

CLECO CORP  
Form PRE 14A  
February 22, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

**Cleco Corporation**

(Name of registrant as specified in its charter)

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(Name of person(s) filing proxy statement, if other than the registrant)

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No fee required

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(1) Amount Previously Paid:

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**Proxy Statement  
and  
Notice of  
Annual Meeting  
of Shareholders  
to be held on  
April 26, 2013  
  
March 15, 2013**

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**CLECO CORPORATION**

**2030 DONAHUE FERRY ROAD**

**PINEVILLE, LOUISIANA 71360-5226**

**NOTICE OF  
ANNUAL MEETING  
OF SHAREHOLDERS**

<b>TIME</b>	9:00 a.m., Central time, on Friday, April 26, 2013
<b>PLACE</b>	Country Inn & Suites by Carlson  2727 Monroe Highway  Pineville Convention Center, Ft. Randolph Room  Pineville, Louisiana 71360
<b>ITEMS OF BUSINESS</b>	(1) To elect two directors, each of whom will serve a three-year term expiring in 2016, or until their successors are elected and qualified.  (2) To consider and act on a proposal to ratify the Audit Committee's appointment of the firm of Deloitte & Touche LLP as Cleco Corporation's independent registered public accounting firm for the fiscal year ending December 31, 2013.  (3) To consider and act on an advisory vote to approve the compensation of Cleco Corporation's named executive officers as described in the accompanying proxy statement.  (4) To consider and act on a management proposal to amend the Bylaws of Cleco Corporation to eliminate cumulative voting and to eliminate the classification of the board of directors of Cleco Corporation so as to require that all directors be elected annually.  (5) To consider and act on a management proposal to amend the Amended and Restated Articles of Incorporation of Cleco Corporation to eliminate cumulative voting.  (6) To consider and act on a shareholder proposal to require Cleco Corporation to issue a sustainability report that includes a comprehensive discussion of Cleco Corporation's sustainability risks and opportunities, including an analysis of material water-related risks.  (7) To transact any other business that may properly come before the annual meeting or any adjournments or postponements thereof.

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RECORD DATE	You can vote if you were a shareholder of record as of the close of business on March 1, 2013.
ANNUAL REPORT	Our 2012 Annual Report and Form 10-K for the fiscal year ended December 31, 2012, neither of which is a part of the proxy soliciting material, are enclosed.
PROXY VOTING	It is important that your shares be represented and voted at the annual meeting. Please mark, sign, date and promptly return the enclosed proxy card in the postage-paid envelope, or vote through the Internet as described in the enclosed proxy card. You may revoke your proxy at any time prior to its exercise at the annual meeting.
INTERNET AVAILABILITY OF PROXY MATERIALS	<b>Important Notice Regarding the Availability of Proxy Materials for Cleco's Shareholder Meeting to be held on April 26, 2013. This proxy statement, the related proxy cards, the 2012 Annual Report and the 2012 Form 10-K are available on Cleco's web site. To access the documents, please go to <a href="http://www.cleco.com">www.cleco.com</a>; Investor Relations Proxy Statements and <a href="http://www.cleco.com">www.cleco.com</a>; Investor Relations Annual Reports.</b>

Julia E. Callis  
*Associate General Counsel & Corporate Secretary*

*March 15, 2013*

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**CLECO CORPORATION**  
**ANNUAL MEETING OF SHAREHOLDERS**  
**TO BE HELD ON APRIL 26, 2013**

**PROXY STATEMENT**

Cleco Corporation is furnishing you this proxy statement because you are a holder of Cleco common stock. The Cleco board of directors is soliciting proxies for use at the Cleco annual meeting of shareholders and at any adjournments or postponements of the annual meeting. The annual meeting will be held at 9:00 a.m., Central time, on Friday, April 26, 2013, at the Country Inn & Suites by Carlson, 2727 Monroe Highway, Pineville Convention Center, Ft. Randolph Room, Pineville, Louisiana 71360 (please see the map included as Appendix A). The voting stock of Cleco consists of shares of common stock, with each share of common stock entitling its owner to one vote. At the annual meeting, holders of record of Cleco common stock at the close of business on March 1, 2013 will be entitled to vote upon proposals relating to:

the election of two directors, each of whom will serve until the annual meeting in 2016, or until their successors are elected and qualified;

the ratification of the Audit Committee's appointment of the firm of Deloitte & Touche LLP as Cleco Corporation's independent registered public accounting firm for the fiscal year ending December 31, 2013;

an advisory vote to approve the compensation of Cleco Corporation's named executive officers as described in the Compensation Discussion and Analysis and Executive Officers' Compensation sections of this proxy statement;

the consideration of a management proposal to amend the Bylaws of Cleco Corporation to eliminate cumulative voting and to eliminate the classification of the board of directors of Cleco Corporation so as to require that all directors be elected annually;  
the consideration of a management proposal to amend the Amended and Restated Articles of Incorporation of Cleco Corporation to eliminate cumulative voting;

the consideration of a shareholder proposal to require Cleco Corporation to issue a sustainability report that includes a comprehensive discussion of Cleco Corporation's sustainability risks and opportunities, including an analysis of material water-related risks; and

the consideration of any other business that may properly come before the meeting.

**The board of directors recommends that you vote FOR the election of the two nominees for director, FOR the ratification of the Audit Committee's appointment of Deloitte & Touche LLP as Cleco Corporation's independent registered public accounting firm for the fiscal year ending December 31, 2013, FOR the approval of the compensation of Cleco Corporation's named executive officers, FOR the amendments to the Bylaws of Cleco Corporation to eliminate cumulative voting and to eliminate the classification of the board of directors, FOR the amendment to the Amended and Restated Articles of Cleco Corporation to eliminate cumulative voting and AGAINST the proposal to require Cleco Corporation to issue a sustainability report.**

This proxy statement and the accompanying proxy card are being mailed first on or about March 15, 2013 to record shareholders of Cleco as of the close of business on March 1, 2013.





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## INTRODUCTION

### General

This is the proxy statement of Cleco Corporation. Unless the context clearly indicates otherwise or unless otherwise noted, all references in this proxy statement to Cleco or the Company mean Cleco Corporation.

### Proxy Solicitation

The enclosed proxy is solicited on behalf of the Cleco board of directors to be voted at the annual meeting. The management of Cleco will solicit proxies by mail, telephone, facsimile, the Internet or overnight delivery. Proxies also may be solicited in advertisements and in person by Cleco officers and employees. Cleco has hired Morrow & Co., LLC (Morrow), 470 West Ave, Stamford, CT 06902, to assist in the solicitation of proxies. Morrow's fee is approximately \$10,000 plus expenses. Other than Morrow, no specially engaged solicitors will be retained to solicit proxies. Cleco is responsible for the payment of all expenses of the solicitation, including the cost of preparing and mailing this proxy statement and the reimbursement of brokerage firms and other nominees for their reasonable expenses in forwarding proxy material to beneficial owners of Cleco common stock.

All duly executed proxies will be voted in accordance with their instructions. If no instructions are in an executed proxy, the shares represented by such proxy will be voted at the annual meeting or any adjournments or postponements thereof **FOR** the election of the two

nominees for director, **FOR** the ratification of the Audit Committee's appointment of Deloitte & Touche LLP as Cleco's independent registered public accounting firm for the fiscal year ending December 31, 2013, **FOR** the approval of the compensation of Cleco's named executive officers, **FOR** the amendments to the Bylaws of Cleco Corporation to eliminate cumulative voting and to eliminate the classification of the board of directors, **FOR** the amendment to the Amended and Restated Articles of Cleco Corporation to eliminate cumulative voting, **AGAINST** the shareholder proposal to require Cleco to prepare a sustainability report and in the discretion of the persons named in the proxy on any other business that may properly come before the annual meeting. Management is not aware of any other matters that are likely to be brought before the annual meeting.

Cleco's principal executive offices are located at 2030 Donahue Ferry Road, Pineville, Louisiana 71360-5226, and Cleco's telephone number is (318) 484-7400. Cleco's homepage on the Internet is located at [www.cleco.com](http://www.cleco.com).

### Record Date and Voting Rights

Holders of record of outstanding common stock as of the close of business on March 1, 2013 are entitled to receive notice of and to vote at the annual meeting. As of March 1, 2013, there were 60,876,864 shares of Cleco common stock outstanding. As of March 1, 2013, all officers and directors of Cleco, as a group, beneficially owned 1.4% of the outstanding shares of Cleco common stock.

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This proxy provides you with the opportunity to specify your approval or disapproval of, or abstention with respect to, the following proposals:

Proposal 1 the election of two directors to serve until the 2016 annual meeting of shareholders, or until their successors are elected and qualified;

Proposal 2 the ratification of the Audit Committee's appointment of Deloitte & Touche LLP as Cleco's independent registered public accounting firm for the fiscal year ending December 31, 2013;

Proposal 3 the consideration of a non-binding advisory vote to approve the compensation of Cleco's named executive officers as described in the Compensation Discussion and Analysis and Executive Officers' Compensation sections of this proxy statement;

Proposal 4 the consideration of a management proposal to amend Cleco's Bylaws to eliminate cumulative voting and to eliminate the classification of the board of directors so as to require that all directors be elected annually;

Proposal 5 the consideration of a management proposal to amend Cleco's Amended and Restated Articles of Incorporation to eliminate cumulative voting; and

Proposal 6 the consideration of a shareholder proposal to require Cleco to issue a sustainability report that includes a comprehensive discussion of Cleco's sustainability risks and opportunities, including an analysis of material water-related risks.

Generally, under Louisiana law and Cleco's Amended and Restated Articles of Incorporation and Bylaws, an abstention by a shareholder who is either present in person at the annual meeting or represented by proxy is not a vote cast and is counted neither for nor against the matter subject to the abstention. Under Louisiana law and Cleco's Bylaws, a quorum is based upon the number of outstanding shares of voting stock, including shares relating to abstentions. Shares registered in the names of brokers or other street name nominees for which proxies are voted on some but not all matters will be considered to be present at the meeting for quorum purposes, but will be considered to be voted only as to those matters actually voted and will not be considered as voting for any purpose as to the matters to which no vote is indicated (commonly referred to as broker non-votes). The New York Stock Exchange (NYSE) precludes brokers from exercising voting discretion on certain proposals, including the election of directors, executive compensation

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proposals and other non-routine proposals such as the proposed amendments to Cleco's Bylaws and Amended and Restated Articles of Incorporation without specific instructions from the beneficial owner. The only routine proposal that will be voted on at the 2013 annual meeting, and for which brokers may exercise discretion, is Proposal 2.

Election of directors is by plurality of the voting stock, with each holder of Cleco common stock being able to cast as many votes as equal the number of such holder's shares of common stock multiplied by the number of directors to be elected. Each holder of Cleco common stock may cumulate all or any part of these votes for one or more of the nominees. Abstentions and broker non-votes are treated as votes not cast and will have no effect on the election of directors. The affirmative vote of a majority of votes cast is required for adoption of the proposal to ratify the appointment of Deloitte & Touche LLP as Cleco's independent registered public accounting firm, for approval of the compensation of Cleco's named executive officers and for approval of the shareholder proposal to require Cleco to provide a sustainability report; accordingly, abstentions and broker non-votes will have no effect on the outcome of these proposals. The affirmative vote of at least 80% of all shares of Cleco common stock outstanding as of the close of business on the record date is required to amend Cleco's Bylaws to eliminate cumulative voting and to eliminate the classification of Cleco's board of directors, while the affirmative vote of at least two-thirds of Cleco common stock outstanding as of the close of business on the record date is required to amend Cleco's Amended and Restated Articles of Incorporation to eliminate cumulative voting; accordingly, abstentions and broker non-votes will have the same effect as votes AGAINST these proposals.

One of the matters that will be presented to a vote of shareholders at the 2013 annual meeting is advisory in nature and will not be binding on

Cleco or Cleco's board of directors: approval of the compensation of Cleco's named executive officers as described in the Compensation Discussion and Analysis and Executive Officers' Compensation sections of this proxy statement. Shareholders also may choose to abstain from voting on this matter; however, an abstention will have no effect on the outcome of the proposal.

The proxy enclosed for record holders of voting stock is for the number of shares registered in your name with Cleco, together with any additional full shares held in your name in Cleco's Dividend Reinvestment Plan.

If you are an employee of Cleco and participate in the Cleco Savings and Investment Plan (401(k) Savings Plan), you may vote the number of shares of Cleco common stock equivalent to your interest in the Cleco common stock fund of the 401(k) Savings Plan as of the close of business on March 1, 2013, the record date for the annual meeting. Additionally, if you are an employee of Cleco and participate in the Cleco Employee Stock Purchase Plan (Stock Purchase Plan), you may vote the number of shares of Cleco common stock purchased with your payroll deductions as of the record date. In any case, complete and return the proxy card being mailed with this proxy statement, or follow the directions on the proxy card to vote through the Internet. The trustee under the 401(k) Savings Plan and/or the custodian under the Stock Purchase Plan will vote the shares allocated to your account(s) according to your instructions. If you do not send instructions within the time required, the share equivalents credited to your account(s) will not be voted.

Please call Cleco's Office of Shareholder Assistance at 1-800-253-2652 with any questions relating to the proposals to be considered at the annual meeting.

