscribers in parts of Southern California. We are aggressively pursuing a plan to broaden distribution of HRTV into other markets.
 - During the year we raised over \$310 million to fund our strategic acquisitions and capital expenditures, including: \$142 million from the issuance of 23 million MEC Class A shares; \$72 million from the issuance of convertible subordinated notes; \$54 million from the sale of non-core real estate; and \$49 million of conventional bank financing.
 - In November we opened Palm Meadows, our new, state-of-the-art training center located near Gulfstream Park. It is without question the best facility of its kind in North America. Already, Palm Meadows is playing a major role in improving our racing product at Gulfstream Park.

Looking Ahead

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Live horse racing is the heart and soul of MEC. In 2003 our racetracks will operate for approximately 1,650 days of live racing, an increase of more than 130% from 2000 and 54% more than 2002.

Our objective is to offer greater excitement in racing by ensuring large fields of the highest possible quality at each of our racetracks. To achieve this goal, we must become the racetrack operator of choice whenever owners and trainers are deciding where to run their racehorses. It is a proven fact that large fields (i.e., more horses per race) and better quality racehorses generate more wagering dollars than short fields and poor quality racehorses.

We are re-engineering our facilities to make them more customer-friendly. We are focusing on the total customer experience – including great dining and hospitality with more entertainment options. We believe our industry can benefit from the experience of Las Vegas, which developed from simple gaming venues to become a destination entertainment center. Today, Las Vegas offers first-class shopping, dining and entertainment experiences, all wrapped around the basic gaming activity. We believe thoroughbred racing can be the centerpiece of a similar entertainment experience, by adding attractions such as boutique shopping and other forms of entertainment.

To grow and prosper, we need relief from excess regulation that gives an unfair advantage to other entertainment and gaming operators. Accordingly, we will continue to be active in terms of communicating with legislators across the country regarding the importance of horse racing to the general economy and the agricultural sector in particular. Governments are becoming more aware of our industry's importance as an economic engine in many communities across the country. Recently, the prospect of alternative gaming – slot machines and video lottery terminals (VLTs) – at racetracks has gained momentum as various states address their need to finance rising deficits. We are active in several jurisdictions in an effort to ensure MEC racetracks are afforded the opportunity to participate in this exciting new business. While we cannot forecast either the outcome of the political process or the terms of any resulting legislation, experience in other jurisdictions suggests that alternative gaming will improve purses at racetracks in those states that pass the necessary legislation. In addition, racetrack operators in other states that have slot machine or VLT operations at racetracks generally have profits in excess of racetracks in jurisdictions without alternative gaming. Wherever appropriate, we will lobby government to bring about changes that will improve the economics for our industry.



Early morning training – Santa Anita Park.

Our basic strategy is sound. Today we are North America's number one owner and operator of thoroughbred racetracks and related pari-mutuel wagering operations, a position that will benefit MEC and its stakeholders in the years ahead. We remain convinced that our strategy is correct and that the kind of operational and profit improvements we have achieved at certain of our properties to date can be replicated across the MEC network. As we integrate more of our operations, we will continue to realize benefits from economies of scale and the synergies inherent in our national network of racing and wagering facilities.

This integration phase involves people at all levels, in each of our operations, re-examining the way we conduct business. No aspect of our operation is excluded from this review. And once we make improvements, we will still look for new ways to do things even better. It's called continuous improvement. And it takes teamwork – management and employees working together to put on a first-class show and provide first-class service for our customers.

From our online service, to our OTBs, to our racetracks, we want customers to walk away saying: "What a great experience!" Similarly, we want horse owners and trainers to say: "I want to stable, train and run my horses at an MEC facility!" But to accomplish these goals, we need all of our employees to say: "What a great place to work!" I am personally committed to bringing about that kind of excitement and culture as we continue to build MEC.

There are a number of people who helped make 2002 a year of significant achievements for MEC. First of all, I wish to thank the various owners and trainers who worked with our racetracks to produce a great racing show. I would also like to thank our investors, new and old, for their confidence in our long-term plan to build a great company and to maximize shareholder value. Most importantly, I wish to thank our employees and racetrack managers – their support and hard work have been critical in accomplishing all of our achievements to date. They work on the front line day-to-day dealing directly with our customers, the people who make our business possible.

