PARK PLACE ENTERTAINMENT CORP
Form DEF 14A
April 05, 2001

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SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant /x/
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Check the appropriate box:

/ /	Preliminary Proxy Statement
/ /	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
/x/	Definitive Proxy Statement
/ /	Definitive Additional Materials
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Park Place Entertainment Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(3) Filing Party:

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PARK PLACE ENTERTAINMENT CORPORATION
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
YEAR 2001

I cordially invite you to attend our Annual Meeting of Stockholders for the year 2001.

Place: Paris Las Vegas
Champagne Ballroom
3655 Las Vegas Boulevard South
Las Vegas, Nevada
(702-946-7000)

Time: Friday, May 11, 2001
10:00 A.M.

Items of Business:

To elect two directors.

To approve and ratify an amendment to the 1998 Stock Incentive Plan.

To conduct any other business that properly comes before the meeting.

Record Date: You can vote if you are a stockholder of record as of the close of business on March 16, 2001.

Stockholder List: A list of stockholders eligible to vote at the Annual Meeting of Stockholders will be available for inspection at the annual meeting, and at least ten days prior to the annual meeting, at the executive offices of the company at 3930 Howard Hughes Pkwy, Las Vegas, Nevada, 89109 during regular business hours.

Proxy Voting: Your vote is important. Whether you plan to attend the annual meeting or not, please complete, date, and sign the accompanying proxy card as soon as possible and return it promptly to Wells Fargo Shareholder Services in the envelope provided, or use our 24-hour a day telephone or internet voting options.

Sincerely,
By Order of the Board of Directors:

Clive S. Cummis,
Secretary
Park Place Entertainment Corporation

April 5, 2001
Las Vegas, Nevada

PROXY STATEMENT

PARK PLACE ENTERTAINMENT CORPORATION
3930 HOWARD HUGHES PARKWAY
LAS VEGAS, NEVADA 89109
(702) 699-5000

This Proxy Statement is solicited by the Board of Directors of Park Place Entertainment Corporation and is being furnished to the stockholders of Park Place in connection with its annual meeting of stockholders to be held in the Champagne Ballroom at Paris Las Vegas in Las Vegas, Nevada on May 11, 2001 at 10:00 A.M. local time, and at any adjournments of that meeting. We are first mailing this proxy statement and the enclosed proxy card to stockholders on or about April 5, 2001.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

What am I being asked to vote on?

Item One: The election of two nominees to the Board of Directors.

Item Two: The approval and ratification of an amendment to the 1998 Stock Incentive Plan to increase the number of authorized shares of common stock available for grant by 10,000,000 shares.

What constitutes a quorum for purposes of voting?

A majority of the outstanding shares of common stock, represented either in person or by proxy at the meeting, will constitute a quorum for the transaction of business. As of the record date on March 16, 2001, there were 297,748,727 shares of common stock outstanding, which constitutes all of the outstanding voting securities of Park Place.

Abstentions and broker non-votes (shares held by a broker or nominee that are represented at the meeting, but with respect to which the broker or nominee is not empowered to vote on a proposal) are included in determining the presence of a quorum.

How many votes are needed to approve each item?

The affirmative vote of a plurality of the votes cast by holders of shares of common stock is required for the election of directors. Approval of the amendment to the 1998 Stock Incentive Plan requires the affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy at the meeting.

Abstentions will have no effect on the outcome of the election of directors. Abstentions will not be counted in determining the number of shares necessary for approval of the amendment to the 1998 Stock Incentive Plan. For any other item, abstentions and broker non-votes will not be counted in determining the number of shares necessary for approval.

Broker Voting: Under the rules of the New York Stock Exchange, the election of directors and approval of the amendment to the 1998 Stock Incentive Plan are both considered to be "routine" matters upon which a brokerage firm that holds your shares in its name may vote on your behalf, if you have not furnished the firm voting instructions within a specified period prior to the annual meeting.

How many votes do I have?

Each share of Park Place common stock that you own entitles you to one vote. The proxy card shows the number of shares that you owned as of the record date for voting, which was March 16, 2001.

How do I vote?

You may vote by proxy card, by telephone, by internet, or you may vote in person at the annual meeting. We encourage you to vote in advance by proxy, telephone, or internet even if you plan to attend the meeting.

By Proxy: To vote by proxy card, you should complete, sign and date the enclosed proxy card and return it promptly in the enclosed envelope. One of the individuals named on your proxy card (your "proxy") will vote your shares as you direct on your proxy card. If you do not make specific selections, your proxy will vote your shares as recommended by the current Board of Directors, in this manner:

"FOR" the election of the two director nominees;

"FOR" the approval and ratification of the amendment to the 1998 Stock Incentive Plan.

By Telephone: We have established a toll-free 800 number which is printed on your proxy card. You can use any touch-tone telephone to vote 24 hours a day, 7 days a week. The instructions in the message will ask you to enter our 3-digit Company Number and your personal 7-digit Control Number, both of which are printed on your proxy card.

By Internet: We have established a secure web page where you can also vote 24 hours a day, 7 days a week. The web page address is listed on your proxy card. The website will ask you to enter our 3-digit Company Number and your personal 7-digit Control Number, both of which are printed on your proxy card. The website will identify how many shares you are entitled to vote and create a ballot for you to vote and send by e-mail to us.

Can I revoke my proxy after I have sent it in?

Yes. You may revoke your vote at any time before the proxy is exercised in the following ways:

You may attend and vote in person at the meeting, which automatically revokes any previously received vote from you.

You may send in a later-dated proxy card, or vote again by mail or internet. This will automatically revoke your earlier vote.