## **Execution and Revocation of Your Proxy**

Shares represented by proxies properly signed and returned will be voted at the annual meeting in accordance with the shareholder's specifications. If a proxy is signed but no voting specification is made, then the shares represented by the proxy will be voted **FOR** the election of the two nominees for director, **FOR** the ratification of the Audit Committee's appointment of Deloitte & Touche LLP as Cleco's independent registered public accounting firm for the fiscal year ending December 31, 2013, **FOR** the approval of the compensation of Cleco's named executive officers, **FOR** the amendments to the Bylaws of Cleco Corporation to eliminate cumulative voting and to eliminate the classification of the board of directors, **FOR** the amendment to the

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Amended and Restated Articles of Cleco Corporation to eliminate cumulative voting, **AGAINST** the shareholder proposal to require Cleco to issue a sustainability report and in the discretion of the persons named in the proxy on any other business that may properly come before the annual meeting.

A shareholder who gives a proxy may revoke it at any time before the proxy is voted at the annual meeting. To revoke a proxy, a written instrument signed in the same manner as the proxy must be delivered to the corporate secretary of Cleco at or before the annual meeting. Also, a shareholder who attends the annual meeting in person may vote by ballot at the meeting, thereby cancelling his or her proxy.

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**PROPOSAL NUMBER 1 ELECTION OF TWO CLASS I DIRECTORS**

# **PROPOSAL NUMBER 1 ELECTION OF TWO CLASS I DIRECTORS**

Cleco's Bylaws provide for the division of Cleco's board of directors into three classes: Class I, Class II and Class III, with each class consisting, as nearly as possible, of one-third of the number of directors constituting the entire board. Cleco's board of directors currently has a total of eight directors: two are in Class I, three are in Class II and three are in Class III. The term of each directorship is three years. The terms of the three classes are staggered in a manner so that only one class is elected by the shareholders annually. The two Class I director positions are proposed for election this year to serve as members of Cleco's board of directors until the annual meeting of shareholders in 2016, or until their successors are elected and qualified. Although Cleco's board is currently divided into three classes as described above, we are proposing an amendment to declassify our board as described in Proposal Number 4 Consideration of a Proposal to Amend the Bylaws of Cleco Corporation to Eliminate Cumulative Voting and to Eliminate the Classification of the Board of Directors of Cleco Corporation.

The persons named in the accompanying proxy may act with discretionary authority to cumulate the votes attributable to shares of Cleco common stock represented by the proxy and to vote for other nominees upon the unavailability of a named nominee, although management is not aware of any circumstance likely to render any of the named nominees unavailable for election. Unless a shareholder specifies otherwise, the persons named in the accompanying proxy intend to vote in favor of the nominees listed below. The two persons who receive the most votes cast will be elected as directors.

All of the nominees listed below currently serve as directors of Cleco. Directors who are members of Classes II and III, who are continuing as directors at this time and whose terms of office expire in 2014 and 2015,

respectively, are named below following the information concerning the two nominees for election as Class I directors.

On January 9, 2013, Mr. Robert T. Ratcliff, Sr. resigned from Cleco's board. On January 24, the board amended Cleco's Bylaws to reduce the number of directors from nine to eight. The Nominating/Governance Committee reached a consensus in 2010 that a board composed of 9 to 10 directors functions well for Cleco. The Nominating/Governance Committee is following the steps discussed beginning on page 13 under

Director Nomination Process to identify an additional director to add to the board following Mr. Ratcliff's resignation. During 2013, the Nominating/Governance Committee also will continue to assess the size of Cleco's board of directors in light of upcoming retirements. The Nominating/Governance Committee may determine to engage an executive search firm to assist in the recruitment of new board members, and the Nominating/Governance Committee will work to identify attributes of potential new board members to determine those attributes that will be most useful in the work of the board. Depending upon the outcome of the work of the Nominating/Governance Committee, the board may determine to appoint one or more board members as recommended by the Nominating/Governance Committee. At the time of the mailing of this proxy statement, the work of the Nominating/Governance Committee is not complete and no candidates other than those listed below are being nominated for consideration at the 2013 annual meeting of shareholders.

Cleco's board of directors unanimously has approved the nomination of the two nominees for Class I director and recommends that you vote **FOR** the election of the two nominees for Class I director.

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**PROPOSAL NUMBER 1 ELECTION OF TWO CLASS I DIRECTORS**

**About the Nominated and Continuing Directors**

Our board of directors is responsible for overseeing the business and affairs of Cleco. As shareholders, you elect the board as your representatives. Our goal is to assemble a board that encourages a culture that promotes candid communication and rigorous decision-making with robust participation by directors in board discussions and that is sufficiently independent-minded and challenging of management. When reviewing the results of the annual board evaluation and assessing directors for the board, the Nominating/Governance Committee looks at the overall mix of the nominees and continuing directors' balance of skills and experience, as well as qualities such as leadership in their occupations, accomplishments, diversity, integrity and a commitment to devote the time and attention needed to discharge their duties to the Company (see Independence and Organization of the Board of Directors and Director Nomination Process below for more information on the process for identifying and evaluating nominees for director).

Below is information concerning the two nominees for election as Class I directors at the annual meeting, as well as the continuing Class II and Class III directors, including the business experience and any public company directorships held by each during the past five years, areas of expertise and any specified legal proceedings involving each during the past ten years. The directors do not have any family relationships between any director, executive officer or director nominee to report.

**Class I Directors (nominees to be elected at the 2013 annual meeting; terms of office expire in 2016)**

Logan W. Kruger has served as the president and chief executive officer ( CEO ) of SUN Gold Limited, a privately-held company based in the Channel Islands, since March 2012. SUN Gold Limited is engaged as an entity for discovery, development and conversion of natural resources outside the United States. Mr. Kruger served as the president, CEO and a director of Century Aluminum Company ( Century ), a publicly held company owning primary aluminum capacity in the United States and Iceland, from December 2005 until November 2011. Prior to that time, Mr. Kruger was employed by Inco Limited, a publicly held company engaged in the mining, processing and marketing of nickel and nickel-related products, where he served as executive vice president of technical services from September 2003 until September 2005 and as president, Inco Asia Pacific from September 2005 until November 2005. Mr. Kruger is 62 years old and became a director of Cleco in 2008. He is a member of the Audit and Compensation Committees.

Mr. Kruger has spent over 30 years in the commodities business, including his early career with Anglo American's gold, uranium and coal companies. He served in various positions of increasing responsibility over mining operations and technical services, which contributed to his deep understanding of the energy business. With his years of managerial experience, Mr. Kruger brings to the board of directors demonstrated management ability at senior levels and a strong operations-oriented perspective. In his role as CEO at Century, he gained valuable experience evaluating the results of a public corporation, which contributes to his service as a member of Cleco's Audit Committee.

Bruce A. Williamson has served as president and CEO of Cleco Corporation since July 2011. Prior to joining Cleco, Mr. Williamson was chairman, president and CEO of Dynege, Inc. ( Dynege ) from 2004 until 2011, and was president and CEO of Dynege from 2002 to 2004. Mr. Williamson is 53 years old and became a director of Cleco in July 2011.



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Mr. Williamson serves as a member of the board of directors for Questar Corporation and is on the University of Houston Dean's Advisory Board. Mr. Williamson earned his master's degree in business administration from the University of Houston in 1995. He has held numerous positions of increasing responsibility in finance and corporate development. Mr. Williamson's 30+ years of broad energy industry and financial experience position him well to serve as a member of the board of directors and as the Company's president and CEO.

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**PROPOSAL NUMBER 1 ELECTION OF TWO CLASS I DIRECTORS**

**Class II Directors (terms of office expire in 2014)**

William L. Marks, who is retired, was CEO and chairman of the board of directors of Whitney Holding Corporation ( Whitney ), a bank holding company engaged in commercial, retail and international banking services, as well as brokerage, investment, trust and mortgage services, and Whitney National Bank for more than five years before retiring in March 2008. Mr. Marks is 69 years old and became a director of Cleco in 2001. He is chairman of the Finance Committee and a member of the Compensation Committee. He also has served as a director of Adtran, Inc. ( Adtran ), a global provider of networking and communications equipment, since 1993. Mr. Marks is a member of Adtran s audit committee. He also serves as a Life Trustee of Wake Forest University in North Carolina.

Mr. Marks spent over 40 years in the banking business where he held various positions of increasing responsibility, including his position as CEO and chairman of the board of directors of Whitney. Mr. Marks oversaw the implementation of Whitney s compliance with the Sarbanes-Oxley Act of 2002. The depth and breadth of his exposure to complex financial issues during his career make him a skilled advisor as chairman of Cleco s Finance Committee.

Peter M. Scott III, who is retired, was employed by Progress Energy, Inc., a publicly held utility company headquartered in Raleigh, North Carolina, where he served as executive vice president and chief financial officer ( CFO ) from 2000 to 2003 and 2005 to 2008. He also served as president and CEO of Progress Energy Service Company, LLC from 2004 until September 2008. Mr. Scott is 63 years old and became a director of Cleco in 2009. He is chairman of the Audit Committee and a member of the Compensation Committee.

Mr. Scott received his master s degree in business administration from the University of North Carolina at Chapel Hill in 1977. During his career with Progress Energy, Mr. Scott s focus was on finance, accounting, risk management, human resources and corporate governance. He also has served on the audit and finance committees of Nuclear Electric Insurance Limited, and he currently serves as vice chairman of the Board of Governors of Research Triangle Institute International and also serves as chairman of the audit committee. Mr. Scott is also a member of the board of directors of Duke Realty Corporation, where he serves on the audit and finance committees. He serves on the Board of Visitors of the Kenan-Flagler School of Business at the University of North Carolina at Chapel Hill. Mr. Scott s financial, audit and corporate governance experience enables him to provide critical insight as the chairman of Cleco s Audit Committee.

William H. Walker, Jr., who is retired, was the president and a director of Howard Weil, Inc., an investment banking firm, for more than five years before retiring in 2005. Mr. Walker is 67 years old and became a director of Cleco in 1996. He is chairman of the Compensation Committee and a member of the Finance and Nominating/Governance Committees.

Mr. Walker is a 1967 graduate of Mississippi State University. He has a variety of experience, including a background in sales and systems engineering with International Business Machines Corporation, as well as service in the United States Army, where he was an officer in the Adjutant General s Corps and a teacher at the Army War College. Mr. Walker began his career in the securities business in New York in 1972. He has since been involved in many aspects

of the securities business, including sales, trading, research and investment banking with respect to both debt- and equity-related instruments. Mr. Walker joined Howard Weil in 1976 and was named president in 1990. This experience enables Mr. Walker to be a valuable contributor to the board of directors, especially in his role as chairman of the Compensation Committee and as a member of the Finance and Nominating/Governance Committees.

### **Class III Directors (terms of office expire in 2015)**

J. Patrick Garrett, who is retired, was employed by Windsor Food Company Ltd., a privately held company engaged in the food processing business, where he served as president and CEO from 1995 until 1999. Mr. Garrett is 69 years old and became a director of Cleco in 1981. Mr. Garrett is chairman of the board of directors and chairman of the Nominating/Governance Committee. He also presides over executive sessions of non-management directors.

Mr. Garrett received his law degree from Columbia University School of Law in 1968. He practiced law with the firm of Baker Botts L.L.P. for over 25 years, specializing in corporate law. Mr. Garrett had a special interest in corporate governance as a member of the Corporate Laws committee which has responsibility for promulgation of and revisions to the Model Business Corporation Act, and he served as chairman of the State Bar of Texas committee which recommends legislative revisions to Texas business organization statutes. Mr. Garrett's business experience as president and CEO of Windsor Food Company together with his experience in corporate legal and governance matters positions him well as a skilled advisor and Cleco's chairman of the board.

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**PROPOSAL NUMBER 1 ELECTION OF TWO CLASS I DIRECTORS**

Elton R. King, who is retired, was employed as president and CEO of Visual Networks, Inc., a company engaged in providing application performance and network management solutions, from June 2001 until August 2002 and also served as a member of its board of directors during that time. Mr. King retired from BellSouth Telecommunications, Inc. ( BellSouth ) in 1999, serving most recently as the president of its network and carrier services group. He also served as a director of Hibernia Corporation and Hibernia National Bank until November 2005. Mr. King is 66 years old and became a director of Cleco in 1999. He is a member of the Finance and Nominating/Governance Committees.

Mr. King joined BellSouth in 1968 after graduating from Mississippi State University with a degree in electrical engineering. He worked his way up through the organization to the leadership of the 35,000-employee network and carrier services group. During his 31-year career with BellSouth, Mr. King served in various leadership positions in company operations in Alabama, Louisiana and Mississippi. While serving as BellSouth's Louisiana state president, Mr. King played a major role in the economic development of the New Orleans area. He led the effort to create the MetroVision Economic Development Partnership, which promotes economic growth in nine southeastern Louisiana parishes. Mr. King's business acumen and drive for innovation and growth make him a valuable member of Cleco's board of directors.

Shelley Stewart, Jr. has served as vice president sourcing & logistics and chief procurement officer for E.I. du Pont de Nemours & Company since June 2012. From 2003 to 2012, he was senior vice president, operational excellence & chief procurement officer of Tyco International Limited ( Tyco ), a publicly held company headquartered in Princeton, New Jersey. Mr. Stewart also served as vice president of Tyco's supply chain management from 2003 until 2006. Prior to joining Tyco, he was senior vice president of supply chain for Invensys PLC, a global technology group, from 2001 until 2003. Mr. Stewart is 59 years old and became a director of Cleco in April 2010. He is a member of the Audit and Nominating/Governance Committees.