MEC racetracks will be in the spotlight frequently during 2003 and beyond. In May, MEC's Pimlico Race Course will host the 128th running of the Preakness Stakes®. We look forward to the opportunity of presenting one of the greatest shows in North American thoroughbred horse racing – the middle jewel of the Triple Crown. In October, our Santa Anita Park will serve as the site of the 2003 Breeders' Cup World Thoroughbred Championships. We have already begun to plan for the second running of the Sunshine Millions™ at Gulfstream and Santa Anita in January 2004, and one of the newest members of the MEC network, Lone Star Park at Grand Prairie, Texas, is scheduled to host the Breeders' Cup in the fall of 2004.

In closing, I would like to say that MEC is much more than just a racetrack company. It is an electronic media wagering and entertainment company. We have combined live horse racing with electronic technology to deliver racing and wagering entertainment to our customers, anytime... anywhere. It is a powerful and compelling business proposition that will continue to drive our growth in the years ahead.

See you at the races!

A handwritten signature in black ink, appearing to read "Jim", with a stylized flourish extending from the bottom left.

Jim McAlpine

President & Chief Executive Officer

MEC

Producing
**WORLD-CLASS
LIVE RACING**



*Through a series of strategic acquisitions,
MEC has assembled a racetrack network
that produces more than 1,650 days
of live racing year-round.
No other racetrack operator in North America
produces as much quality racing.*

More Racing... **More Often.**

Since launching our consolidation strategy several years ago, MEC has brought some of the world's greatest racetracks – and most exciting races – under its ownership and management.

Number One In North America.

Since launching our consolidation strategy in 1998, MEC has become the owner or manager of 15* racetracks, making our Company the largest operator of premier thoroughbred racetracks in North America and the dominant player in the industry in terms of total pari-mutuel wagering revenue.

Some Of The Greatest Brand Names In The Business.

Today, we operate racetracks in four of the industry's six key states – California, Florida, Maryland and Texas – and own some of racing's most prestigious properties and events, including “The Great Race Place” – Santa Anita Park – and Pimlico Race Course, home of the world-famous Preakness Stakes®. Each of our racetracks is home to prominent local, regional, national or international racing events. Santa Anita Park and Gulfstream Park have both hosted the Breeders' Cup World Thoroughbred Championships and in 2003 Santa Anita Park will host the Breeders' Cup once again.

More Premier Racetracks. More Quality Live Racing Content.

In 2002, MEC acquired additional racetracks located in key strategic markets. These racetrack properties allow us to provide our customers with additional quality racing for the Company's simulcast, television and account wagering operations.

MEC's 2002 acquisitions:

- Lone Star Park at Grand Prairie in Texas, which opened in 1997 is one of the most modern racetrack and pari-mutuel wagering facilities in North America. Simulcast racing is available seven days a week at Lone Star Park's Post Time Pavilion, a state-of-the-art simulcasting and sports entertainment facility. Lone Star Park is scheduled to host the Breeders' Cup World Thoroughbred Championships in 2004.
- MEC acquired Pimlico Race Course and Laurel Park in Maryland by purchasing a majority equity interest in the Maryland Jockey Club, the oldest sporting organization in North America. Pimlico owns and operates the prestigious Preakness Stakes®. In addition, through our acquisition of the Maryland Jockey Club, MEC also manages live horse racing at Colonial Downs racetrack in Virginia.
- Flamboro Downs in Ontario, which offers customers year-round live harness racing and wagering. Flamboro Downs also houses a gaming facility with 750 slot machines. At the date of printing, the acquisition of Flamboro Downs by MEC was pending regulatory approvals.

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Below: The field rounds the turn at Golden Gate Fields.



*At the date of printing, the acquisition of Flamboro Downs by MEC was pending regulatory approvals.



The elegant Woodlawn Vase, created in 1860, is presented annually to the Preakness® winner.

The Preakness Stakes®. A Sports Entertainment Classic.

The Preakness Stakes® is the middle jewel of thoroughbred racing's Triple Crown – a five week spectacular made up of three horse races that turns the eyes of the sports world on the world's finest 3-year old thoroughbreds as they compete in horse racing's ultimate competition.