You may notify the Secretary of the company that you wish to revoke your previously mailed proxy card, your telephone or your internet vote. This must be done in writing and sent to his attention at this address:

Clive S. Cummis, Secretary
Park Place Entertainment Corporation
3930 Howard Hughes Parkway
Las Vegas, Nevada 89109

What if my shares are held in the name of my broker, bank, or another institution?

You may vote now by mailing in the enclosed proxy card, or by using our telephone or internet voting. If you want to vote in person at the meeting, you must bring to the meeting an account statement or a letter from your institution indicating that you were the beneficial owner of the shares on March 16, 2001, the record date for voting.

What if I own shares through Park Place's Employee Stock Purchase Plan?

If you are a Park Place employee participating in the company's Stock Purchase Plan, you may be receiving this proxy material because of shares held for you in that plan. In that case, you may use the enclosed proxy card, telephone, or internet proxy to direct the plan trustees how to vote your shares. They are required to vote in accordance with your instructions. The trustees will vote all shares held in the plan. They will vote any shares for which they *do not* receive instructions in the same proportion as they vote the shares for which they *do* receive instructions.

How can I review the company's annual 10-K?

The annual report of Park Place on Form 10-K, including the financial statements and the schedules thereto, will be furnished without charge to any beneficial owner of securities entitled to vote at this annual meeting. You may view the Form 10-K on the company's website at *www.parkplace.com*, or you may request a copy by representing in writing that you were a beneficial owner of the company's securities as of March 16, 2001 and mailing your request to:

Investor Relations
Park Place Entertainment Corporation
3930 Howard Hughes Parkway
Las Vegas, Nevada 89109

Additional information about us can be accessed through our 24-hour investor relations service. You may call toll-free 877-PPE-NYSE (877-773-6973) or visit *www.parkplace.com* to obtain the latest Park Place news and stock price information, or to request information by e-mail, fax or postal mail delivery.

ITEM 1
ELECTION OF DIRECTORS

Our Board of Directors currently consists of twelve members, although the Board has the authority to establish its membership at between one and twenty members. The directors are divided into three classes with staggered terms of office, with four directors currently in each class. At each annual meeting, one class of directors is elected to three-year terms.

The term of office of the second class expires at this annual meeting. Each director elected at this meeting will hold office until the annual meeting in 2004 or until his or her successor has been elected. If any director resigns, dies, or is otherwise unable to serve out his term, the Board may fill such vacancy. Each of the nominees has consented to serve if elected. If any of them becomes unavailable to serve as a director, the Board may designate a substitute nominee. In that case, the persons named as proxies will vote for the substitute nominee designated by the Board.

The four directors whose terms expire at this meeting are **A. Steven Crown, Gilbert L. Shelton, J. Kenneth Looloian and Rocco J. Marano**. The Board has voted to reduce the total number of directors to ten after this annual meeting and Messrs. Looloian and Marano were therefore not re-nominated. The Board has nominated Messrs. Crown and Shelton for re-election. The nominees have been selected on the basis of their exemplary service as current directors, their integrity and independence, their understanding of our business environment, and their willingness to devote substantial time to Board duties. For biographical information about each of these nominees, please see "Directors and Executive Officers" beginning on page 6.

The Board recommends a vote "FOR" each of these nominees:

A. Steven Crown
Gilbert L. Shelton

DIRECTORS AND EXECUTIVE OFFICERS

The information set forth below is submitted with respect to the nominees for re-election, directors whose terms continue after this annual meeting, and executive officers who are not directors.

	Age	Term Expires
Stephen F. Bollenbach, Chairman of the Board	58	2002

Mr. Bollenbach has served as Chairman of the Board of Park Place since December 31, 1998. He has been President and Chief Executive Officer of Hilton Hotels Corporation since May 1996, and served as director, Executive Vice President and Chief Financial Officer of The Walt Disney Co. from April 1995 until February 1996. He was President and Chief Executive Officer of Host Marriott Corporation from October 1993 until April 1995. Mr. Bollenbach is a director of Hilton Hotels Corporation, Hilton Group PLC, AOL/Time Warner, Inc., and Catellus Development Corporation.

Barbara Bell Coleman, Director	50	2003

Ms. Bell Coleman has served as a director since January 15, 1999. She has been the President of BBC Associates LLC, an executive consulting firm serving businesses and philanthropic organizations, since 1998. From 1992 to 1998 she was President of the Amelior Foundation, a charitable organization.

A. Steven Crown, Director	49	2001

Mr. Crown has served as a director since December 31, 1998. He is General Partner of Henry Crown and Company (not incorporated), a company with diversified investments. Mr. Crown is a director of Hilton Hotels Corporation.

Clive S. Cummis, Vice Chairman, Executive Vice President, General Counsel and Secretary	72	2003

Mr. Cummis has served in this capacity since November 2, 1998. He has been a director since December 4, 1998. Prior to joining us, Mr. Cummis was actively engaged as Chairman of the law firm of Sills Cummis Radin Tischman Epstein & Gross, which provides legal services to Park Place. Mr. Cummis continues to be associated with such firm on a limited basis. He is a member of the President's Commission on White House Fellows.

Peter G. Ernaut, Director	36	2002

Mr. Ernaut has served as a director since September 15, 2000. He has been a partner in the political consulting firm of Alliance Corporation since 1994, in addition to serving as President of the political consulting firm of Ernaut Strategies, Inc. since January 2000. In January 2001 he became the Managing Director of Governmental Affairs and Public Policy with the law firm of Jones Vargas in Nevada.