Mr. Stewart received his master's degree in business administration from the University of New Haven in 1990. Throughout his career, Mr. Stewart has held numerous positions of increasing responsibility, including senior-level supply chain and operational duties with leading industrial companies. Mr. Stewart formerly served as the chairman of the board of directors of the Institute for Supply Management, the world's largest supply management association. Mr. Stewart's global experience in developing and managing highly effective, cross-functional teams, as well as his extensive supply chain and operational experience, position him well to serve on the board of directors and as a member of the Audit and Nominating/Governance Committees.

**Table of Contents****PROPOSAL NUMBER 1 ELECTION OF TWO CLASS I DIRECTORS****Independence and Organization of the Board of Directors**

Cleco's board of directors has delegated some of its authority to four committees. These are the Audit Committee, the Compensation Committee, the Finance Committee and the Nominating/Governance Committee. The members of those committees are identified, as appropriate, under Class I Directors, Class II Directors and Class III Directors above. In accordance with current listing standards of the NYSE, Cleco's board of directors has adopted categorical standards to assist it in making determinations of director independence that are required by the NYSE. These categorical standards are posted on Cleco's web site at [www.cleco.com](http://www.cleco.com); Investor Relations Governance Guidelines Independence. A copy of the standards is also available free of charge by request sent to: Shareholder Services, Cleco, P.O. Box 5000, Pineville, LA 71361-5000. The board of directors has determined that all of its directors, except Mr. Williamson, who is the president and CEO of Cleco, meet the categorical standards and are independent within the meaning of the current listing standards of the NYSE.

The Audit Committee selects Cleco's independent registered public accounting firm, reviews the scope of audits, reviews and recommends to Cleco's board of directors financial reporting and accounting practices, and reviews Cleco's procedures for internal auditing and the adequacy of its system of internal accounting controls. On a quarterly basis, the Audit Committee reviews activity reported through Cleco's Ethics Helpline, which provides a means for employees to anonymously seek guidance or report allegations of misconduct. The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. During 2012, the Audit Committee held seven meetings, two of which were formal telephone meetings.

The Compensation Committee approves, or in some cases recommends to Cleco's board of directors, remuneration arrangements and compensation plans involving Cleco's officers and employees and administers the annual incentive compensation program and the granting of stock options, restricted stock and other awards to eligible employees under Cleco's Long-Term Incentive Compensation Plan ( LTIP ), which may reference either individually or collectively (1) the 2010 Long-Term Incentive Compensation Plan ( 2010 LTIP ) which became effective January 1, 2010; and/or (2) the 2000 Long-Term Incentive Compensation Plan which expired December 31, 2009. In 2012, the

Compensation Committee held six meetings, two of which were formal telephone meetings.

The Finance Committee reviews and recommends to the board of directors actions related to Cleco's dividend and investment policies, corporate financing plans and major financial undertakings. During 2012, the Finance Committee held five meetings.

The Nominating/Governance Committee considers and makes recommendations to the board of directors with respect to the size and composition of the board, potential candidates for membership on the board, compensation of directors, the effectiveness, structure and operation of the board, nominees for officers of Cleco and its affiliates, and changes to Cleco's Corporate Governance Guidelines. In 2012, the Nominating/Governance Committee held four meetings.

Each of the Audit Committee, Compensation Committee, Finance Committee and Nominating/Governance Committee operate under respective written charters adopted by the board of directors, copies of which are posted on Cleco's web site at [www.cleco.com](http://www.cleco.com); Investor Relations Board Committees. A copy of each charter is also available free of charge by request sent to: Shareholder Services, Cleco, P.O. Box 5000, Pineville, LA 71361-5000.

Cleco's board of directors held five regular meetings and six special meetings, four of which were formal telephone meetings, during 2012. In months when a formal meeting is not held, members of Cleco's board of directors may be provided with written reports regarding the operations of Cleco, may hold informal telephone conference meetings if business needs dictate, and also are consulted informally from time to time with respect to pending business. When necessary, special meetings, including formal telephone meetings, are called as official board meetings to deal with specific action items. Cleco's Corporate Governance Guidelines provide that executive sessions of non-management directors will be scheduled at the conclusion of all official in-person meetings of the board and its committees, although non-management directors may meet in executive session at any time. During 2012, all directors attended at least 79% of the total number of formal meetings of Cleco's board of directors and of the committees of Cleco's board of directors on which such directors served. Directors also are expected to attend each annual

meeting of shareholders. The 2012 annual meeting of shareholders was attended by all directors serving at that time.

## **Cleco's Board Leadership Structure**

In July 2003, the board of directors voted to separate the CEO and board chairperson positions in response to the Nominating/Governance Committee's assessment of good corporate governance measures. The Nominating/Governance Committee determined that the primary objectives of having a non-management chairperson would be to have the chairperson serve as an advisor to the CEO and to provide increased informal communication between management and the board of directors. Upon recommendation from the Nominating/Governance Committee and approval by the board of directors, Cleco's Corporate Governance Guidelines were amended to allow for the election of a non-management chairperson. Mr. Garrett has served as the non-

management chairman of Cleco's board of directors since October 1, 2003.

The board of directors believes that separation of the CEO and board chairperson positions provides greater opportunities for communication between management and the board of directors, enhances the board's independent and objective assessment of risk and improves the overall effectiveness of the board. The board of directors also believes that separation of the positions provides a stronger corporate governance structure. In his role as chairman of the Nominating/Governance Committee, Mr. Garrett is responsible for providing leadership for all

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### **PROPOSAL NUMBER 1 ELECTION OF TWO CLASS I DIRECTORS**

issues of corporate governance which should come to the attention of the board of directors. He serves as an advisor to the CEO and to other senior executives when requested by the CEO. In collaboration with the CEO, Mr. Garrett works to establish agendas for each board meeting and reviews pre-meeting materials provided to the board of directors and its committees. Mr. Garrett participates in on-site visits to the Company each year and facilitates and encourages constructive and useful communication between management and the board of directors.

Mr. Garrett works with management to ensure that the board of directors is provided with full information on the Company and its businesses and the environment in which they operate. He also provides leadership to the board of directors regarding those matters which should come before Cleco's annual meeting of shareholders.

Cleco's Corporate Governance Guidelines state that the CEO of the Company will fulfill the duties of the board chairperson, if there is no elected non-management chairperson.

## **Cleco's Corporate Governance Guidelines**

Cleco's Corporate Governance Guidelines were adopted by the board of directors in January 2002. These guidelines are intended to complement Cleco's Amended and Restated Articles of Incorporation and Bylaws and address, among other things, the mission, the structure and the operation of the board of directors. The guidelines may change from time to time as the board of directors may determine such change to be in the best

interest of Cleco and its shareholders. The Corporate Governance Guidelines were last revised in January 2013 and are posted on Cleco's web site at [www.cleco.com](http://www.cleco.com); Investor Relations Governance Guidelines. The Corporate Governance Guidelines are also available free of charge by request sent to: Shareholder Services, Cleco, P.O. Box 5000, Pineville, LA 71361-5000.

## **Cleco's Code of Business Conduct & Ethics and Related Party Transactions**

Cleco has adopted a Code of Conduct that applies to its principal executive officer, principal financial officer, principal accounting officer and treasurer. Cleco also has adopted Ethics & Business Standards applicable to all employees and the board of directors. In addition, the board of directors has adopted Conflicts of Interest and Related Policies to prohibit certain conduct and to reflect the expectation of the board of directors that its members engage in and promote honest and ethical conduct in carrying out their duties and responsibilities, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships and corporate opportunities. Under the Conflicts of Interest and Related Policies, which were last revised in April 2007, Cleco considers transactions that are reportable under the Securities and Exchange Commission's (SEC) rules for transactions with related parties to be conflicts of interest and prohibits them. Any request, waiver, interpretation or other administration of the policy shall be referred to the Nominating/Governance Committee. Any recommendations by the Nominating/Governance Committee to implement a waiver shall be referred to the full board of directors for a final

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determination. The Code of Conduct, Ethics & Business Standards, and Conflicts of Interest and Related Policies are posted on Cleco's web site at [www.cleco.com](http://www.cleco.com); Investor Relations Codes of Conduct. Each of these documents is also available free of charge by request sent to: Shareholder Services, Cleco, P.O. Box 5000, Pineville, LA 71361-5000.

As previously disclosed in a Current Report on Form 8-K filed by the Company on January 10, 2013, Mr. Robert T. Ratcliff, Sr. resigned from the board on January 9, 2013. Mr. Ratcliff resigned to enable The Ratcliff Construction Company (Ratcliff Construction) to compete for work with the Company to renovate certain facilities owned by the Company. Mr. Ratcliff is the chairman and CEO of Ratcliff Construction, a company in Alexandria, Louisiana that is primarily engaged in the design and construction of industrial, commercial and governmental facilities. His son, Robert T. Ratcliff, Jr. is the president of Ratcliff Construction. Cleco and Mr. Ratcliff agreed that Mr. Ratcliff should resign from the board before Ratcliff Construction would be allowed to compete for this business with Cleco.

In March, Cleco and Ratcliff Construction executed agreements for Ratcliff Construction to serve as the construction manager acting as

contractor for the renovation of certain Cleco facilities located in Pineville, Louisiana (collectively, the Pineville Agreement). The Company is also in negotiations for Ratcliff Construction to serve in the same capacity for certain additional facilities owned by Cleco. The Pineville Agreement is a guaranteed maximum price contract, but the guaranteed maximum price is still being negotiated. The Pineville Agreement provides that Ratcliff Construction will be reimbursed for the actual cost of the work and will be paid a contractor's fee of nine percent of the cost of the work. The cost of the work plus the contractor's fee cannot exceed the guaranteed maximum price. It is contemplated that the terms and conditions (including the compensation matters) of the agreements for the other facilities owned by Cleco will be similar to those of the Pineville Agreement.

Because Mr. Ratcliff was a director during the prior fiscal year, the Company is disclosing the Pineville Agreement and the additional anticipated agreements described above with Ratcliff Construction as a related party transaction as required by Regulation S-K. Because the Company's Conflicts of Interest and Related Policies provides that a transaction that must be disclosed under Item 404 of Regulation S-K constitutes a conflict of interest, the board of directors was required to consider a waiver of the Conflicts of Interest and Related Policies. Upon consideration, the board has waived the Conflicts of Interest and Related Policies in connection with the Company's entry into the Pineville Agreement as well as the other contemplated transactions with Ratcliff Construction described above. In considering this matter, the board noted that Mr. Ratcliff had resigned as a director in order to avoid even the appearance of a conflict. Further, it concluded that Ratcliff Construction was the most qualified local company to perform these services, that the terms of the Pineville Agreement are consistent with industry practice and were negotiated by the Company with assistance from third parties with industry experience, and that entry into the Pineville Agreement and the additional contemplated agreements is in the best interests of the Company. Finally, the board concluded that the Pineville Agreement was negotiated at arms-length and that Ratcliff Construction did not receive any preference from the Company as a result of Mr. Ratcliff's prior service on the board of directors.



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**The Board of Directors Role in Risk Oversight**

Risk can take many forms, such as operating risk, financial risk, regulatory risk, environmental risk and reputational risk. See Cleco Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 ( 2012 Form 10-K ), Item 1A, Risk Factors and Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations Cleco Power Significant Factors Affecting Cleco Power and Midstream Significant Factors Affecting Midstream, for additional information on the different forms of risk relevant to the Company.

The board of directors has ultimate responsibility for the Company's risk oversight process, which is designed to support the achievement of organizational objectives and set forth strategic initiatives to improve Cleco's long-term performance and enhance shareholder value. The Audit Committee and the Finance Committee have been delegated primary responsibility for general business risks by the board of directors. The Compensation Committee has been delegated primary responsibility for compensation risk management. These committees are responsible for evaluating the risks outlined in their respective charters and for reporting their findings, any required actions and recommendations to the full board of directors on a quarterly basis or more frequently, as necessary. Relevant excerpts from the charters are as follows:

**Audit Committee** Discuss policies with respect to risk assessment and risk management as those policies relate to financial reporting and fraud, and receive reports from management, the internal auditors or the independent auditors on suspected fraudulent activities.

**Finance Committee** Review corporate risk exposure and risk management policies and practice, including a review of compliance with all debt covenants and regulatory orders pertaining to financing.

**Compensation Committee** Monitor the executive officer compensation and benefit programs to determine if they are . . . creating proper incentives in light of the Company's risk factors.

Management has reported to the board of directors that it believes that the processes and information that support the Audit and Finance Committees' ability to meet their oversight responsibilities are comprehensive and adequate. The following is a summary of the procedures that form the basis of that assessment.

**Audit Committee**

The Audit Committee directly receives various written and verbal reports from members of management, the Company's internal auditors and the Company's independent registered public accounting firm. Members of management who make regular reports to the Audit Committee are the CFO, the Chief Accounting Officer ( CAO ), the General Manager of Internal Audit ( GMIA ) and the General Counsel.

The CFO reports on risks surrounding significant tax issues, taxing authority audits and reserves for tax positions.

The CAO regularly reports on risks surrounding significant accounting issues such as deficiencies in internal controls over financial reporting, implementation of new accounting standards and key issues in the quarterly and annual financial statements and reports filed with the SEC.