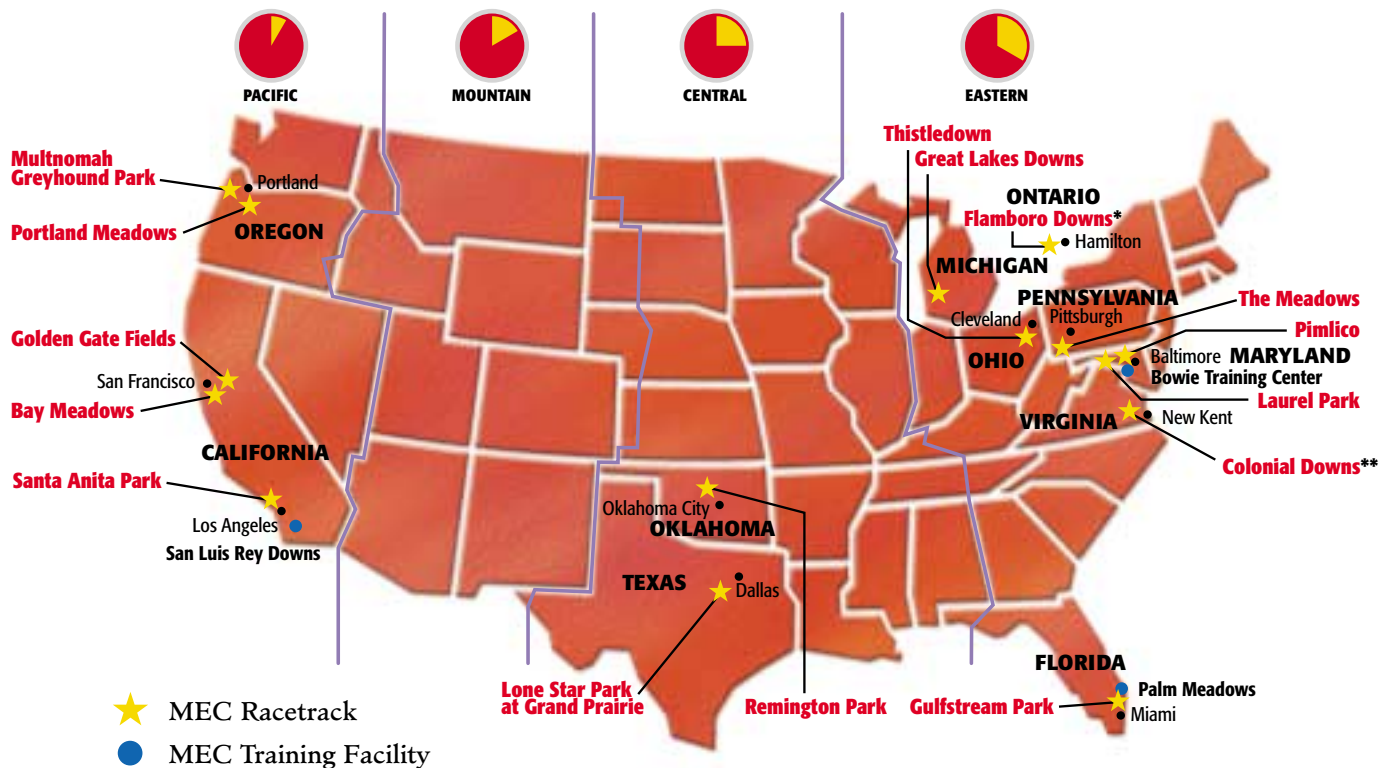
The Preakness Stakes® has a long and fabled history. First run in 1873, the Preakness® has been an annual event at Pimlico Race Course since 1909, steadily growing in popularity and purse value, year after year. Past winners include some of the greatest names in horse racing history such as *Man o' War*, *Citation*, *Secretariat* and *Seattle Slew*. Today, the Preakness® remains one of horse racing's great classics with contestants vying for the prized Woodlawn Vase.

Record Attendance. Record Wagering.

In 2002, a sell-out crowd of more than 100,000 people attended the 127th running of the Preakness Stakes® and millions of people around the world watched the race on television. The 2002 Preakness Stakes® race also generated a record amount of wagering.

MEC is excited to be part of the 128th running of the Preakness® on May 17, 2003, one of the highlights in an exciting year of world-class MEC racing action.