Thomas E. Gallagher, Director, President and Chief Executive Officer	56	2002

	Age	**Term Expires**

Mr. Gallagher has served in this capacity since October 23, 2000. He was Executive Vice President and General Counsel of Hilton Hotels Corporation from July 1997, Secretary from May 1998, and Chief Administrative Officer from May 1999, until he joined Park Place on October 23, 2000. Mr. Gallagher served as President and Chief Executive Officer of the Griffin Group, Inc. from April 1992 until June 1997. During 1995 and 1996, Mr. Gallagher also served as President and Chief Executive Officer of Griffin Gaming & Entertainment, Inc. (formerly Resorts International, Inc.). Prior to joining the Griffin organization, Mr. Gallagher practiced law from 1969 to 1992 with the law firm of Gibson, Dunn & Crutcher.

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	Age	**Term Expires**
William Barron Hilton, Director	73	2002

Mr. Hilton has served as a director since December 31, 1998. He has been Chairman of the Board of Hilton Hotels Corporation since February 1996, prior to which he served as Chairman of the Board and Chief Executive Officer of Hilton Hotels Corporation. William Barron Hilton and Eric Hilton are brothers.

Eric M. Hilton, Director	67	2003

Mr. Hilton has served as a director since December 31, 1998. He was a director of Hilton Hotels Corporation and served as Vice Chairman of the Board of Hilton Hotels Corporation until March 1997. William Barron Hilton and Eric Hilton are brothers.

Paul X. Kelley, Director	72	2003

Mr. Kelley has served as a Director since January 2000. He has been a partner with the investment firm of J. F. Lehman & Company since 1998. From 1989 to 1998 he was Vice Chairman of Government Relations for Cassidy & Associates, Inc. Mr. Kelley served as Commandant of the Marine Corps and a member of the Joint Chiefs of Staff from 1983 until his retirement in 1987. He holds directorships on the boards of Saul Centers, Inc., Sturm, Ruger & Company, Inc., UST. Inc., the Wackenhut Corporation, and Columbia Partners, L.L.C.

Gilbert L. Shelton, Director	64	2001

Mr. Shelton has served as a director since December 31, 1998. He is a private investor.

Wallace R. Barr, Co-Chief Operating Officer, President Eastern Casino Group	55	

Mr. Barr has served as Executive Vice President-Eastern Region since December 31, 1998. On November 10, 2000, he was named President of Park Place's Eastern Casino Group and in January 2001 he was named Co-Chief Operating Officer. From January 1997 until December 31, 1998, he was Executive Vice President of Hilton Gaming Corporation. From June 1993 until December 1998, he served as Executive Vice President and Chief Operating Officer of Bally's Casino Holdings, Inc., during which time he was also the Chief Operating Officer of Bally's Park Place and the Atlantic City Hilton Resort.

Mark R. Dodson, Co-Chief Operating Officer, President Western Casino Group	38	

Mr. Dodson has served as Executive Vice President-Western Region since December 31, 1998. On November 10, 2000, he was named President of Park Place's Western Casino Group and in January 2001 he was named Co-Chief Operating Officer. He was Executive Vice President and Treasurer of Hilton Gaming Corporation from January 1998 until December 31, 1998, and Senior Vice President of Gaming Operations and Treasurer, Hilton Gaming Corporation from December 1996 until January 1998. He was Senior Vice President of Bally's Park Place from January 1996 until December 1996, and Vice President of Development, Bally's Casino Holdings, Inc. from December 1994 until January 1996. Mr. Dodson served as Director of Corporate Development of Bally Entertainment Corporation from February 1993 until December 1994.

Scott A. LaPorta, Executive Vice President, Chief Financial Officer and Treasurer	38	

Mr. LaPorta has served in this capacity since December 31, 1998. He was Senior Vice President and Treasurer of Hilton Hotels Corporation from May 1996 to December 31, 1998, and previously served as Senior Vice President and Treasurer of Host Marriott Corporation. Mr. LaPorta has served as a director of Jupiters Ltd, an Australian corporation, since February 1999.

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SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The table below shows the beneficial ownership of Park Place common stock as of March 16, 2001, for: (1) each director, (2) each executive officer named in the Summary Compensation Table on page 19, and (3) the executive officers and directors as a group. The "Options Exercisable" column includes only options exercisable within sixty (60) days after March 16, 2001. There were 297,748,727 shares of common stock outstanding on March 16, 2001, exclusive of treasury stock.

Name	Shares Owned	Options Exercisable	Total	Approx. %
William Barron Hilton	22,933,230	22,000	22,955,230	7.7%
Arthur M. Goldberg(1)	2,304,738	13,157,160	15,461,898	5.0%
Stephen F. Bollenbach	290,000	1,000,000	1,290,000	*
Thomas E. Gallagher(2)	185,479(6)	296,950	482,429	*
A. Steven Crown	3,679,500(4)	26,000	3,705,500	1.2%
Gilbert L. Shelton	20,000(5)	22,000	42,000	*
Rocco J. Marano	10,000	22,000	32,000	*
Clive S. Cummis(2)	12,600	250,000	262,600	*
J. Kenneth Looloian	10,500	22,000	32,500	*
Eric M. Hilton	9,400	22,000	31,400	*
Barbara Bell Coleman	3,200	22,000	25,200	*
Paul X. Kelley	2,000	20,000	22,000	*
Peter G. Ernaut	0	10,000	10,000	*
Mark R. Dodson(3)	32,799	296,250	329,049	*
Wallace R. Barr(3)	29,401	312,000	341,401	*
Scott A. LaPorta(3)	1,000	402,500	403,500	*
Directors and executive officers as a group(7)	27,219,109	2,745,700	29,964,809	10%

(1) Denotes former Board member and chief executive officer who passed away on October 19, 2000.

(2) Denotes Board member and executive officer.

(3) Denotes executive officer.