The GMIA prepares an annual risk-based audit plan which is reviewed and approved by the Audit Committee. Revisions to the plan also are approved by the Audit Committee as needed. The GMIA provides quarterly reports to the Audit Committee on the status of completion of the

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audit plan and issues reports to the Audit Committee on significant risks identified in each audit, along with the steps planned by management to mitigate those risks. The GMIA also reports quarterly regarding significant ethics complaints.

The General Counsel reports quarterly on risks and issues surrounding material legal matters and significant regulatory compliance issues.

The Company's independent registered public accounting firm annually outlines plans for its risk-based audit of Cleco's financial statements. The Company's independent registered public accounting firm also provides quarterly updates on the progress of its audit, along with any significant risks it has identified.

Management, the Company's internal auditors and the Company's independent registered public accounting firm have access to the Audit Committee through its chairman at any time as deemed necessary to report significant risks or issues identified between the regular quarterly face-to-face meetings with the Audit Committee. The Audit Committee provides guidance to management, as it deems appropriate, on methods for mitigating significant risks and requests feedback from management on the status and effectiveness of mitigation efforts.

### **Finance Committee**

The Finance Committee receives written and verbal reports from members of management regarding the commercial and financial risks of the business. Specifically, the board of directors receives regular written reports on the following topics in conjunction with each quarterly meeting:

**Financial Results** Detailed financial reports on a consolidated basis and for each of the Company's key segments. Reports are accompanied by a variance analysis for performance compared against both the operating budget and prior year results.

**Treasury Activities** Summary of financing activities that have been completed and projected for the coming year.

**Covenant Compliance** Status of compliance with debt covenants and regulatory financing orders.

**Capital Projects** Status updates regarding individual projects that require a cumulative capital investment greater than \$10 million.

**Commodity Risk Management** Review of risk management activities, including value-at-risk calculations, hedging positions, activities of the Company's fuel adjustment clause and updates on the Company's counterparties and the general credit environment.

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Retirement Plans Report on the investment plan performance, any changes in the asset allocation or fund managers and plan funding status.

Investor Relations Review of investor relations activities, including stock performance, analyst reports and other market activities.

Cleco Power LLC ( Cleco Power ) Business and Commercial Activities Management of this operating business subsidiary of the Company provides an update on key activities, noting risks identified and mitigating actions. On an annual basis and generally at its December meeting, the Finance Committee reviews and approves the operating plan and the capital expenditure plan for the upcoming year. The board of directors is presented with the key assumptions supporting the operating and capital plan along with key financial metrics at both the October and December

meetings. In addition, management prepares a five-year financial plan and reviews it with the Finance Committee at least annually, including the review completed with the full board of directors at the Company s annual strategy meeting. Also, on an annual basis, the Finance Committee is provided an update on the Company s insurance program and the outlook for the insurance market.

### **Compensation Committee**

The reports, analyses and decisions made by the Compensation Committee with regard to executive compensation and compensation risk assessment can be found in our CD&A beginning on page 17 of this proxy statement. As outlined in the CD&A, the Company believes it has a balanced approach to compensation design and risk that is consistent with the long-term interests of Cleco and its shareholders.

## **Director Nomination Process**

Cleco s Corporate Governance Guidelines set forth Cleco s method of selecting director nominees and provide for annual evaluations of the board and the board committees as a whole. In connection with these evaluations, which were completed for the first time in 2004, Cleco s board of directors identified, and the Nominating/Governance Committee compiled, attributes of the board s incumbent members believed to contribute to the work of the board and its committees, including leadership, accomplishments, skills, diversity, integrity and commitment to board duties. The Nominating/Governance Committee does not have a formal policy with respect to diversity, but its charter defines diversity to include gender, race, national origin, education, professional experience and differences in viewpoint and skills. The board of directors and the Nominating/Governance Committee believe that it is essential that board members represent diverse viewpoints to function most effectively.

The Nominating/Governance Committee is responsible for developing and continuing to update the list of attributes, subject to approval by the full board of directors, for use in identifying, evaluating and selecting qualified candidates to serve on the board of directors. The Nominating/Governance Committee, in accordance with Cleco s Corporate Governance Guidelines, seeks to create a board of directors that is strong in its collective knowledge and has a diversity of skills and experience. Out of over 30 board member skill sets listed in the annual evaluation completed for 2012, the following were rated by a majority of the board of directors as very important in considering future members of the board of directors: (1) current or prior operating and profit-and-loss experience; (2) leadership and managerial skills; (3) planning skills and a good business background; (4) practical, mature and sound business judgment; (5) knowledge of the Corporation s business; (6) initiative; (7) high moral and ethical standards; (8) high performance standards; (9) inquisitive and objective perspective; instinctive curiosity; and (10) a skeptical/inquiring mind with a willingness to ask tough questions.

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When a position on the board of directors becomes vacant, or if the number of members on the board of directors is being increased, the Nominating/Governance Committee will review the attributes of the

incumbent board members and determine the attributes that, if possessed by the new board member, would likely result in the most significant contribution to the board of directors. The Nominating/Governance Committee also will consider the skills and experience of those directors approaching retirement to ensure Cleco maintains a diverse, strong and effective board of directors. The Nominating/Governance Committee may recommend hiring a search firm to assist in identifying qualified candidates with the desired attributes. In connection with recent searches for new directors, the Nominating/Governance Committee and the board of directors updated the list of desired qualifications for candidates to include: (1) experience as a CEO of a public company; (2) experience with electric utilities, energy companies, regulated industries and/or capital intensive industries; (3) experience with major strategic initiatives; (4) diversity, including race or gender; and (5) financial/audit committee experience. Persons recommended to the Nominating/Governance Committee for consideration as nominees for a vacant or new board position will then be evaluated with respect to the attributes determined by the Nominating/Governance Committee to be optimal for the vacant or new position. Following the evaluation, which may involve interviews or other procedures the Nominating/Governance Committee deems appropriate, the Nominating/Governance Committee will make a recommendation to the board of directors regarding a candidate either to be nominated at the next annual meeting of shareholders or elected by the board between such meetings. The last four directors elected were identified by a search firm which helped to match their experiences and backgrounds with the list of attributes and qualifications compiled by the Nominating/Governance Committee. Each of Messrs. W. L. Westbrook (who retired effective as of the date of the 2011 annual meeting of shareholders), Kruger, Scott and Stewart were elected through this process by the board of directors.

Recommendations for potential nominees may come from any source, including members of the board of directors, shareholders, self-recommendations, members of the communities Cleco serves or search firms. All persons recommended for a vacant or new board position will be given equal consideration regardless of the source of the

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### **PROPOSAL NUMBER 1 ELECTION OF TWO CLASS I DIRECTORS**

recommendation. Cleco's Nominating/Governance Committee did not receive from any shareholder any nominees for election as director at the 2013 annual meeting of shareholders.

Any person wishing to make a recommendation for a person to be considered by the Nominating/Governance Committee pursuant to the process described above as a potential nominee to the board of directors should direct the recommendation to the chairman of the Nominating/Governance Committee in care of Cleco's corporate secretary. However, Cleco is not obligated to nominate any nominee that is recommended to the Nominating/Governance Committee following these processes. Separately, Cleco's Bylaws contain certain provisions concerning nomination of a director by a shareholder, which are described below under the caption "Proposals by Shareholders" beginning on page 56.

In 2012, Cleco's board approved an amendment to Cleco's Corporate Governance Guidelines to require any director who receives a greater number of votes withheld from his or her election than votes for the election in an uncontested election to tender his or her resignation to the Nominating/Governance Committee for consideration. The Nominating/Governance Committee will consider the tendered resignation and make a recommendation to the board of directors concerning whether to accept or reject the resignation. The board is required to take formal action on the Nominating/Governance Committee's recommendation no later than the next board meeting following such meeting of the Nominating/Governance Committee. The Corporate Governance Guidelines provide that no director who is required to tender his or her resignation in accordance with this policy is allowed to participate in the Nominating/Governance Committee's deliberations or recommendation, or in the board's deliberations or determination, with respect to accepting or rejecting his or her resignation as a director. The board implemented this policy as a matter of good corporate governance.

## **Communications with the Board of Directors**

The Corporate Governance Guidelines provide for communications with the board of directors by shareholders and other interested persons. In order for shareholders, employees and other interested persons to make their concerns known to the board, Cleco has established a procedure for communications with the board through the non-management chairman of the board. The procedure is intended to provide a method for confidential communication, while at the same time protecting the privacy of the members of the board. Any shareholder or other interested person wishing to communicate with the board of directors, or the non-management members of the board, may do so by addressing such communication as follows:

Chairman of the Board of Directors

c/o Corporate Secretary

Cleco Corporation

P. O. Box 5000

Pineville, LA 71361-5000

Upon receipt, Cleco's corporate secretary will forward the communication, unopened, directly to the non-management chairman of the board. The chairman of the board will, upon review of the communication, make a determination as to whether it should be brought to the attention of the other non-management members and/or the management member of the board of directors and whether any response should be made to the person sending the communication, unless the communication was made anonymously.

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## SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT

## Security Ownership of Directors and Management

The following table describes the Cleco common stock beneficially owned by Cleco directors and nominees, the executive officers named in the Summary Compensation Table below, and the directors and executive officers as a group. Shares of stock are beneficially owned by a person if the person directly or indirectly has or shares the power to vote or dispose of the shares, regardless of whether the person has any economic interest in the shares. A person also beneficially owns shares as to which the person has the right to acquire beneficial ownership within

60 days, as in the case of the stock options set forth under the Options Exercisable Within 60 Days column in the following table.

All information in the table is as of February 1, 2013, and is based upon information supplied by the directors and officers. Unless otherwise indicated in the footnotes and subject to community property laws where applicable, each of the shareholders named in the table has sole voting and investment power with respect to the shares indicated as beneficially owned.

	Amount and Nature of Beneficial Ownership of Common Stock			Percent of Class
	Direct (1)	Options Exercisable Within 60 Days (2)	Other (3)	
<b>Directors and Nominees</b>				
J. Patrick Garrett	50,733	-	60,006 (4)	*
Elton R. King	52,539	-	-	*
Logan W. Kruger	9,904	-	-	*
William L. Marks	45,677	-	1,450	*
Peter M. Scott III	9,360	-	1,800	*
Shelley Stewart, Jr.	5,211	-	-	*
William H. Walker, Jr.	83,544	-	44,205 (4)	*
<b>Named Executive Officers</b>				
Bruce A. Williamson(5)	181,950	-	-	*
Darren J. Olagues	47,107	-	-	*
Wade A. Hoefling	41,889	-	-	*
Judy P. Miller	34,053	-	-	*
Keith D. Crump	41,617	-	-	*
All directors, nominees and executive officers as a group (18 persons, including those listed above)	751,537		111,866	1.4%

\* Less than 1% of the outstanding stock of the class.

(1) Direct represents shares as to which each named individual has sole voting or dispositive power, including shares of Cleco common stock allocated under the 401(k) Savings Plan and shares of common stock granted as restricted stock awards under Cleco's LTIP. Shares of common stock under the 401(k) Savings Plan were held by the persons in the table above as follows: Mr. Williamson, 1,293; Mr. Olagues, 5,641; Mr. Hoefling, 325; Ms. Miller, 4,216; and Mr. Crump, 6,203. The other executive officers included in the amount shown for all directors, nominees and executive officers as a group held 22,564 shares of common stock under the 401(k) Savings Plan. Shares of common stock awarded under the LTIP that were restricted as of February 1, 2013 were held by the persons in the table above as follows: Mr. Williamson, 117,547; Mr. Olagues, 22,323; Mr. Hoefling, 17,007; Ms. Miller, 12,876; Mr. Crump, 15,239; and the other executive officers included in the amount shown for all directors, nominees and executive officers as a group, 56,470.

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- (2) *Options Exercisable Within 60 Days* reflects the number of shares of Cleco common stock that could be purchased by exercise of options at February 1, 2013 or within 60 days thereafter under Cleco's LTIP.
- (3) *Other* represents the number of shares of Cleco common stock as to which the named individuals share voting and dispositive power with another person and shares of phantom stock related to shares of restricted stock granted under Cleco's LTIP.
- (4) Represents shares of phantom stock related to shares of restricted stock granted under Cleco's LTIP. Mr. Garrett and Mr. Walker have elected to defer receipt of these shares of restricted stock granted to them under the LTIP. Each share of phantom stock is the economic equivalent of one share of Cleco common stock.
- (5) *Mr. Williamson is also a director of Cleco.*

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**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS****Security Ownership of Certain Beneficial Owners**

The following table sets forth, as of December 31, 2012, each person known to Cleco to be the beneficial owner of more than 5% of the outstanding shares of any class of Cleco's voting securities.

<b>Title of Class</b>	<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class</b>
Common Stock	BlackRock, Inc. ( BlackRock )  40 East 52 <sup>nd</sup> Street  New York, NY 10022	6,780,690 <sup>(1)</sup>	11.17%
Common Stock	Systematic Financial Management, L.P.  300 Frank W. Burr Blvd.  Glenpointe East, 7 <sup>th</sup> Floor  Teaneck, NJ 07666	3,389,532 <sup>(2)</sup>	5.58%
Common Stock	The Vanguard Group  100 Vanguard Blvd.  Malvem, PA 19355	3,406,235 <sup>(3)</sup>	5.60%

(1) As of December 31, 2012, based solely on a Schedule 13G filed with the SEC. BlackRock is a parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G). For purposes of the reporting requirements of the Securities Exchange Act of 1934, BlackRock Fund Advisors, a subsidiary of BlackRock, beneficially owns 5% or greater of the outstanding shares of Cleco common stock.

