

**FORM 27**

Securities Act

**MATERIAL CHANGE REPORT UNDER  
SECTION 75(3) OF THE ACT**

1. Reporting Issuer

The reporting issuer is Magna Entertainment Corp. (the "Corporation"), a corporation incorporated under the laws of the State of Delaware and having its registered office located at 1209 Orange Street, Wilmington, Delaware 19801, USA and its principal executive offices at 337 Magna Drive, Aurora, Ontario, Canada L4G 7K1.

2. Date of Material Change

The material change occurred on August 2, 2001.

3. Press Release

On August 2, 2001, the Corporation issued a press release and delivered such press release to the Ontario Securities Commission and the other Canadian securities regulatory authorities, The Toronto Stock Exchange, The NASDAQ Stock Market and the U.S. Securities & Exchange Commission and to Canada NewsWire for publication and dissemination through its North American Disclosure Network which includes its USA and Canadian Disclosure Networks, United States US1 Network, Investor Research Wire and on-line and database connections.

4. Summary of Material Change

On August 2, 2001, the Corporation announced that GMR-NY LLC ("GMR") has been selected as the successful bidder to acquire the New York City Off-Track Betting operation ("NYCOTB"). The full text of the press release issued by the Corporation is attached as Exhibit 1.

5. Full Description of Material Change

On August 2, 2001, the Corporation issued a press release in which it announced that GMR has been selected as the successful bidder to acquire NYCOTB. The members of GMR are the Corporation, Greenwood Racing Inc. and Racing Enterprises LLC. Completion of the transaction is subject to conditions, including the passage of enabling legislation by the New York State Assembly and Senate and the execution of a definitive agreement of purchase and sale. GMR has agreed to pay a purchase price of up to \$260 million upon completion of the transaction, along with annual payments to the City of New York based upon a percentage of the annual handle of NYCOTB. The final purchase price could be lower depending upon the content of the legislative amendments achieved prior to closing. If the New York State Legislature approves the transaction but does not authorize enhanced business capacity, the purchase price will be \$150 million payable upon completion of the transaction, another \$50 million payable over five years, and annual payments based upon a percentage of handle. If certain business enhancements are approved, but not all of those sought, the purchase price will be adjusted to reflect the extent of the enhancements.

6. Reliance on Section 75(3) of the Act

This report is not being filed on a confidential basis.

7. Omitted Information

Not applicable.

8. Senior Officers

For further information, please contact Gary M. Cohn, Vice-President, Special Projects and Secretary of the Corporation at 905-726-7060.

9. Statement of Senior Officer

The foregoing accurately discloses the material change referred to herein.

DATED at Aurora, Ontario as of the 7th day of August, 2001.

/s/Gary M. Cohn

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Gary M. Cohn  
Vice President, Special Projects and Secretary



**Magna Entertainment Corp.**

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**MAGNA ENTERTAINMENT GROUP SUCCEEDS IN BID  
FOR NEW YORK CITY OTB**

**August 2, 2001, Aurora, Ontario, Canada.....Magna Entertainment Corp. ("MEC")  
(NASDAQ:MIEC; TSE: MIE.A, MEH)**

Mayor Rudolph Giuliani of the City of New York announced this afternoon that GMR-NY LLC (GMR) has been selected as the successful bidder to acquire the New York City Off-Track Betting operation (NYCOTB) from the City. Completion of the transaction is subject to conditions, including the passage of enabling legislation by the New York State Assembly and Senate and the execution of a definitive agreement of purchase and sale.

The members of GMR are MEC, Greenwood Racing Inc. and Racing Enterprises LLC.

GMR has agreed to pay a purchase price of up to \$260 million upon completion of the transaction, along with annual payments to the City based upon a percentage of the annual handle of NYCOTB. The final purchase price could be lower depending upon the content of the legislative amendments achieved prior to closing. If the State Legislature approves the transaction but does not authorize enhanced business capacity, the purchase price will be \$150 million payable upon completion of the transaction, another \$50 million payable over five years, and annual payments based upon a percentage of handle. If certain business enhancements are approved, but not all of those sought, the purchase price will be adjusted to reflect the extent of the enhancements.

"We are very pleased to be selected as the successful bidder for NYCOTB", said Frank Stronach, Chairman of MEC. "We applaud the Mayor and his colleagues for delivering on their commitment to privatize NYCOTB. The goal of our group is to make NYCOTB an industry leader, offering 21<sup>st</sup> century wagering facilities, amenities and technology to OTB customers."

"The success of the off-track betting business depends on the quality of the live racing product being offered to the wagering public", said Jim McAlpine, MEC's President and CEO. "To this end, GMR is committed to working with the racetracks in New York to ensure we deliver a first class product to our off-track customers."

Frank Stronach said, "We will begin immediately to meet with union leaders representing NYCOTB employees to develop a win/win relationship. For as long as I have been in business the key to success has been aligning the needs of workers, managers and the providers of capital to produce a better product at a competitive price. We are committed to utilizing this proven formula in building NYCOTB. In this way we will not only improve profits but we will grow and thereby create more and higher paying jobs. Growing NYCOTB will also generate additional purse money and benefit New York horsemen."

“While completion of this transaction is dependent upon the passage of enabling legislation and certain other conditions, we will work with labor, the City, the State and racetracks throughout New York to bring about a successful transition from public to private ownership that all of New York can be proud of.”

“We are excited about the opportunity that NYCOTB presents”, said Jim McAlpine. “We believe that our ownership of multiple racetracks and our extensive operating experience will enable us to enhance the operations of NYCOTB while increasing revenue and profitability.”

Greenwood Racing Inc., a member of the successful bidder, is engaged in the pari-mutuel wagering business in both Pennsylvania and New Jersey. Greenwood owns Philadelphia Park Racetrack in Bensalem, Pennsylvania, a network of off-track wagering facilities located in southeastern Pennsylvania and an account wagering business.

Racing Enterprises LLC is a company owned by William Mack and Robert Baker, two prominent New York businessmen.

MEC, one of the largest operators of premier horse racetracks in the United States, acquires, develops and operates horse racetracks and related pari-mutuel wagering operations, including OTB's, and owns and operates “Call-A-Bet”, a national account wagering system.

This press release contains various "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"). The Act provides certain "safe harbor" provisions for forward-looking statements. All forward-looking statements made in this press release are made pursuant to the Act. The reader is cautioned that these statements represent our judgment concerning the future and are subject to risks and uncertainties that could cause our actual operating results and financial condition to differ materially. Forward-looking statements are typically identified by the use of terms such as "may," "will," "expect," "anticipate," "estimate," and similar words, although some forward-looking statements are expressed differently. Although we believe that the expectations reflected in such forward-looking statements are reasonable we can give no assurance that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to: the impact of competition from operators of other racetracks and from other forms of gaming (including Internet and on-line wagering); a substantial change in law or regulations affecting our gaming activities; a substantial change in allocation of live racing days; our continued ability to effectively compete for the country's top horses and trainers necessary to field high-quality horse racing; our continued ability to complete expansion projects designed to generate new revenues and attract new patrons; our ability to sell some of our real estate when we need to or at a price we want; the impact of inclement weather; and our ability to integrate recent racetrack acquisitions.

For further information, contact:

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