(4) Includes 5,000 shares of our common stock beneficially owned by Mr. Crown's spouse. Mr. Crown is a partner of the Crown Fund, which owns 239,888 shares of our common stock. He is a director of the Arie and Ida Crown Memorial, a not-for-profit corporation which owns 894,272 shares of our common stock. Pines Trailer Limited Partnership owns 600,000 shares of our common stock; Mr. Crown is a director, officer and shareholder of a corporation which is a partner in Pines Trailer Limited Partnership, and Mr. Crown is a partner in a partnership which is a partner in Pines Trailer Limited Partnership. Areljay, L.P. owns 1,935,340 shares of our common stock; Mr. Crown is a director, officer, and shareholder of a corporation which is a partner in Areljay, L.P., and Mr. Crown is a beneficiary under a trust which is a partner in Areljay, L.P. Mr. Crown disclaims beneficial ownership of the shares held by The Crown Fund, The Arie and Ida Crown Memorial, Pines Trailer Limited Partnership and Areljay, L.P., except to the extent of his beneficial interest therein.

(5) Includes 20,000 shares owned jointly by Mr. Shelton and his spouse, Dr. Judy Shelton, over which shares Mr. Shelton shares voting and investment powers.

(6) Includes 146,791 shares of restricted stock granted on January 26, 2001 which vest in two equal installments of 73,395.5 each on June 9, 2003 and June 9, 2004, with accelerated vesting under certain circumstances.

(7) Totals exclude Mr. Goldberg's holdings.

PRINCIPAL STOCKHOLDERS

The table below shows the amount of Park Place common stock owned by each person who, in addition to the officers and directors previously listed, to our knowledge owned 5% or more of our outstanding common stock on March 16, 2001.

Name	Shares Owned	Approx. %
Janus Capital Corporation 100 Filmore Street, Suite 300 Denver, CO 80206	37,360,030(1)	12.5%
FMR Corp. 82 Devonshire Street Boston, MA 02109	20,005,530(2)	6.7%
AXA Financial, Inc. 1290 Avenue of the Americas New York, NY 10104	18,109,334(3)	6.1%
Conrad N. Hilton Fund 100 West Liberty Street Reno, NV 89501	16,498,736(4)	5.5%
Wallace R. Weitz & Company One Pacific Place, Suite 600 1125 South 103rd Street Omaha, NE 68124	14,685,200(5)	5.0%

(1) This information is based upon the filing of a Schedule 13G/A with the Securities and Exchange Commission on February 15, 2001.

(2) This information is based upon a filing of a Schedule 13G with the Securities and Exchange Commission on February 14, 2001.

(3) This information is based upon a filing of a Schedule 13G with the Securities and Exchange Commission on February 12, 2001.

(4) Willian Barron Hilton and Eric M. Hilton are two of the eleven directors of the Conrad N. Hilton Fund, a non-profit organization that funds the charitable activities of the Conrad N. Hilton Foundation, a non-profit organization. They disclaim beneficial ownership of the shares owned by the Fund.

(5) This information is based upon a filing of a Schedule 13F-HR with the Securities and Exchange Commission on February 13, 2001.

THE BOARD OF DIRECTORS

The Board met nine times in 2000. Each director attended more than 75% of the year's board meetings, and more than 75% of the meetings of committees of which the director was a member.

MEMBERSHIP OF BOARD COMMITTEES

Name	Board	Audit	Compensation	Compliance	Nominating	Diversity
Stephen F. Bollenbach	X**				X**	X

Name	Board	Audit	Compensation	Compliance	Nominating	Diversity
Thomas E. Gallagher	X					X
Clive S. Cummis	X			X		
Barbara Bell Coleman	X		X			X
A. Steven Crown	X	X	X	X**		
William Barron Hilton	X	X	X		X	
Eric M. Hilton	X	X	X	X		
J. Kenneth Looloian(1)	X				X	X**
Rocco J. Marano(1)	X	X	X	X		
Gilbert L. Shelton	X	X**		X	X	
Paul X. Kelley	X		X**	X		
Peter G. Ernaut	X					X

** Denotes Chairperson

(1) Reflects Mr. Looloian's and Mr. Marano's Board and committee memberships until the expiration of their terms on May 11, 2001.

COMMITTEES OF THE BOARD

The Park Place Board has five standing committees: (i) the Audit Committee, (ii) the Compliance Committee, (iii) the Compensation Committee, (iv) the Diversity Committee, and (v) the Nominating Committee.

AUDIT COMMITTEE

The Audit Committee provides oversight of the accounting, auditing, internal control and financial reporting practices of Park Place. The committee reviews the independence of the independent auditors, recommends to the Board the engagement and discharge of independent auditors, reviews with the independent auditors their audit reports, their scope of review, their findings and their recommendations. The committee reviews the scope and results of Park Place procedures for internal auditing, the adequacy of internal accounting controls, and directs and supervises special investigations. The committee meets both with and without management in attendance. The Audit Committee met six times in 2000.

COMPLIANCE COMMITTEE

The Compliance Committee supervises Park Place's efforts to ensure that its business and operations are conducted in compliance with the highest standards applicable to it as a matter of legal and regulatory requirements as well as ethical business practices. In particular, the Compliance Committee is responsible for the establishment and implementation of Park Place's internal reporting system regarding compliance with regulatory matters associated with the company's gaming operations. The committee supervises the activities of the company's Compliance Officer and communicates on a periodic basis with gaming regulatory agencies on compliance matters. It reviews information and reports regarding the suitability of potential key employees of Park Place as well as persons and entities proposed to be involved in material transactions or relationships with Park Place. We believe that the involvement of the Board in this endeavor creates an environment in which integrity and honesty are clearly identified as a critical component of our corporate culture. The Compliance Committee met five times in 2000.