(2) As of December 31, 2012, based solely on a Schedule 13G filed with the SEC.

(3) As of December 31, 2012, based solely on a Schedule 13G filed with the SEC.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires Cleco's executive officers and directors, and persons who beneficially own more than 10% of a registered class of Cleco's equity securities, to file with the SEC and the NYSE initial reports of ownership and reports of changes in ownership of Cleco's equity securities. To

Cleco's knowledge, based solely on review of the copies of such reports furnished to Cleco, for the fiscal year ended December 31, 2012, all Section 16(a) filing requirements applicable to its executive officers, directors and greater-than-10% shareholders were satisfied.



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**COMPENSATION DISCUSSION AND ANALYSIS**

# **COMPENSATION DISCUSSION AND ANALYSIS ( CD&A )**

## **Executive Summary**

Cleco's executive compensation and benefits philosophy is to provide market-based programs that pay or award our executive officers at levels approximating the competitive market. We believe in paying above the market for superior performance and below the market for underperformance unless extraordinary circumstances compel us otherwise. Our overall executive compensation design philosophy reflects our Compensation Committee's desire to align management's actions with the interests of our shareholders. Our executive benefits philosophy is to offer plans and programs that allow us to consistently attract and retain executive talent.

### **2012 Results and Our Compensation Philosophy**

Cleco had a successful 2012. We met or exceeded all of our financial goals and completed or made significant progress toward completion of several strategic initiatives. Highlights for 2012 include:

A total shareholder return (TSR) of 8% for the year ended December 31, 2012, and 62% for the three-year period ended December 31, 2012.

An effective cost-reduction program that significantly contributed to the achievement of operational earnings per share (EPS) of \$2.46, despite less than favorable weather.

An 8% increase in the quarterly dividend to shareholders from \$0.3125 to \$0.3375.

A new 10-year regulated wholesale power contract that will increase Cleco Power's load by approximately 20% beginning in April 2014.

Selection of Cleco Midstream's Coughlin Power Station as the winning bid in the Cleco Power request for proposals/integrated resource planning process.

An investment of \$16 million to improve the environmental performance of Cleco Power's generating fleet and to meet stricter environmental regulations.

Prompt restoration of over 95,000 customers following the landfall of Hurricane Isaac.

Completion of a major transmission construction project and significant progress on our advanced metering infrastructure project.

Significant improvement in the Company's safety statistics compared to 2011 results.

As a direct result of our success in 2012, performance on most of our incentive measures exceeded our targets. Performance related to each of these measures is explained further in this CD&A on pages 22 through 23. Due to strong annual EPS and three-year TSR performance (the primary performance metrics in our annual and long-term incentive plans), actual incentive compensation for our named executive officers' 2012 cash incentive and long-term incentive award for the 2010 to 2012 performance cycle exceeded each plan's target by 20.0%

and 45.6%, respectively. Our Compensation Committee, in reviewing and approving the 2012 award levels, concluded that this attained compensation level was consistent with our performance results shown above, as well as with progress made on our major strategic initiatives. Overall, we believe the Company's executive compensation program is working as intended, remains consistent with practices within our Comparator Group, as defined on page 20 under "Market Data and Comparator Group," and is aligned with shareholder outcomes.

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**COMPENSATION DISCUSSION AND ANALYSIS**

**Our 2012 Compensation Objectives**

To align our compensation practices with our philosophy of providing competitive market-based programs that allow for pay opportunities above the market for superior performance and below the market for underperformance, we seek to provide our executive officers with total compensation opportunities that:

1. are competitive with those of comparable electric utilities and energy service companies where we compete for talent;
2. deliver a majority of compensation that is contingent on performance;
3. ensure there is a direct link between compensation and our financial and operational performance; and
4. align our officers' long-term compensation opportunities with shareholder outcomes.

***Pay for Performance***

We define performance-based pay as pay that is dependent upon our performance against pre-established measures and/or our performance compared to the performance of companies in our Proxy Peer Group, as defined under "Market Data and Comparator Group" on page 20. The pie charts below demonstrate our commitment to the delivery of a pay for performance compensation program, as the only fixed element of our ongoing compensation program is base salary. Our annual and long-term incentive plans are fully performance-based. Time-based restricted stock is occasionally awarded in special circumstances to address retention concerns, attract external new hires or reward outstanding individual performance.

***Compensation Governance***

The formal recoupment policy, applicable to officer incentive compensation awards, authorizes our Compensation Committee to recover officer incentive payouts if those payouts are based on financial performance results that are subsequently revised or restated to levels that would have produced lower incentive plan payouts. The recoupment policy is intended to reduce potential risks associated with our incentive plans, and thus more closely align the long-term interests of our named executive officers and our shareholders.

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Our officer stock ownership requirements strengthen the alignment of the financial interests of our executive officers with those of shareholders and provide an additional basis for sharing in the Company's success or failure as measured by overall shareholder returns. For 2012, 82% of the officers had met and achieved their established ownership levels based on the requirements, and the other officers are on track to meet the required ownership levels.

The Company's total compensation program does not provide for guaranteed bonuses and has multiple performance measures. Annual cash incentive components focus on both the actual results and the quality of those results. The annual incentive plan for employees and executives contains both economic and qualitative components. The plan also focuses on customer satisfaction levels, safety results and individual performance through the Company's Pay for Performance Plan (the PFP Plan).

The anti-hedging policy in the Company's insider trading policy states that all directors, officers and employees are prohibited from hedging the economic interest in the Company shares they hold.

There are no change in control arrangements that exceed three times base salary and bonus; no arrangement includes a tax gross-up provision.

The Company has only one executive employment agreement in place.

The Compensation Committee has a formalized process to ensure the independence of the executive compensation consultant plus other advisors and reviews and affirms the independence of advisors annually.

The Compensation Committee revised the 2013 equity awards to provide for the vesting of restricted stock and dividend equivalent units at the target level if a change in control occurs, with delivery and settlement to occur at the scheduled end of the performance cycle. Vested shares may be forfeited in the event of termination for cause or voluntary separation from employment.

**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS*****Pay Elements***

Our Compensation Committee targets total compensation (made up of the elements described below) to be competitive with the median of our Comparator Group as defined on page 20, but individual positioning

may vary above or below median depending on each executive's experience, performance and internal value to the Company. For 2012, we believe that we accomplished our philosophy through the following compensation and benefit components:

<b>2012 Pay Element</b>	<b>Description</b>
Base Salary	Fixed pay element Delivered in cash
Annual Cash Incentive (PFP Plan)	Performance-based annual incentive plan that pays out in cash EPS is primary measure for our named executive officers Additional metrics include safety and customer service Quality Performance Factor allows for payout to be adjusted up or down by 10% of the target award based on quality of earnings or other performance
Long-Term Incentives	Annual equity grant is delivered in the form of performance shares Payout of performance shares is contingent on TSR relative to a group of peers, measured during a three-year performance cycle Time-based restricted stock is occasionally awarded in special circumstances to address retention concerns, attract external new hires or reward outstanding individual performance
Benefits	Broad based benefits such as group medical, dental, vision and prescription drug coverage; basic life insurance; supplemental life insurance; dependent life insurance; accidental death and dismemberment insurance; a defined benefit pension plan (for those employees hired prior to August 1, 2007); and a 401(k) Savings Plan with a Company match for those employees hired before August 1, 2007, as well as a 401(k) Savings Plan with an enhanced benefit for those employees hired after August 1, 2007; same as those provided to all employees
Executive Benefits	Supplemental Executive Retirement Plan Nonqualified Deferred Compensation Plan
Perquisites	Limited to executive physicals, spousal/companion travel and relocation assistance

**The Executive Compensation Process*****Our Compensation Committee***

Our Compensation Committee met six times during 2012, including two formal telephone meetings. Our Compensation Committee's meetings in January, July, October and December are devoted to issues analysis, market analysis and performance tracking of our compensation and benefit programs. Our CEO and senior vice president, corporate services & internal audit attend our Compensation Committee's meetings on behalf of management, but do not participate in the Compensation Committee's executive sessions.

Our Compensation Committee's responsibilities, which are more fully described in our Compensation Committee's charter, include:

establishing and overseeing the Company's executive compensation and benefit programs;

determining if the Company's executive compensation and benefit programs are achieving their intended purpose, being properly administered and creating proper incentives in light of the Company's risk factors;

analyzing the executive compensation and benefits practices of peer companies and annually reporting to the board of directors or recommending for approval by the board of directors the overall design of the Company's executive compensation and benefit programs; annually evaluating the performance of the CEO and recommending to the board of directors adjustments in the CEO's compensation and benefits;

annually reporting and recommending to the board of directors pay adjustments for the non-CEO executive officers (including new hires), which includes base pay and incentive plan targets; and

reviewing the Compensation Committee's charter and revising as necessary.

***The Compensation Consultant***

In 2010, our Compensation Committee engaged Frederic W. Cook & Co., Inc. (Cook & Co.) to consult on matters concerning executive officers compensation and benefits. All executive compensation adjustments and award calculations for 2012 were reviewed by Cook & Co. on behalf of our Compensation Committee. Cook & Co. acted at the direction of our Compensation Committee and was independent of management. Our Compensation Committee determined Cook & Co.'s ongoing engagement activities, and Cook & Co. endeavored to keep our Compensation Committee informed of executive officers' compensation trends and regulatory/compliance developments throughout 2012. Cook & Co. was responsible for providing market data and analysis of 2012 compensation and benefits for our executive officers.

Our Compensation Committee has assessed the independence of Cook & Co. pursuant to SEC rules and concluded that its work did not raise any conflict of interest that would prevent Cook & Co. from independently representing our Compensation Committee.



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### **COMPENSATION DISCUSSION AND ANALYSIS**

#### ***The Role of the Chief Executive Officer***

Our CEO annually reviews the performance of our named executives (other than himself) and makes recommendations to our Compensation Committee regarding base salary adjustments, cash incentives and long-term incentive awards. Our CEO participates in meetings of our Compensation Committee to discuss executive compensation, including measures and performance targets, but is subsequently excused to allow the independent members of our Compensation Committee to meet in executive session. For 2012, the measures and performance targets also were reviewed by Cook & Co. prior to adoption by our Compensation Committee.

Our Compensation Committee also has delegated limited authority to our CEO to extend employment offers to executive officers at the level of vice president or lower. The CEO may make such offers without prior approval of the board of directors provided no compensation component falls outside our Compensation Committee's approved policy limits as described on pages 21 through 25. Our Compensation Committee still approves any grant of Cleco common stock or other equity award made pursuant to this delegation of authority prior to issuance of the grant.

One employment offer was made under this delegation of authority during 2012. Our Compensation Committee ratified the offer and approved the executive's participation in the LTIP and the Supplemental Executive Retirement Plan (SERP) at its meeting held July 26, 2012.

#### ***Shareholder Advisory Vote***

We provide an annual shareholder advisory vote on the compensation of Cleco's named executive officers as described in this proxy statement. In 2012, shareholders strongly supported (approximately 95% of voting stock represented at the 2012 annual meeting voted for) our say-on-pay proposal. This say-on-pay vote is not binding on Cleco, our Compensation Committee or our board of directors; however, our board of directors and our Compensation Committee review the voting results and consider them, along with any specific insight gained from the shareholders of Cleco and other information relating to the shareholder vote on this proposal, when making decisions regarding executive compensation. For more information, see Proposal Number 3 Advisory Vote to Approve the Compensation of Cleco's Named Executive Officers beginning on page 50.

## **Evaluation and Design of Our Compensation and Benefit Programs**

### **Market Data and Comparator Group**

Our Compensation Committee believes that compensation and benefits for our executive officers who successfully enhance shareholder value should be competitive with the compensation and benefits offered by similar publicly held companies in our industry to attract and retain the high quality executive talent required by the Company. Our Compensation Committee examines our executive officers' compensation against comparable positions using publicly available proxy data for a group of 19 industry peers (the Proxy Peer Group) and Energy Industry Survey data to help design and benchmark our executive officer compensation. This evaluation includes base salary, annual and long-term incentive plan targets, other potential equity awards and target total compensation. The Proxy Peer Group, approved by the Compensation Committee in late 2010, is also used to track comparable performance of our long-term incentive plan. The combination of the Proxy Peer Group and the Energy Industry Survey data is referred to as our Comparator Group.

The Compensation Committee periodically examines the Proxy Peer Group to ensure that peer companies continue to meet the criteria of our model portfolio. The general criteria examined in developing our Proxy Peer Group include:

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Operational fit: companies in the same industry with similar business operations and energy portfolio (e.g., companies that derive a majority of their revenues from a state regulated utility and have no large scale nuclear operations);

Financial scope: companies of similar size and scale. Size is measured on a number of criteria relevant to this industry (e.g., market capitalization, enterprise value, assets and revenues). Most of the peer companies are within one to three times the size of Cleco's market capitalization, which is the principle measure of scale in this industry. Revenues, used most frequently in general industry, may not lend itself as the most appropriate measure of scale in the utilities industry due to significant volatility in annual revenues. In limited circumstances, the small number of direct competitors in our industry may require the inclusion of one or more companies that are outside of this range if they are a direct competitor for business or talent. Cleco's market capitalization is positioned at or near the median against the Proxy Peer Group;

Competitors for talent: companies with whom Cleco competes for executive talent or those that employ similar labor or talent pools; and

Competitors for investor capital.