MEC Racetracks and Training Facilities



*At the date of printing, the acquisition of Flamboro Downs by MEC was pending regulatory approvals.

** Colonial Downs is managed by MEC through a management contract with the Maryland Jockey Club.

Year-Round Racing.

A key part of MEC's consolidation strategy was to assemble a network of racetracks under common ownership that could provide year-round racing.

MEC began by capturing some of the best winter racing in the world through its acquisitions of Santa Anita Park, Gulfstream Park and Golden Gate Fields. The Company then filled out its racing calendar through the acquisition of other racetrack properties including Bay Meadows Racecourse, Pimlico Race Course, Laurel Park, Lone Star Park at Grand Prairie and Thistledown, which feature spring, summer and fall racing, as well as The Meadows and Flamboro Downs*, which run year-round.

More Days Per Year. More Hours Per Day.

MEC's network of racetracks provides more than 1,650 total days of live horse racing – more than double the number of race days offered by any other racetrack operator in North America.

MEC has also acquired racetracks strategically located in three of the four time zones across North America. The result: MEC is now able to broadcast live racing action and offer wagering opportunities from our racetracks over a ten-to-twelve-hour period on most days, a key element in terms of producing quality racing to anchor HorseRacing TV™, MEC's 24-hour racing network.



Above: Racing action at Laurel Park and Remington Park.

MEC 2003 Racing Calendar. All Day. All Year Round.

MEC's nationwide network of racetracks provides year-round live racing.

	1ST QUARTER			2ND QUARTER			3RD QUARTER			4TH QUARTER		
	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
SANTA ANITA PARK**												
GOLDEN GATE FIELDS												
BAY MEADOWS RACECOURSE												
GULFSTREAM PARK												
LAUREL PARK												
PIMLICO RACE COURSE												
LONE STAR PARK												
REMINGTON PARK												
THE MEADOWS												
FLAMBORO DOWNS*												
THISTLEDOWN												
GREAT LAKES DOWNS												
PORTLAND MEADOWS												
MULTNOMAH GREYHOUND PARK												

*At the date of printing, the acquisition of Flamboro Downs by MEC was pending regulatory approvals. **The Oak Tree Racing Association runs its annual meet during the fall at Santa Anita Park. Colonial Downs, which is managed by a subsidiary of MEC, runs live thoroughbred racing from mid-June to mid-July and live standardbred racing from early October to mid-November.

MEC

Expanding
**RACING AND
WAGERING
DISTRIBUTION**

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We are developing a national network of OTB sports bars. We are serving the rapidly growing in-home market through our XpressBet™ online and phone wagering service. And we are broadcasting HorseRacing TV™, a new 24-hour cable and satellite television network, delivering racing and wagering opportunities to our customers around the clock.

Delivering MEC Racing *To Customers Everywhere.*

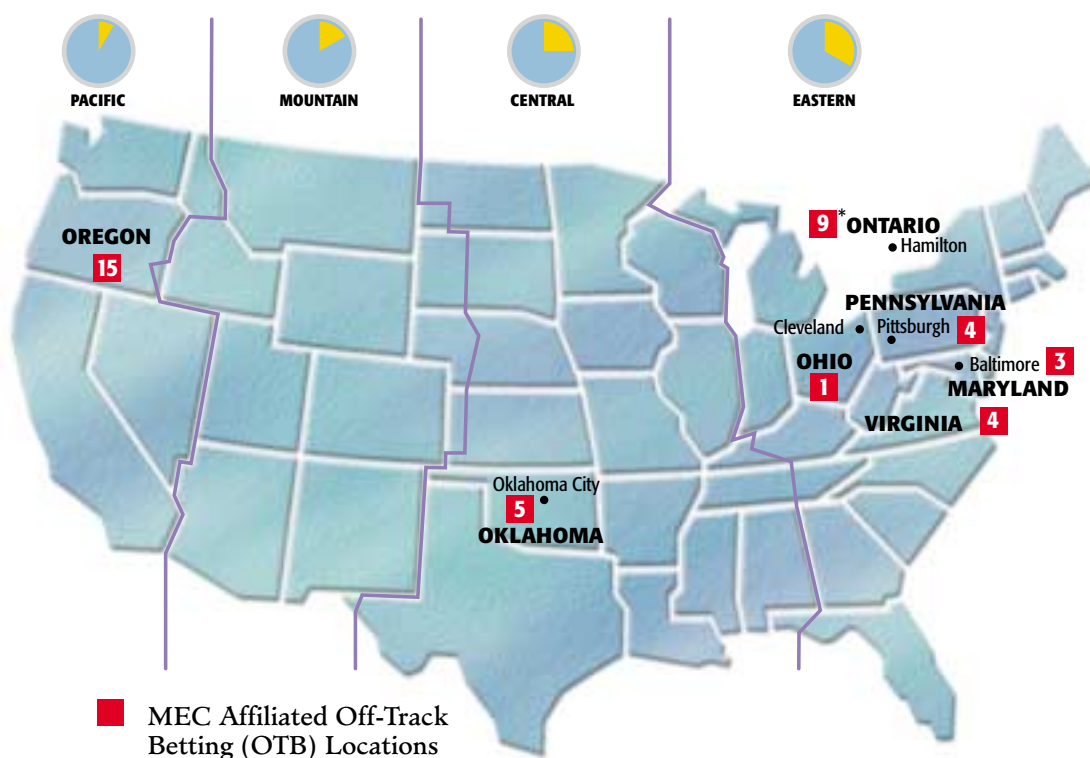
Reaching More Customers. In More Places. More Often.