COMPENSATION COMMITTEE

The Compensation Committee is comprised of outside directors and determines the salary, bonus, stock option and other compensation for executive officers of Park Place, as well as the overall employment and compensation practices of the company in general. It administers the 1998 Stock Incentive Plan, including determining the persons to whom awards will be granted and the terms of the grants. The Compensation Committee reports to the Board of Directors regarding all its decisions concerning such awards. The Compensation Committee prepares an annual report in which it discusses the compensation of Park Place executives and the philosophy behind that compensation. This report begins on page 16. The Compensation Committee met five times in 2000.

DIVERSITY COMMITTEE

The Diversity Committee is comprised of the Chief Executive Officer and outside directors. The committee is dedicated to the development and implementation of policies and programs that promote equality of opportunity in all facets of the company's business. The committee's goals are to increase diversity in the company's workforce, management and in its dealings with vendors, with special emphasis on identifying qualified females and ethnic minorities. The committee was established in late 2000 and began meeting in 2001.

NOMINATING COMMITTEE

The Nominating Committee evaluates and recommends candidates to the Board of Directors to fill positions on the Board of Directors. It reviews on a continuing basis, and at least once a year, the

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structure of the Board to assure its continuity and to assure that the proper skills and experience are represented on the Board, and reviews any potential conflicts of Board members when a prospective Board member is being considered for election to the Board. The Nominating Committee met one time in 2000.

Notice of proposed stockholder nominations for election of directors must be delivered to the Nominating Committee not less than 70 days prior to the meeting at which directors are to be elected. Nominations must contain certain information, as set out in our by-laws, in order to be considered. Nominations should be directed to the Nominating Committee, c/o Clive S. Cummis, Secretary, Park Place Entertainment Corporaton, at the address on page 2 of this Proxy Statement.

DIRECTOR COMPENSATION

Monthly Directors' Fees. We compensate directors who are not employees of Park Place or its subsidiaries with a fee of $2,500 per month, which is $30,000 per year. We do not compensate our employees for service as a director.

Independent Directors. We grant each independent non-employee director an option to purchase 50,000 shares of Park Place common stock on the date of the director's election to the Board. The first 10,000 options vest on the date of grant and the remainder vest in equal installments over a four-year period, provided the director remains on the Board.

Meeting Fees. We compensate non-employee directors with a fee of $1,000 for attendance at each board, committee, and annual meeting. We reimburse all employee and non-employee directors for travel and other related expenses related to their attendance at board meetings, committee meetings, annual meetings, and other Park Place business functions.

Independent Directors' Retirement Plan. Any independent director who retires after reaching age 65, and who has completed ten years of service as a director, is entitled to an annual retirement benefit. The benefit is equal to 100% of the director's average fees, which include meeting and committee attendance fees, for the 36 consecutive calendar months during which his director's fees were the highest. If a director dies prior to retirement, but after reaching age 65, the director's surviving spouse is entitled to an annual spouse's benefit equal to one-half the benefit the director would have received had the director retired on the date of death. The benefits under this plan are payable for a maximum of ten years. In the event a retired director dies prior to receiving ten annual payments, one-half of the annual benefit the director was receiving will be paid to the director's surviving spouse for the balance of the ten-year period.

COMPENSATION COMMITTEE INTERLOCKS and INSIDER PARTICIPATION

J. Kenneth Looloian, an executive officer of DiGiorgio Corporation served as a director of Park Place and a member of its Compensation Committee in 2000. Arthur M. Goldberg, President and Chief Executive Officer of Park Place until October 19, 2000, was a member of the Compensation Committee of DiGiorgio Corporation.

EXECUTIVE COMPENSATION

Executive Employment Agreements

Park Place has entered into six employment agreements with executive officers and directors. The agreements are with Thomas E. Gallagher, Stephen F. Bollenbach, Clive S. Cummis, Wallace R. Barr, Mark R. Dodson, and Scott A. LaPorta. The key provisions of these agreements are outlined below.

Thomas E. Gallagher. Park Place has an agreement with Mr. Gallagher to serve as President and Chief Executive Officer for the period October 23, 2000 through December 31, 2005, with successive automatic renewal periods of one year each, unless either Park Place or Mr. Gallagher elects not to renew. His agreement provides for a minimum annual base salary of $975,000, with annual review by

the Board of Directors, and he is eligible to receive an annual bonus in the discretion of the Board. The Board will also recommend his re-election to the Board of Directors. Mr. Gallagher is entitled to certain relocation benefits, including reimbursement of all relocation costs and a one-year interest free relocation loan of up to $1 million.

Mr. Gallagher may defer any compensation into his personal deferred compensation program or into the company's Executive Deferred Compensation Plan (see page 17). The payment of any portion of salary and bonus which would not be deductible by Park Place on a current basis because of the $1 million limitation on deductible compensation required by Section 162(m) of the Internal Revenue Code (the "Code") will be deferred unless the Compensation Committee determines otherwise. Mr. Gallagher's agreement also provides for an award of certain restricted stock and stock options, as are more fully discussed in the Compensation Committee Report on Executive Compensation on page 16 of this proxy statement.

Mr. Gallagher is entitled to receive a supplemental retirement benefit in the form of a 100% joint and survivor annuity equal to 3% of his total cash compensation for each year of service through December 31, 2005. The benefit vests 20% per year, beginning December 31, 2001 through December 31, 2005, provided he remains employed by Park Place on each such vesting date, and the benefit will commence on the latest of (a) January 1, 2006, (b) a date he elects on or before January 1, 2005, or (c) the date of his termination from employment with Park Place.