### The Proxy Peer Group Companies

AGL Resources Inc.	Energen Corporation	Pinnacle West Capital Corporation
ALLETE, Inc.	Great Plains Energy Incorporated	PNM Resources, Inc.
Alliant Energy Corporation	IDACORP, Inc.	Portland General Electric Company
Avista Corporation	NorthWestern Corporation	TECO Energy, Inc.
Black Hills Corporation	NV Energy, Inc.	UNS Energy Corporation
Calpine Corporation	OGE Energy Corp.	Vectren Corporation
El Paso Electric Company		

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In setting executive compensation levels in 2012, our Compensation Committee also used Energy Industry Survey data from the Towers Watson's 2011 Energy Services Executive Compensation Database. Survey data provides a broader energy industry perspective. This survey

data is used in conjunction with the Proxy Peer Group data as a competitive market reference point for the Compensation Committee to consider in determining pay levels.

**Decisions Made in 2012 with Regard to Each Compensation and Benefit Component****Base Salary**

We strive to set base salary levels for our executive officers as a group, including the named executive officers, at a level approximating +/-15% of our Comparator Group market median for base pay. For 2012, actual base salaries for our executive officers as a group were 93.1% of the Comparator Group median.

At the request of the CEO, other than a promotion-related increase, none of our named executive officers received a salary increase in 2012.

Typically, the amount of a base salary increase is based on an appraisal of individual performance by the named executive officer's supervisor and, in the case of our CEO, by our board of directors, as well as position-specific market data provided by Cook & Co. to our Compensation Committee and the terms of his employment agreement.

Base salaries for our named executive officers in 2012 are shown in the table below.

Name	2012 Base Salary	2012 % Change
Mr. Williamson <sup>(1)</sup>	\$ 700,000	-%
Mr. Olagues	\$ 305,900	-%
Mr. Hoefling	\$ 273,900	-%
Ms. Miller <sup>(2)</sup>	\$ 250,000	51.7%
Mr. Crump	\$ 225,500	-%

(1) In January 2012, Mr. Williamson waived the minimum increase in his base compensation and the related impacts on his cash and equity incentive opportunities for 2012 as set forth in his executive employment agreement with the Company to keep his compensation aligned with other members of senior management who were not given base pay increases in 2012. This action was consistent with Mr. Williamson's desire to shift additional compensation to performance-based pay among the senior management of the Company.

(2) Ms. Miller was promoted to senior vice president - corporate services and internal audit in November 2011. The adjustment shown is for changes made to her base salary at the time of her promotion.

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Our Compensation Committee approved Ms. Miller's adjustment based on the following:

Ms. Miller's favorable overall performance in 2011 in her former position as corporate secretary and in the months immediately preceding and following her promotion as she assumed responsibility for four functions (human resources; health, safety & environmental services; internal audit; and telecommunications/facilities/information technology support) where improvement was needed to drive culture change to grow the Company.

### Annual Cash Incentive

We maintain an annual, performance-based cash incentive plan called the Cleco Corporation Pay for Performance Plan or PFP Plan. The PFP Plan

became effective January 1, 2012, and it superseded the Company's Annual Incentive Plan (AIP) and Employee Incentive Plan. The PFP Plan applies to all regular, full-time employees, and it includes weighting for corporate and individual performance goals. Our executive officers have more of their PFP Plan targets weighted on corporate goals, since they have more influence over corporate level results. As mentioned, the Compensation Committee targets PFP Plan award opportunities for executive officers to approximate the median of the annual cash incentive target award of our Comparator Group. Payouts are capped at 200% of target. The table below presents the target PFP Plan opportunities for the named executive officers in 2012:

Name	Target as % of Base Salary
Mr. Williamson	100%
Mr. Olagues	50%
Mr. Hoefling	50%
Ms. Miller	50%
Mr. Crump	50%

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**COMPENSATION DISCUSSION AND ANALYSIS**

For our CEO, the 2012 PFP Plan award was based entirely on the corporate performance measures described below. The 2012 PFP Plan award for our named executive officers, other than the CEO, was based 80% on the corporate performance measures outlined below and 20% on the achievement of individual goals established in the performance plan of each named executive officer. The 2012 PFP Plan corporate performance measures consisted of the five metrics listed below (weighting):

EPS (70%)

Customer Satisfaction (10%)

Safety (10%)

- Personal Injuries (5%)

- Vehicle Accidents (5%)

Quality Performance Factor (10%)

In establishing the 2012 PFP Plan corporate metrics, the Compensation Committee believed it was most important to reward senior executives for the overall financial performance of the Company, and therefore weighted EPS most heavily at 70%. In addition, to continually focus the executives and the entire organization on the importance of customer satisfaction and safety, 20% of the bonus opportunity attributable to the corporate measures was contingent on safety and service performance. Finally, in 2011, the Compensation Committee established the Quality Performance Factor with a 10% weighting. This factor permits the Compensation Committee to assess how performance was achieved during the year and to adjust the payout using a number of subjective factors based on its discretion and management input.

In December of each fiscal year, our CEO recommends the PFP Plan financial performance and other measures to our Compensation Committee for the upcoming year. Based on our historical performance relative to target and our relative historical performance versus our Comparator Group, our Compensation Committee reviews, revises as appropriate and approves the PFP Plan measures for the upcoming year.

**Details Related to Corporate Performance Metrics Established to Determine 2012 PFP Plan Award Levels**

Metric # 1: EPS For 2012, the following EPS matrix was developed to determine performance and payout ranges related to EPS performance. This measure represents 70% of the overall PFP Plan award for the corporate measures.

**EPS MATRIX (70%)**

Fully Diluted

Performance Level	Earnings		% of Financial Target Award Paid
	Per Share *		
Threshold	<\$	2.239	0%
Target	\$	2.420	100%
Maximum	\$	2.614	200%
2012 Result	\$	2.460	117%

\* Consolidated EPS with Cleco Power stated on a pre-customer refund basis (operational earnings)

Metric # 2: Customer Satisfaction Measured as the percentage of very satisfied Cleco Power electric service customers exceeding the Louisiana electric utility average, an independent survey. This metric represents 10% of the overall PFP Plan award for the corporate measures.

**CUSTOMER SATISFACTION MATRIX (10%)**

Performance Level	% of Very Satisfied Customers Over LA Utility Average	% of Customer Satisfaction Target Award Paid
	Threshold	<12.0%
Target	12.0% to 19.0%	100%
Maximum	>19.0%	200%
2012 Result	12% higher	100%

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Metric # 3: Personal Injury Safety – Compares Cleco’s personal injury incident rate against the Edison Electric Institute’s (EEI) index for personal injuries. This metric represents 5% of the overall PFP Plan award for the corporate measures.

**SAFETY – PERSONAL INJURIES MATRIX (5%)**

	<b>Performance Level</b>	<b>Performance Relative to EEI</b>	<b>% of Safety Injuries Target Award Paid</b>
Threshold		2 <sup>nd</sup> Quartile	50%
Target		Top Quartile	100%
Maximum		Top Decile *	200%
2012 Result		Top Quartile	100%

\* Top 10%

Metric # 4: Vehicle Accident Safety – Compares Cleco’s vehicle accident rate against the EEI’s index for vehicle accidents. This metric represents 5% of the overall PFP Plan award for the corporate measures.

**SAFETY – VEHICLE ACCIDENTS MATRIX (5%)**

	<b>Performance Level</b>	<b>Performance Relative to EEI</b>	<b>% of Safety Accidents Target Award Paid</b>
Threshold		2 <sup>nd</sup> Quartile	50%
Target		Top Quartile	100%
Maximum		Top Decile *	200%
2012 Result		Top Decile *	200%

\* Top 10%

Metric # 5: Quality Performance Factor – Our Compensation Committee reviewed and considered 2012 results and determined that cost cutting measures implemented by management and the completion of several other major initiatives significantly contributed to the achievement of 2012 EPS, despite less than favorable weather. Our Compensation Committee further considered the negotiation of a new 10-year regulated wholesale power contract and the Company’s improved safety results in 2012. Based on these considerations, input from the CEO and through its use of discretion, our Compensation Committee decided that a payout of 130% related to the Quality Performance Factor was appropriate.

Total Payout: Our Compensation Committee determined that a total PFP Plan payout at 120% of target for the corporate measures was reasonable based on the Company’s performance in 2012. The resulting total PFP Plan corporate payout for 2012 was calculated as follows:

	<b>% of Target</b>	<b>x</b>	<b>Award Level</b>	<b>=</b>	<b>% of Payout</b>
EPS	70%		117%		82%
Customer Satisfaction	10%		100%		10%
Safety-Personal Injuries	5%		100%		5%
Safety-Vehicle Accidents	5%		200%		10%
Quality Performance Factor	10%		130%		13%
Total			100%		120%

Our Compensation Committee may adjust the PFP Plan targets to more closely align incentive targets and awards with investor concerns.

Our Compensation Committee also has the authority to adjust the amount of any individual PFP Plan award with respect to the total award or the corporate or individual component of the award upon recommendation by our CEO. Adjustments for PFP Plan participants, except for our executives, may be made by the CEO in his discretion. Adjustments are based on our annual performance review process. For 2012, our Compensation Committee approved no such adjustments for our named executive officers.

Additional details on the 2012 PFP Plan measures and target levels regarding our named executives may be found on page 31, Non-Equity Incentive Plan Compensation and page 32, Estimated Future Payments under Non-Equity Incentive Plan Awards (PFP Plan).

### Equity Incentives

Our executive officers and other key employees are eligible to receive performance-based and other grants of restricted stock, common stock equivalent units ( CEUs ), stock options and stock appreciation rights. These grants are made pursuant to our LTIP. A grant gives the recipient the right to receive or purchase shares of our common stock under specified circumstances or to receive cash awards based on the appreciation of our common stock price or the achievement of pre-established long-term performance goals.



**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS****Performance-Based Restricted Stock**

Historically, our primary equity incentive tool has been an annual award of performance-based restricted stock. We commonly refer to these awards as the LTIP award.

**2012 LTIP Award**

Each LTIP award performance cycle is three years. For 2012, the performance cycle covers January 1, 2012 to December 31, 2014. The LTIP award performance measure is TSR. The LTIP has a minimum award of 0% of target and a maximum possible award of 200%. The performance measure used for the three-year LTIP performance cycle is Cleco's TSR relative to the Proxy Peer Group (see page 20 for details). The table below presents the TSR performance and payout range established to determine payouts for the 2012 LTIP award:

Performance Level	TSR	
	Percent Rank	Payout
Threshold	<30 <sup>th</sup> %ile	0%
Target	30 <sup>th</sup> %ile	30%
Maximum	50 <sup>th</sup> %ile	100%
	100 <sup>th</sup> %ile	200%

Each year the Compensation Committee approves an LTIP award to eligible executives. The target number of LTIP shares is a function of the grant date value, set as a percentage of base salary, divided by the price of our stock on the date of grant calculated as the average of the high and low price of our stock on the date of grant rounded to the nearest eighth.

*Example: Base Salary = \$100,000; LTIP Value = \$50,000 (50% of base salary); Stock Price = \$50/share; Target LTIP Shares = 1,000 shares*

Each executive officer's target LTIP award level is set, so in combination with other pay elements, it will deliver a total compensation opportunity that approximates the median of our Comparator Group. The chart below details the targeted opportunity for each of the named executives expressed as a percentage of base salary:

Name	2012 LTIP Target as % of Base Salary
Mr. Williamson	200%
Mr. Olagues	75%
Mr. Hoefling	75%
Ms. Miller	75%
Mr. Crump	75%

**2010 2012 LTIP Award**

Our Compensation Committee approved an overall award level of 145.6% of target for the LTIP performance cycle that ended on December 31, 2012. This award level represents our TSR performance in the 72.8<sup>th</sup> percentile of the Incentive Peer Group as defined below

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under Incentive Peer Group for the three-year period ended December 31, 2012. Dividends accrued during the three-year period ended December 31, 2012 were paid to the extent the award was earned up to an award level of 100%. Dividends were not paid on the opportunity shares awarded for performance above 100%. The table below summarizes our recent LTIP award history.

<b>LTIP Historical Performance</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
TSR for the Three-Year Performance Period ended December 31	21%	87%	66%
Percentile Rank in the Incentive Peer Group (100% is highest; 0% is lowest)	82%	86%	73%
LTIP Award Percentage	165%	171%	146%

TSR for purposes of the 2010 – 2012 LTIP performance cycle was calculated using the quarterly return method.

Our Compensation Committee may adjust our LTIP award if it determines that circumstances warrant. Any adjustment applies to all

participants equally. No such adjustment was made for the LTIP award approved in December 2012. There are no provisions in the LTIP for individual award adjustment. Details on how our LTIP grants and awards are calculated are included on page 30, Stock Awards.