The first step in MEC's overall strategic plan has focused on acquiring quality racing content. The second step of our strategic plan, currently underway, is enhancing and expanding distribution of MEC racing.

One key channel for doing so is through the off-track-betting (OTB) network. Off-track wagering has grown at a compound annual rate of approximately 7% per year since 1996. A significant amount of this off-track wagering takes place at OTB facilities. As a result, the OTB market has become an increasingly important factor in expanding MEC's customer base and growing overall revenues.

With the completion of the Flamboro Downs* purchase, MEC will have 41 OTB facilities under its ownership or management. This will make MEC one of the largest operators of OTBs in North America. Over the course of the next few years, we plan to grow our OTB network to between 50 and 75 facilities throughout North America and more than double the annual wagering revenue derived from our OTB facilities.

MEC OTB Locations



More Sports Entertainment. More Convenience. More Fun.

A growing OTB network offers MEC a number of advantages, including operating efficiencies, strong branding potential and better market reach than racetracks. Most importantly, it is a key element in MEC's strategy of delivering more wagering opportunities to more customers, more often.

Our plan is to develop our OTB facilities into a network of high-energy sports bars offering superior customer service, with highly trained staff eager to help customers discover the excitement of horse racing. Customers will be able to watch a variety of professional sports on big-screen TVs, including sports coverage dedicated to live horse racing.

With horse racing and wagering as the centerpiece and superior customer service as a standard feature, MEC's revamped OTBs will be venues where friends and family can get together for an afternoon or evening of fun and entertainment.

*At the date of printing, the acquisition of Flamboro Downs (and its affiliated OTBs) by MEC was pending regulatory approvals.

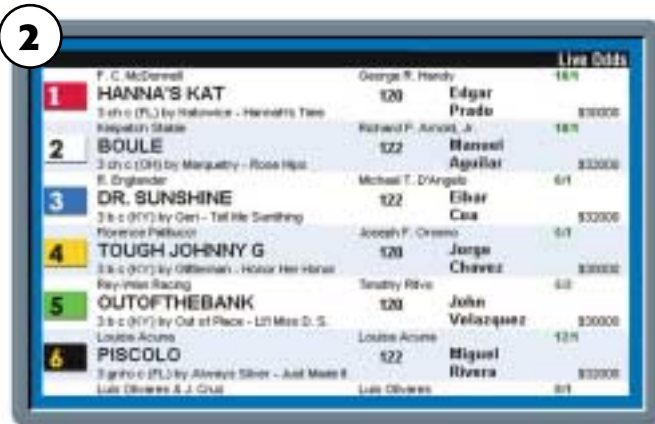


Go to www.xpressbet.com

Step 1: Enter your user name and password.

Step 2: Review the race program with live odds.

Step 3: Make a wager and submit your bet. Within seconds, a bet receipt will appear. Enjoy the race!