If Mr. Gallagher's employment with Park Place is terminated: (1) by Park Place for reasons other than cause, disability, or by reason of Mr. Gallagher's death, or (2) by Mr. Gallagher for good reason, Park Place will be required to pay Mr. Gallagher his base salary and target bonus for the greater of (a) two years, or (b) the balance of the term of the agreement. In addition, Park Place will provide Mr. Gallagher with all benefits due under any applicable employee benefit plans. If a termination occurs following a change of control of Park Place, Mr. Gallagher will receive a lump-sum cash payment equal to 2.99 times the sum of his annual base salary and his annual bonus for the fiscal year ending during the term of the agreement (or, if higher, his annual bonus for the last full fiscal year prior to the change of control).

Park Place will reimburse Mr. Gallagher for any excise tax incurred by him under Section 4999 of the Code on any payments paid by Park Place to him, under the agreement or otherwise, which constitute "parachute payments" under Section 280G of the Code. Park Place will bear the cost of all income, excise and employment taxes imposed on any gross-up payment.

Mr. Gallagher has agreed not to compete with the company during any period for which he is receiving payments from the company after the expiration or termination of his employment and has further agreed that he will not solicit from the company any managerial employee for a period of two years after the expiration or termination of his employment.

Stephen F. Bollenbach. Park Place has an employment agreement with Mr. Bollenbach in which he has agreed to serve as Chairman and advisor to the Park Place Board of Directors for the period December 31, 1998 through July 1, 2005. Under the agreement, Mr. Bollenbach is paid an annual base salary of $100,000 per year, is not entitled to receive a bonus, and is not entitled to receive any benefits provided to Park Place employees other than an annual vacation and reimbursement of expenses he may incur in providing his services under the agreement.

Clive S. Cummis. Park Place has an agreement with Mr. Cummis to serve as Executive Vice President, Law and Corporate Affairs and Secretary of the corporation for the period January 1, 1999 through December 31, 2002 at a minimum annual base salary of $650,000, with annual bonuses in the discretion of the Board.

Wallace R. Barr. Park Place has an agreement with Mr. Barr to serve as Executive Vice President of the corporation for the period March 15, 1999 through March 14, 2003 at a minimum annual base salary of $750,000, with annual bonuses in the discretion of the Board. Park Place maintains a $1.8 million term life insurance policy on Mr. Barr during the term of his employment.

Mark R. Dodson. Park Place has an agreement with Mr. Dodson to serve as Executive Vice President of the corporation for the period January 1, 1999 through January 16, 2003 at a minimum annual base salary of $500,000, with annual bonuses in the discretion of the Board. Park Place maintains a policy of term life insurance on Mr. Dodson in an amount two times his annual base salary during the term of his employment.

Scott A. LaPorta. Park Place has an agreement with Mr. LaPorta to serve as Executive Vice President and Chief Financial Officer of the corporation for the period January 1, 1999 through January 16, 2003 at a minimum annual base salary of $450,000, with annual bonuses in the discretion of the Board.

Additional Provisions. Each of the above four employment agreements for Messrs. Cummis, Barr, Dodson and LaPorta also contains the following contractual provisions:

> **Stock Options.** The executives' employment agreements provide for the grant of 500,000 options to each executive to purchase shares of Park Place common stock, vesting 25% per year beginning in January 2000. The agreements further provide that following Arthur M. Goldberg's ceasing to serve as CEO and President of Park Place (for any reason, including death, defined as a "Change of Control"), each executive's unvested options will fully vest at such time as he thereafter terminates his employment with Park Place.
>
> **Termination.** Park Place may terminate the executive at any time. If the executive is terminated without cause, the executive will be paid a lump sum amount equal to: (a) the greater of twenty-four months base salary or his base salary for the balance of the term, whichever is greater, plus (b) the greater of the average of the bonuses paid to the executive by Park Place for the three prior years or the amount of the bonus, if any, paid to the executive for the prior year. Additionally, all of the executive's stock options will become vested and exercisable.
>
> **Change of Control.** In the event of a change of control of Park Place, (the definition of which includes Arthur M. Goldberg's ceasing to serve as CEO), the executive is entitled to terminate his employment agreement and be paid a lump sum equal to one year's base salary. If a change of control results in a successor to Park Place terminating the executive without cause, the executive is entitled to be paid an amount equal to: (a) the greater of twenty-four months base salary or

his base salary for the balance of the term, whichever is greater, plus (b) the greater of the average of the bonuses paid to the executive by Park Place for the three prior years or the amount of the bonus, if any, paid to the executive for the prior year. Additionally, all of the executive's stock options will become vested and exercisable. If a change of control results in a change in the executive's title, compensation or reporting responsibilities, or if there is a substantial change in his duties, the successor will be deemed to have terminated the executive's services without cause.

Former CEO Agreement

Park Place had an employment agreement with Arthur M. Goldberg, dated December 31, 1998 and amended January 1, 2000, to serve as President and Chief Executive Officer for the period December 31, 1998 through January 1, 2004. Mr. Goldberg's death on October 19, 2000, triggered an obligation for Park Place to pay certain compensation and benefits under his employment agreement. By mutual agreement with his estate, all sums due were paid in January 2001.

Mr. Goldberg's estate (and/or designated beneficiaries) was paid his base salary from October 12, 2000 through January 1, 2004, for a total of $6,384,615. It was also paid compensation from three

deferred compensation accounts into which he had deferred past earnings. These deferred compensation accounts consisted of a Hilton Hotels Corporation account (which Park Place had assumed), a Park Place Executive Deferred Compensation Plan account, and the special contractual deferred account provided for in his employment agreement. The collective amount paid from these accounts was $13,805,367, including interest. Additionally, his estate received a life insurance benefit payable under Park Place's Executive Death Benefit Plan, of which $4,306,357 was paid by Park Place.