**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS****Incentive Peer Group**

The Incentive Peer Group was used for LTIP cycles beginning prior to January 1, 2011 and includes the following companies:

<b>Incentive Peer Group Companies</b>	
ALLETE, Inc.	IDACORP, Inc.
Alliant Energy Corporation	NSTAR
Avista Corporation	NV Energy, Inc.
Central Vermont Public Service Corporation	Northeast Utilities
CH Energy Group, Inc.	SCANA Corporation
El Paso Electric Company	UIL Holdings Corporation
Great Plains Energy Incorporated	UNS Energy Corporation
Hawaiian Electric Industries, Inc.	Westar Energy, Inc.

**Time-Based Restricted Stock**

Time-based restricted stock is not an element of our current annual long-term incentive award opportunity. The Compensation Committee will and has awarded grants of time-based restricted stock that are typically associated with mid-year promotions, at the time of an external executive hiring or to reward our named executive officers for extraordinary performance above that which can be rewarded through the PFP Plan. Our Compensation Committee uses such awards to increase ownership and encourage retention. For an external executive hiring, an award may be made to offset comparable awards or other value forfeited as a result of the executive leaving the former employer. The award of time-based restricted shares or unrestricted shares of our common stock is recommended by the CEO and approved by our Compensation Committee and our board of directors, or in the case of a grant to the CEO, is recommended jointly by our Compensation Committee and Nominating/Governance Committee to our board of directors. The award is conditioned upon continued employment at the time of vesting, which is typically three years after the award date. Taxes on time-based restricted stock are borne by the executive officer.

Our Compensation Committee, with the approval of the full board of directors, awarded shares of our common stock to Mr. Williamson effective April 27, 2012, subject to time-based vesting. The award was made in recognition of outstanding 2011 performance and to enhance retention, as evidenced by the longer than typical vesting schedule of seven years. The award was made in the amount of 5,000 shares. Restrictions on the shares will lapse as of January 1, 2019, provided that Mr. Williamson remains an employee of the Company through the restriction period. On January 24, 2013, our Compensation Committee and board of directors awarded 10,000 shares of our common stock to Mr. Williamson. These shares were made in recognition of outstanding 2012 performance and will vest in five years provided Mr. Williamson remains an employee of the Company through the restriction period.

On February 15, 2013, our Compensation Committee, with the approval of the full board of directors, awarded shares of our common stock to Mr. Olagues (1,500 shares); Ms. Miller (1,250 shares); and Mr. Crump (1,250 shares). The time-based restricted stock awards were made in recognition of outstanding 2012 performance and will vest in three years provided Mr. Olagues, Ms. Miller and Mr. Crump each remain an employee of the Company through the restriction period.

**Stock Options**

Our Compensation Committee last approved a stock option grant in July 2007. Our Compensation Committee did not approve the grant of any stock options during 2012.

**Stock Appreciation Rights**

We have not granted any stock appreciation rights under the terms of the LTIP since its adoption.

**Nonqualified Deferred Compensation Plan**

We maintain a Deferred Compensation Plan so that directors, executive officers and certain key employees may defer receipt and taxation of certain forms of compensation. Directors may defer up to 100% of their compensation; executive officers and other key employees may defer up to 50% of their base salary and up to 100% of their annual cash incentive. We find the use of deferred compensation plans prevalent within our industry and within the companies in our Proxy Peer Group. Cleco does not match deferrals or contribute to the plan. Actual participation in the plan is voluntary. The notional investment options made available to participants are selected by our CFO. The allocation of deferrals among investment options is made by individual participants. The notional investment options include money market, fixed income and equity funds; Cleco common stock is not currently an investment option under the plan, except for directors. No changes were made to the plan during 2012. Additional discussion of our deferred compensation plan is included on page 37.

### **Supplemental Executive Retirement Plan**

We maintain a SERP for the benefit of our executive officers who are designated as participants by our Compensation Committee. The SERP is designed to attract and retain executive officers who have contributed and will continue to contribute to our overall success by ensuring that adequate compensation will be provided or replaced during retirement.

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### **COMPENSATION DISCUSSION AND ANALYSIS**

Supplemental retirement benefits are prevalent within our industry and the companies comprising our Proxy Peer Group. Our Compensation Committee views the SERP as a key recruiting tool to attract executive talent to the central Louisiana area.

Benefits under our SERP vest after ten years of service or upon death or disability while a participant is employed by Cleco. Our Compensation Committee may reduce the vesting period to less than ten years, which typically would occur in association with recruiting efforts. Benefits, whether or not vested, are forfeited in the event a participant is terminated for cause.

Benefits are based upon a participant's attained age at the time of separation from service. The maximum benefit is payable at age 65 and is 65% of final compensation. Payments from the Company's defined benefit pension plan ( Pension Plan ), certain employer contributions to our 401(k) Savings Plan and payments paid or payable from prior and subsequent employers' defined benefit retirement or similar supplemental plans reduce or offset our SERP benefits. If a participant has not attained age 55 at the time of separation and receives SERP benefits before attaining age 65, SERP benefits are actuarially reduced to reflect early payment. The Pension Benefits table on page 35 lists the present value of accumulated SERP benefits for our named executives as of December 31, 2012. In 2011, our Compensation Committee amended the SERP to eliminate the business transaction benefit previously included in the SERP, as well as the requirement that a SERP participant be a party to an employment agreement to receive change in control benefits. No changes were made to the SERP during 2012. Additional discussion of the SERP design is included beginning on page 36.

### **Change in Employment Status and Change in Control Events**

Historically, we have entered into executive employment agreements with our executive officers in an effort to attract and retain executive talent and to ensure their actions align with the interests of Cleco and its shareholders in the event of a change in control. The agreements have been structured to include payments for various separation events provided the executive officer agrees to post-employment conditions intended to protect our business and proprietary interests, including our intellectual property, human capital and confidential information and executes a release. The level of exit payments and benefits provided under the executive employment agreements generally was determined by position within the organization.

In 2010, our Compensation Committee approved management's recommendation that all executive employment agreements should not be renewed upon expiration. All such agreements have now expired.

During 2011, in conjunction with his being hired as CEO, we entered into an employment agreement with Mr. Williamson (the Williamson Agreement ). This agreement is further discussed on page 30. All of the executive employment agreements with our executive officers, except the Williamson Agreement, were not renewed upon expiration, and the Company has no executive employment agreements other than the Williamson Agreement.

The Company may enter into new employment agreements with its executives usually in connection with recruiting efforts. Our standard agreement provides for a non-renewing term, generally two years, and does not contain a change in control tax gross-up provision. Our Compensation Committee approved other revisions to our standard executive employment agreement based on input from Cook & Co., which we believe are consistent with current market trends while allowing us to maintain a competitive executive officer recruiting process.

See the section beginning on page 37 titled Potential Payments at Termination or Change in Control for a quantification and discussion of the material terms, potential payments and benefits associated with the Williamson Agreement, as well as the compensation history, annual compensation and benefit expense, status of deferred compensation, status of equity ownership, the value of vested awards and benefits and the value of accelerated compensation and benefits under various separation scenarios for our named executives who no longer have executive employment agreements.

### ***The Cleco Corporation Executive Severance Plan***

In recognition of the non-renewal of executive employment contracts, the board of directors adopted the Cleco Corporation Executive Severance Plan (the Executive Severance Plan ) on October 28, 2011. The Executive Severance Plan provides our executive officers and other key employees with cash severance benefits in the event of a termination of employment, including involuntary termination in connection with a change in control.

## Perquisites and Other Benefits

We may make available the following perquisites to our executive officers:

**Executive officer physicals** as a condition of receiving their PFP Plan award, we require and pay for an annual physical for our executive officers and their spouses;

**Spousal/companion travel** in connection with the various industry, governmental, civic and entertainment activities of our executive officers, we pay for spousal/companion travel associated with such events;

**Relocation program** in addition to our standard relocation policy available to all employees, we maintain a policy whereby our executive officers and other key employees may request that we pay real estate agent and certain other closing fees should the officer or key employee sell his/her primary residence or that we purchase the executive officer's or key employee's primary residence at the greater of its documented cost (not to exceed 120% of the original purchase price) or average appraised value. Typically, this occurs when an executive officer or key employee relocates at the Company's request; and

**Repurchase** Under our Executive Severance Plan, a covered executive officer may request the Company to repurchase his or her primary residence in the event he or she is involuntarily terminated without cause or separates for good reason, either in connection with a change in control and further provided the executive officer relocates more than 100 miles from the residence to be purchased. Limits on the repurchase amount are the same as our relocation program described above.

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**COMPENSATION DISCUSSION AND ANALYSIS**

Our Compensation Committee approves the perquisites based on what it believes is prevailing market practice, as well as specific Company needs. Cook & Co. assists our Compensation Committee in this regard. We believe the relocation program is an important element in attracting executive talent to the central Louisiana area. Perquisite expenses related to business and spousal travel for our executive officers are reviewed by internal audit and any exceptions are reported to our Audit Committee. See the section beginning on page 31 titled "All Other Compensation" for details of these perquisites and their value for our named executives.

Our executive officers, including the named executives, also participate in our other benefit plans on the same terms as other employees. These plans include paid time off for vacation, sick leave and bereavement; group medical, dental, vision and prescription drug coverage; basic life insurance; supplemental life insurance; dependent life insurance; accidental death and dismemberment insurance; defined benefit pension plan (for those hired prior to August 1, 2007); and the 401(k) Savings Plan with a Company match for those employees hired before August 1, 2007, as well as a 401(k) Savings Plan with an enhanced benefit for those employees hired after August 1, 2007, including Mr. Williamson.

**Other Tools and Analyses to Support Compensation Decisions**

***Tally Sheets***

At least annually our Compensation Committee reviews tally sheets that set forth the items listed below. This review is conducted as part of the comparison of the compensation and benefit components that are prevalent within our Comparator Group. The comparison facilitates discussion with our Compensation Committee's outside independent consultant as to the use and amount of each compensation and benefit component versus the applicable peer group.

Annual compensation expense for each named executive – this includes the rate of change in total cash compensation from year-to-year; the value of equity awards; the annual periodic cost of providing retirement benefits; and the annual cost of providing other benefits such as health insurance.

Reportable compensation – to further evaluate total compensation; to evaluate total compensation of our CEO compared to the other executive officers; and to otherwise evaluate internal equity among our named executives.

Company stock ownership – for each executive officer expressed as a multiple of base salary compared to industry standards provided by Cook & Co. Outstanding stock options and the in-the-money value of those options, if any, also are reviewed, as are each executive's Cleco common stock purchases and sales history.

Post-employment payments – reviewed pursuant to the potential separation events discussed in "Potential Payments at Termination or Change in Control," on pages 37 through 42.

***Trends and Regulatory Updates***

As needed, and at least annually, our Compensation Committee reviews reports related to industry trends, legislative and regulatory developments and compliance requirements based on management's analysis and

guidance provided by Cook & Co., as applicable. Plan revisions and compensation program design changes are implemented as needed.

***Risk Assessment***

Our Compensation Committee also seeks to structure compensation that will provide sufficient incentives for our executive officers to drive results while avoiding unnecessary or excessive risk taking that could harm the long-term value of the Company. Our Compensation Committee

believes that the following actions and/or measures help achieve this goal:

at least annually our Compensation Committee reviews the design of our executive compensation program to ensure an appropriate balance between business risk and resulting compensation;

our Compensation Committee allocates pay mix between base salary and performance-based pay to provide a balance of incentives;

the design of our incentive measures, including the interrelation between our PFP Plan and LTIP, is structured to align management's actions with the interests of our shareholders;

incentive payments are dependent on our performance measured against pre-established targets and goals and/or compared to the performance of companies in our Proxy and Incentive Peer Groups;

the range and sensitivity of potential payouts relative to target performance are reasonable;

our Compensation Committee imposes checks and balances on the payment of compensation discussed herein;

our Recovery Policy discussed in the section entitled "Recoupment of Prior Awards Paid" below;

detailed processes establish Cleco's financial performance measures under our incentive plans; and

incentive targets are designed to be challenging, yet achievable, to mitigate the potential for excessive risk-taking behaviors.

During 2012, our Compensation Committee, with the assistance of Cook & Co., reviewed the Company's assessment of compensation risk of the Company's incentive plans. Our Compensation Committee concluded that our compensation policies do not create risks that are reasonably likely to have a material adverse effect on the Company.

#### ***Stock Ownership Requirements for Executive Officers***

Our Compensation Committee has adopted an executive stock ownership policy requiring our CEO to own Cleco common stock in an amount equaling five times base salary; senior vice presidents in an amount equaling three times base salary; and vice presidents in an amount equaling one times base salary. The policy also contains a retention requirement as a means of achieving the specified common stock ownership multiple. Until an executive reaches his or her required ownership level, he or she must retain a minimum of 50% of the after-tax shares received from restricted stock awards made under the LTIP.

#### ***Anti-Hedging Policy***

In October 2007, our board of directors approved a policy prohibiting directors, officers and employees from engaging in privately-negotiated or other structured hedging transactions or any other forms of hedging or



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### **COMPENSATION DISCUSSION AND ANALYSIS**

monetization transactions related to Cleco common stock. The board believes this policy aligns the interests of the Company's directors, officers and employees with those of its long-term shareholders.

#### ***Recoupment of Prior Awards Paid***

Our Compensation Committee and board of directors approved a Recovery Policy in 2007. If the Company is required to restate its financial statements or other financial results, our Compensation Committee is authorized to adjust or otherwise recover an executive officer's award, provided that the amount of the award is based on financial performance and our Compensation Committee determines the executive officer engaged in intentional misconduct or in an intentional act or omission related to the cause for the restatement. Awards subject to the policy include any payment, accrual or other benefit paid or earned on or after January 1, 2008. Each of our executive officers has signed a notice acknowledging application of this policy, and we have conditioned their annual cash incentive agreements and restricted stock grants on the policy.