XpressBet™

Another key pillar in MEC's strategy for expanding racing and wagering distribution is XpressBet™, the Company's national online and telephone account wagering service.

Following a successful launch in California in January 2002, XpressBet™ attracted over 10,000 new customers.

Anytime... From Anywhere™.

With an XpressBet™ account, customers can wager online at www.xpressbet.com or over the phone at 1-866-80XPRESS, where permitted by law. XpressBet™ account holders can wager on up to 70 tracks by phone or online. The XpressBet™ service provides up-to-the-minute racing information including, live odds and results, race program information, real-time audio and video streaming, and an easy-to-use betting screen.

During the past year, MEC introduced a new feature – XpressBet Betty™, an interactive voice response system designed to help make telephone wagering fast, fun and easy-to-use.

Targeting The Growing In-Home Market

More Wagering Opportunities.

MEC's telephone and online account wagering platforms are now supported by HorseRacing TV™, providing customers with access to more quality horse racing and more wagering opportunities every day. MEC anticipates growing our interactive customer base significantly over the next few years as we expand distribution of MEC racing product via satellite and cable television, as well as through our growing off-track betting (OTB) network.

Below: MEC's broadcast center at Santa Anita Park.



HorseRacing TV™

Reaching More Customers. With More Programing. More Often.

With the cable launch of HorseRacing TV™ in December 2002, MEC put in place another key building block in our long-term strategy for growing the Company's racing and wagering operations.

HorseRacing TV™: MEC's 24-Hour Racing Network.

HorseRacing TV™ (HRTV) is a 24-hour television network providing live thoroughbred, harness and quarter horse racing action from racetracks in the United States and Canada. HRTV delivers wire-to-wire coverage along with post parades, odds, results and live racing replays from up to three racetracks at a time for up to 15 hours per day. The remainder of the program schedule includes replays and educational programing related to the sport of horse racing. HRTV features television coverage of 14* racetracks owned, operated or managed by MEC, and has access to live coverage from up to 70 racetracks in North America. All live racing content on HRTV is available for wagering, where permitted by law, via XpressBet™ (www.xpressbet.com), MEC's national account wagering system.

HRTV programing is produced at MEC's award-winning television studio located at Santa Anita Park. The network's on-air broadcast team includes some of the best-known and most knowledgeable experts in the industry.

Bringing The Thrill Of MEC Racing To New Audiences.

The creation and launch of HRTV gives MEC the ability to significantly expand television distribution of the Company's live racing. MEC is negotiating with leading US cable and satellite operators for the distribution of HRTV.

HRTV secured initial launches in San Diego, where it is being offered as part of a digital television subscriber package, as well as in Pittsburgh and Western Pennsylvania, where it is available in approximately one million cable homes.

HRTV also has an agreement with the National Cable Television Cooperative, which represents cable system operators serving more than 14.5 million subscribers nationally.

Watch And Wager.

The MEC owned and operated network offers racing enthusiasts a new, in-home "watch and wager" option. Viewers can wager on HRTV's live racing content, where permitted by law, via the phone or Internet through XpressBet™. With the advent of interactive television technology in the future, MEC plans to position HRTV to take advantage of the wagering opportunities inherent in this new technology.

*At the date of printing, the acquisition of Flamboro Downs by MEC was pending regulatory approvals.

Below: Friends gather at home for an afternoon of racing entertainment.



MEC

Improving
**LIVE
RACING**

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*Our objective is to become
the racetrack operator of choice
whenever horse owners and trainers
decide where to race their horses.
More horses mean better racing,
and better racing
means more wagering revenue.*

Better Facilities. **Better Racing.**

More horses equal bigger fields, and bigger fields generate more fan interest and more wagering action.

Better Facilities. Better Racing.

It's a proven formula for success in thoroughbred racing. And it's the reason why MEC intends to become the racetrack operator of choice for horse owners and trainers.

In order to attract more horses and provide the best possible racing quality, MEC has upgraded and improved a number of the training and stabling facilities at our racetracks. The Company is currently in the midst of a program to upgrade various MEC racing facilities – a program that involves the renovation and construction of stables and jockeys' and grooms' quarters.

Bigger Race Fields. Bigger Payouts.