Mr. Goldberg's passing also triggered an immediate vesting of all his unvested options and amended the expiration periods of his options. He held options to purchase 4,000,000 shares, 2,000,000 shares, and 7,157,160 shares of Park Place common stock. Upon his death, these 13,157,160 options vested. Pursuant to his employment agreement, the options to purchase 4,000,000 shares and 2,000,000 shares expire five years from the date of his death, on October 19, 2005. The options to purchase 7,157,160 shares expire one year from the date of his death, on October 19, 2001, in accordance with the terms of the 1998 Stock Incentive Plan. These rights have passed to his estate and designated beneficiaries.

AUDIT COMMITTEE

Audit Committee Disclosure

The Audit Committee of the Board is responsible for, among other things, considering the appointment of the independent auditors for the company, reviewing with the auditors the plan and scope of the audit and the audit fees, monitoring the adequacy of reporting and internal controls, and meeting periodically with internal and independent auditors. Under the rules of the New York Stock Exchange, all of the members of our Audit Committee are independent. The Board has adopted a written Charter of the Audit Committee, a copy of which is attached as "Appendix A" hereto.

Fees

Fees of Deloitte & Touche LLP for the fiscal year 2000 audit and review of Forms 10-Q are $655,000. Aggregate fees billed for all other services rendered by Deloitte & Touche LLP for the fiscal year are $199,000.

REPORT OF AUDIT COMMITTEE

To the Board of Directors of Park Place Entertainment:

We have reviewed and discussed with management the company's audited financial statements as of and for the year ended December 31, 2000.

We have discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, by the Auditing Standards Board of the American Institute of Certified Public

Accountants.

We have received and reviewed the written disclosures and the letter from the independent auditors required by Independence Standard No. 1, Independence Discussions with Audit Committees, as amended, by the Independence Standards Board, and have discussed with the auditors their independence and considered the compatibility of non-audit services with the auditors independence. Based on the reviews and discussions referred to above, we recommend to the Board of Directors that the financial statements referred to above be included in the company's Annual Report on Form 10-K for the year ended December 31, 2000.

Dated March 21, 2001.

Gilbert L. Shelton, Chairman
A. Steven Crown
William Barron Hilton
Eric M. Hilton
Rocco J. Marano

REPORT OF THE COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION

The Compensation Committee (the "Committee") of the Board of Directors is composed entirely of independent outside directors. The Committee is responsible for establishing and administering the compensation philosophy, policies and programs applicable to the executive officers of the company, including specific decisions regarding each executive officer's compensation and the overall compensation practices of the company.

Park Place is largely dependent upon the judgment, initiative and effort of its executive officers for the successful conduct of its business. Therefore, the Committee's primary objective is to establish plans that will attract, retain, and motivate highly skilled and talented executives in a dynamic and competitive industry. This is accomplished through implementation of the following policies:

- ensuring that executive compensation is competitive within the gaming industry as well as within other public companies of similar size, scope, and revenues;
- providing incentives to executives to increase stockholder value, both in the short-term and in the long-term;
- providing executives with a personal financial interest in the company similar to the interests of our stockholders;
- linking executive compensation to company performance; and
- reflecting the performance and contribution of each executive officer in the Committee's compensation determinations.

Our executive officers are compensated through a combination of salary, performance bonuses, stock options, and a deferred compensation program.

Salaries

The company entered into employment agreements in October 2000 with the President and Chief Executive Officer, and in December 1998 with each of our other four executive officers, which established minimum annual base salaries for each executive. All base salaries have been maintained at these minimum annual levels, although we review and evaluate each officer's salary annually. We compare our salaries with those of other public companies, gaming and non-gaming, of similar size, scope of operations, and revenues. We also consider each officer's performance and responsibility level, as well as the company's current financial condition and performance during the past fiscal year, such as growth in revenues, EBITDA, earnings per share, and strategic acquisition or disposition of assets.

Performance Bonuses

At the beginning of each fiscal year, the Committee establishes performance objectives and the maximum potential bonus award for each executive officer, including the Chief Executive Officer. At the end of the performance period, the Committee determines the results achieved relative to such objectives, and establishes each executive officer's annual bonus.

In May 2000, stockholders approved the company's Executive Incentive Plan, intended to qualify certain compensation paid to executive officers for deductibility under Section 162(m) of the Internal Revenue Code, which otherwise limits deductibility to $1 million for the Chief Executive Officer and each of the four other most highly compensated officers. In making compensation decisions, the Committee will take into account the effect of Section 162(m) and the Executive Incentive Plan, while retaining the flexibility to approve compensation that it deems to be in the best interests of the company and its stockholders, but that may not always qualify for full tax deductibility.

The Committee established criteria for year 2000 bonus awards that were based on the company reaching certain targeted EBITDA objectives. Because these objectives were not fully met, maximum bonus awards were not made.

Stock Options

Annual stock option grants are a critical component of the company's long-term executive compensation program by linking a major portion of executive financial interests to the performance of our stock. Options increase the executive's motivation and incentive to continue with the company and grow the value of its stock by providing the executive with the same opportunity to benefit from appreciation in the stock as do other stockholders. In 1999, pursuant to their employment agreements, we awarded options to purchase 500,000 shares of common stock to each of the four executive officers, excepting the Chief Executive Officer (see following paragraph). The size of the option grants to the chief executive officer and the four executive officers reflects the Committee's judgment as to the current and potential contribution of the individual executive officer to the current and future growth and profitability of the company and to the creation of stockholder value.

Chief Executive Officer Compensation

Chief Executive Officer Compensation. Mr. Gallagher was appointed President and Chief Executive Officer effective October 23, 2000. His employment agreement of that date provides for a minimum annual salary of $975,000, with annual review by the Board of Directors. Mr. Gallagher is also eligible to receive an annual bonus in the discretion of the Board. He was awarded a bonus for 2000 that was commensurate with those being paid to our other executive officers, but pro-rated to reflect his actual time with the company.