In November 2002, MEC opened Palm Meadows, a world-class training center located on more than 300 acres in Palm Beach County, Florida. Palm Meadows provides stabling for approximately 800 horses taking part in Gulfstream Park's 2003 annual meet. Plans include stabling for more than 1,400 horses, as well as the addition of a turf course and grooms' quarters. Phase Two of the Palm Meadows construction is scheduled to begin after the completion of the 2003 Gulfstream meet and will further enhance the quality of racing at this premier MEC racetrack.



Above: Florida-bred Madame Pietra won by a neck in the inaugural Sunshine Millions™ Padua Stables Filly & Mare Sprint at Gulfstream Park on January 25, 2003.

Left: Early morning workout at our new Palm Meadows training center.



MEC: The Customer's First Choice For Wagering Entertainment.

In January 2003, MEC introduced one of thoroughbred racing's newest and most exciting events – the Sunshine Millions™.

More Fan Interest. More Media Coverage.

MEC's Santa Anita Park and Gulfstream Park jointly hosted the inaugural running of the Sunshine Millions™, a horse racing event which showcased California-breds and Florida-breds in head-to-head competition. The event featured eight races – four races at Santa Anita and four races at Gulfstream – and included some of the largest purses in the industry. Purses ranged from \$250,000 to \$1 million per race, for a total of \$3.6 million in guaranteed purses for the day. Race day events included Sunshine Millions™ cheerleaders, beach parties, live bands, tailgate parties, national contests, wakeboarding, parachuting, prizes and give-aways. The event, which contributed to increases in attendance and handle for the day across our entire network of racetracks, was covered on a national NBC broadcast and demonstrates what can be done to grow MEC's business in the future.

The Sunshine Millions™ shows MEC's commitment to creating exciting and innovative racing and wagering products designed to attract new customers. We believe the event is destined to become the premier winter racing series in North America.

MEC

Enhancing
**THE CUSTOMER
EXPERIENCE**

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*We are re-engineering our facilities
to make them more customer-friendly.
And we are focusing
on the total customer experience -
including great dining and hospitality
and more entertainment options.*

Making A Day At The Races *More Fun.*

In addition to providing an exciting racing and wagering experience, MEC continues to focus on the total customer experience.

Making A Day At The Races More Fun.

Through our Aurora Hospitality services group, MEC is in the process of restructuring our hospitality services at our tracks in order to provide customers with consistently high-quality food and beverage choices at racetrack concessions and restaurants. Aurora Hospitality offers high-quality, value-priced food and service delivery and is taking steps to further enhance and significantly grow sales and profits in the hospitality portion of our business.

More Entertainment Options.

MEC is also focusing on providing our customers with additional entertainment options, including concerts and other forms of live entertainment. Customers at MEC racetracks enjoyed a number of concerts during the year that featured big-name acts in the music recording industry.



Open air concerts featuring big-name acts like The Beach Boys, above, and America, below, attract large crowds to Gulfstream Park.





Flamboro Downs racetrack and gaming facility.*

MEC continues to examine the potential development of a number of leisure and entertainment-based projects at our premier racetrack properties in order to create entertainment destination centers. These development projects could include retail shopping, restaurants, hotels and other entertainment venues and could be developed in conjunction with various strategic partners.

More Ways To Wager.

In addition to pari-mutuel wagering entertainment, MEC is seeking to develop expertise in alternative gaming.

Slots are a new and increasingly important entertainment component introduced to support the racing industry and produce revenue for government-sponsored programs. Because pari-mutuel facilities are already highly regulated by the government and have significant experience in public gaming, a number of states are considering racetrack pari-mutuel wagering facilities as natural locations for state-sanctioned gaming operations, including slot machines and video lottery terminals (VLTs).

MEC's Flamboro Downs* racetrack houses a gaming facility with 750 slot machines operated by the Ontario Lottery and Gaming Corporation.

The Company is actively engaged in several other jurisdictions in an effort to obtain licenses to operate slot machines, VLTs or other forms of alternative gaming at our racetracks in the future, which would expand the menu of entertainment options available to MEC customers.



*Above: Long Beach Mounted Police Color Guard stand at attention during the opening ceremonies of the Sunshine Millions™ at Santa Anita Park.
Below: Miss Sunshine Millions™ California 2003.*



*At the date of printing, the acquisition of Flamboro Downs by MEC was pending regulatory approvals.