On November 9, 2000, he was awarded an option to purchase 2,000,000 shares of Park Place common stock, vesting in equal annual installments of 500,000 over a four-year period. Because he forfeited certain restricted stock and stock options from Hilton Hotels Corporation upon assuming leadership of Park Place, the Committee determined that Mr. Gallagher should also be compensated for that loss by: (1) replacing his forfeited Hilton restricted stock (issued pursuant to the Hilton Supplemental Retirement and Retention Plan) and (2) replacing his forfeited stock options (issued pursuant to the 1996 Hilton Stock Option Plan) with an equivalent value of Park Place restricted stock and stock options. At the Committee's first meeting in January 2001, the Committee awarded Mr. Gallagher 146,791 shares of restricted Park Place stock, which represents the value of the restricted stock he forfeited. The terms of the restricted stock remain identical to those he forfeited. Provided he remains employed by Park Place, 50% of the shares will vest on June 9, 2003 and 50% will vest on June 9, 2004, with acceleration in certain circumstances.

Mr. Gallagher has elected to receive his replacement stock options only upon approval and ratification by the stockholders of the amendment to the 1998 Incentive Stock Plan at the 2001 annual meeting. If approved, Mr. Gallagher will receive replacement Park Place options with a value equal to, and with vesting and expiration terms identical to, his forfeited Hilton options on the date the replacement options are granted by Park Place. The value of those options, determined on a Black-Scholes option-pricing model, is $1,518,258, and the number of options to be granted will depend upon the market price of Park Place common stock on the date of grant. The exercise price of the options will be their fair market value on the grant date.

Executive Deferred Compensation Plan

Executive officers also may participate in a plan under which they may elect to defer any portion of their compensation in accordance with plan provisions. The company provides a matching contribution of

50% of the first 10% of compensation deferred by the executive. The executive's interest in the company's match vests at the rate of one-third per annum, with 100% acceleration in the event of death, permanent disability, change of control, or retirement at age 55 or thereafter.

Executive Death Benefit Plan

The company adopted an Executive Death Benefit Plan in fiscal year 2000 for the purpose of providing benefits to a select group of management employees. Each of the five most highly compensated executive officers qualifies for this plan. The plan provides, in the event of the executive's death, for the company to pay a benefit equal to 150% of the sum of (1) the executive's base salary at the time of death and (2) the bonus paid for the fiscal year in which the death occurs, with a maximum cap of $5 million, plus a gross-up to reimburse the executive for taxes on the amount of the benefit paid.

The Committee continues to monitor the compensation and benefits paid to our executive officers to ensure that they are effective, appropriate, competitive and tax efficient.

Approved by the Compensation Committee of the Board of Directors:

Paul X. Kelley, Chairman
Barbara Bell Coleman
A. Steven Crown
William Barron Hilton
Eric M. Hilton
Rocco J. Marano

PARK PLACE
SUMMARY COMPENSATION TABLE

The following table sets forth the compensation paid to Park Place's Chief Executive Officer and each of its other four most highly compensated executive officers (the "named executive officers") for services rendered during its fiscal years ended 1998, 1999, and 2000. The year 1998 was the company's first year of operations following its spin-off from Hilton Hotels Corporation.

		Annual Compensation			Long Term Compensation Awards		
Name and Principal Position	**Year**	**Salary**	**Bonus(1)**	**Other Annual Compensation**	**Restricted Stock Awards**	**Securities Underlying Options**	**All Other Compensation(5)**
Thomas E. Gallagher	2000	$ 187,500	$ 148,800			2,000,000	
President and Chief Executive Officer	1999	N/A	N/A	N/A	N/A	N/A	N/A
(October 23, 2000 to present)	1998	N/A	N/A	N/A	N/A	312,600(3)	N/A
Arthur M. Goldberg(2)	2000	$ 1,615,385					$ 94,663
President and Chief Executive Officer	1999	$ 2,007,693	$ 3,000,000			2,207,160(4)	$ 68,751
(January 1, 2000 October 19, 2000)	1998	N/A	$ 1,000,000			4,950,000(4)	N/A
	1998	N/A	N/A			6,000,000	N/A

		Annual Compensation			**Long Term Compensation Awards**	
Wallace R. Barr(2) Co-Chief Operating Officer, President-Eastern Casino Group	2000 1999 1998	$ 750,000 $ 781,730 N/A	$ 686,625 $ 925,000 $ 500,000		 500,000 72,000(3)	$ 135,093 $ 91,781 N/A
Clive S. Cummis Executive Vice President, General Counsel and Secretary	2000 1999 1998	$ 650,000 $ 652,500 N/A	$ 595,075 $ 1,025,000		 500,000	$ 112,607 $ 16,846 N/A
Mark R. Dodson(2) Co-Chief Operating Officer, President-Western Casino Group	2000 1999 1998	$ 500,000 $ 501,913 N/A	$ 457,750 $ 850,000 $ 275,000		 500,000 55,000(3)	$ 101,212 $ 57,255 N/A
Scott A. LaPorta(2) Executive Vice President and Chief Financial Officer	2000 1999 1998	$ 450,000 $ 451,739 N/A	$ 411,975 $ 775,000 $ 200,000		 500,000 160,000(3)	$ 52,607 $ 48,453 N/A

(1) Awards of annual bonuses are made by the Compensation Committee. All bonuses awarded, whether paid prior or subsequent to any fiscal year-end, are attributed in this table to the year in which they were earned.

(2) On December 31, 1998, Hilton Hotels Corporation completed a spin-off of all its gaming assets to Park Place. Messrs. Goldberg, Barr, Dodson and LaPorta each resigned their respective positions with Hilton and assumed their positions w