#### **Board of Directors Compensation**

Our Nominating/Governance Committee also engages our Compensation Committee's independent consultants to consult on matters concerning director compensation. In its analysis of director compensation, our Nominating/Governance Committee reviews competitive market information from our Proxy Peer Group, including information related to the payment of annual retainer fees for directors, annual retainer fees for committee chairs, per meeting fees and equity award levels. Our Compensation Committee conducts a similar review with respect to the compensation of the chairman of the board. Details of director compensation are shown in the Director Compensation table on page 43.

### **U.S. Federal Income Tax Considerations**

#### **Restricted Stock**

A participant who receives an award of restricted stock or CEUs under our LTIP generally does not recognize taxable income at the time the award is granted. Instead, the participant recognizes income when:

Performance-based shares vest, which occurs at the end of a performance cycle when our Compensation Committee determines whether the designated performance goals have been attained and to what degree; or

Forfeiture and transfer restrictions on time-based restricted stock lapse, upon the completion of a specified service period.

The amount of income recognized by a participant is equal to the fair market value of our common stock on the vesting or lapse date, less the cash, if any, paid for the shares, and the cash received on the settlement of CEUs. A participant may elect to accelerate the recognition of income with respect to restricted stock by making an Internal Revenue Code

( IRC ) Section 83(b) election, which causes income to be recognized at the time of the award in an amount equal to the current fair market value of the stock on the award date, less the cash, if any, paid for the shares.

Income recognized by a participant is treated as compensation and is subject to applicable withholding for income and employment taxes. Cleco receives a corresponding compensation deduction for tax purposes when a participant recognizes income.

#### **Stock Options**

All options granted under our LTIP are nonqualified or non-statutory options. Cleco currently does not grant or have outstanding incentive stock options within the meaning of IRC Section 422. The grant of an option is not a tax event. A participant recognizes income when the option is exercised in an amount equal to the difference between the exercise price of the option and the fair market value of our common stock on the

exercise date. The income is treated as compensation and is subject to applicable withholding for income and employment taxes. Cleco receives a corresponding compensation deduction for tax purposes when the option is exercised.

**IRC Section 162(m)**

IRC Section 162(m) limits to \$1,000,000 the amount Cleco can deduct in a tax year for compensation paid to our CEO and each of the four other most highly compensated executive officers. Performance-based compensation paid under a plan approved by our shareholders that satisfies certain other conditions may be excluded from the calculation of the limit. We have taken the action we consider appropriate to preserve the deductibility of compensation paid to our executive officers, but our Compensation Committee has not adopted a formal policy that requires all compensation to be fully deductible. As a result, our Compensation Committee may pay or award compensation that it deems necessary or appropriate to achieve our business goals and to align the interests of our executives with those of our shareholders, whether or not the compensation is performance-based within the meaning of IRC Section 162(m) or otherwise fully deductible.

Our LTIP was approved by our shareholders, permitting grants and awards made under that plan to be treated as performance-based. Generally, options, performance-based restricted stock and performance-based CEUs are intended to satisfy the performance-based requirements of IRC Section 162(m) and are intended to be fully deductible. Amounts paid under the PFP Plan count toward the \$1,000,000 limit.

**IRC Section 409A**

IRC Section 409A generally was effective as of January 1, 2005. The section substantially modified the rules governing the taxation of nonqualified deferred compensation. The consequences of a violation of IRC Section 409A, unless corrected, are the immediate taxation of amounts deferred, the imposition of an excise tax and the assessment of interest on the amount of the income inclusion, each of which is imposed upon the recipient of the compensation. Our plans, agreements and incentives subject to IRC Section 409A have been operated pursuant to and are in compliance with IRC Section 409A .

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## EXECUTIVE OFFICERS COMPENSATION

## EXECUTIVE OFFICERS COMPENSATION

## Summary Compensation Table

Name and Principal Position A	Year B	Salary (\$) C	Bonus (\$) D	Stock Awards (\$) <sup>(2)</sup> E	Option Awards (\$) F	Non-Equity Incentive Plan Compensation (\$) G	Change in Pension Value and Nonqualified Deferred Earnings Compensation (\$) <sup>(3)</sup> H	All Other Compensation (\$) I	Total (\$) J
Bruce A. Williamson, <sup>(1)</sup> President & CEO	2012	\$ 700,000	\$ 0	\$ 1,740,174	\$ 0	\$ 840,000	\$ 6,754,398	\$ 632,876	\$ 10,667,448
	2011	\$ 333,846	\$ 0	\$ 2,326,411	\$ 0	\$ 577,500	\$ 1,590,857	\$ 51,310	\$ 4,879,924
Darren J. Olagues, SVP-CFO	2012	\$ 305,900	\$ 0	\$ 251,770	\$ 0	\$ 205,000	\$ 632,556	\$ 31,191	\$ 1,426,417
	2011	\$ 303,762	\$ 0	\$ 267,739	\$ 0	\$ 201,894	\$ 426,505	\$ 26,604	\$ 1,226,504
	2010	\$ 277,477	\$ 0	\$ 220,680	\$ 0	\$ 182,965	\$ 252,495	\$ 16,632	\$ 950,249
Wade A. Hoefling, SVP-General Counsel & Director Regulatory Compliance	2012	\$ 273,900	\$ 0	\$ 225,421	\$ 0	\$ 165,000	\$ 1,001,684	\$ 34,759	\$ 1,700,764
	2011	\$ 272,523	\$ 0	\$ 232,071	\$ 0	\$ 203,371	\$ 703,723	\$ 29,277	\$ 1,440,965
	2010	\$ 255,523	\$ 0	\$ 203,146	\$ 0	\$ 159,238	\$ 206,648	\$ 26,232	\$ 850,787
Judy P. Miller, SVP-Corporate Services & Internal Audit	2012	\$ 250,000	\$ 0	\$ 205,764	\$ 0	\$ 170,000	\$ 1,468,720	\$ 24,448	\$ 2,118,932
Keith D. Crump, SVP-Commercial Operations-Cleco Power	2012	\$ 225,500	\$ 0	\$ 185,607	\$ 0	\$ 142,000	\$ 805,902	\$ 26,375	\$ 1,385,384

(1) Mr. Williamson was hired as president & CEO effective July 5, 2011.

(2) See the 2012 Annual Report on Form 10-K, Note 7 to the financial statements for a discussion of the valuation of these stock awards.

(3) Amounts in this column include the change in pension value year over year. For 2012, this amount includes the change in pension value from 2011 to 2012, a significant portion of which was attributable to a decrease in the discount rate, and in Mr. Williamson's case, inclusion of a full year's salary and annual cash incentive when calculating the value of his pension benefit. Excluding the change in pension value, total compensation for the continuing named executive officers would have changed as follows:

Name	Total Compensation excluding Change in Pension Value	
	2011	2012
Mr. Williamson	\$ 3,289,067	\$ 3,913,050
Mr. Olagues	\$ 799,999	\$ 793,861
Mr. Hoefling	\$ 737,242	\$ 699,080

## General

The Summary Compensation Table sets forth individual compensation information for the CEO, the CFO, the three other most highly compensated executive officers of Cleco and its affiliates for services rendered in all capacities to Cleco and its affiliates during the fiscal years ended December 31, 2012, December 31, 2011 and December 31, 2010 for Messrs. Olagues and Hoefling, during fiscal years ended December

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31, 2012 and 2011 for Mr. Williamson as he joined Cleco in July 2011, and during the fiscal year ended December 31, 2012 for Ms. Miller and Mr. Crump who became named executive officers for the first time in 2012. Compensation components represent both payments made to the named executives during the year and other forms of compensation, as follows:

Column C, Salary; Column D, Bonus; Column G, Non-Equity Incentive Plan Compensation; and Column I, All Other Compensation represent cash compensation earned by the named executive in 2012, 2011 and 2010.

Awards shown in Column E, Stock Awards and Column F, Option Awards represent non-cash compensation items which may or may not result in an actual award being received by the named executive, depending on the nature and timing of the grant and until certain performance objectives are achieved.

The amounts shown in Column H, Change in Pension Value and Nonqualified Deferred Compensation Earnings, represent changes in the actuarial value of accrued benefits during 2012, 2011 and 2010 under the Pension Plan and the SERP. Actuarial value computations are based on assumptions discussed in Note 8 to the financial statements included in the Company's 2012 Annual Report on Form 10-K. The 2012 increases shown in Column H are due to the actuarial impact from a decrease in the discount rate used to calculate future

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### **EXECUTIVE OFFICERS COMPENSATION**

benefits under the Pension Plan and the SERP, and for Mr. Williamson, also is due to the inclusion of a full year's base salary and annual cash incentive in 2012 but is not due to any age or service credit granted at the time of Mr. Williamson's hiring. This compensation will be payable to the named executive in future years, generally as post-employment retirement payments.

#### **Mr. Williamson's Employment Agreement (the Williamson Agreement)**

The compensation of Mr. Williamson, our CEO, was based largely on the terms of the employment agreement negotiated with Mr. Williamson at the time of his hiring in 2011. Because of his substantial experience as a public company CEO, his experience in the energy, utility and regulated industries, and the opportunity to recruit executive talent of his caliber to the central Louisiana area, our Compensation Committee believed it was important to document the terms of his employment in an employment agreement effective July 5, 2011. The components of his compensation are base salary, annual cash incentives, equity incentives, the SERP, change in control events and payments, perquisites and other benefits. Mr. Williamson was paid a prorated amount equivalent to an annualized base compensation of \$700,000 for 2011. In January 2012, Mr. Williamson waived the minimum increase in his base compensation and the related impacts on his cash and equity incentive opportunities for 2012 as set forth in his employment agreement to keep his compensation aligned with other members of senior management who were not given base pay increases in 2012. This action was consistent with Mr. Williamson's desire to shift additional compensation to performance-based pay among the senior management of the Company. The components of Mr. Williamson's compensation are further discussed below.

#### **Salary**

Data in Column C includes pay for time worked, as well as pay for time not worked, such as vacation, sick leave, jury duty, bereavement and holidays. The salary level of each of the named executives is determined by a review of market data for companies comparable in size and scope to Cleco, as discussed beginning on page 21 of the CD&A under Base Salary. In some instances, merit lump sum payments are used to recognize positive performance when base pay has reached or exceeded the Company's base pay policy target, and are included in the salary column. Deferral of 2012 base pay of \$5,000 pursuant to the Deferred Compensation Plan made by Ms. Miller also is included in the salary column and is further detailed in the Nonqualified Deferred Compensation table on page 36. Adjustments to base pay are recommended to our Compensation Committee on an annual basis, and if approved, are implemented in January. Base salary changes made in

2012 for our named executives and the reasons for those changes are discussed in the CD&A beginning on page 21, Base Salary.

#### **Bonus**

Column D, Bonus includes non-plan-based, discretionary incentives earned during 2012, 2011 or 2010. No such awards were earned in 2012, 2011 or 2010 by the named executive officers.

#### **Stock Awards**

Column E reflects grants and awards of Cleco common stock made to our named executive officers. Such grants and awards include annual performance-based restricted stock and CEU grants, if applicable, as well as time-based service award grants. For 2012, Column E includes the grant date fair value calculated under United States Generally Accepted Accounting Principles (GAAP) for the three-year performance cycle beginning January 1, 2012 and ending December 31, 2014. For 2011, Column E includes the grant date fair value calculated under GAAP for the performance-based award covering the three-year performance cycle beginning January 1, 2011 and ending December 31, 2013. For 2010, amounts include the grant date fair value calculated under GAAP for the performance-based grant for the three-year cycle beginning January 1, 2010 and ended December 31, 2012. This amount does not represent the value to be received by each of the named executives, as that amount can only be determined at the completion of the three-year performance cycle.

The dollar value of the LTIP grants in Column E is based on the grant date fair value as required by Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation Stock Compensation (FASB ASC Topic 718), formerly Statement of Financial Accounting Standards No. 123R, Share-based Payment, and does not represent cash compensation received by the named executives during 2012, 2011 or 2010. The FASB ASC Topic 718 value is determined by the Company's actuary (Towers Watson) and reflects a fair value estimate using a Monte Carlo simulation over the requisite performance cycle based on Cleco's historical stock price volatility and dividend yield data compared to each company in the Proxy Peer Group or the Incentive Peer Group, as applicable. For the three performance-based cycles applicable to Column E, the grant date fair value of Cleco common stock and CEUs, if applicable, was \$41.56 per share for the 2012 to 2014

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cycle, \$34.88 per share for the 2011 to 2013 cycle and \$27.92 per share for the 2010 to 2012 cycle. The grant date fair value of Mr. Williamson's grant for the 2011 to 2013 performance cycle was \$38.74. The potential award values applicable to our named executives for the three-year LTIP performance cycle that commenced in January 2012 are shown below:

Name	2012 LTIP		
	Threshold Value	Target Value (Column E)	Maximum Value
Mr. Williamson	\$ 740,475	\$ 1,536,224	\$ 3,072,448
Mr. Olagues	\$ 121,355	\$ 251,770	\$ 503,541
Mr. Hoefling	\$ 108,679	\$ 225,421	\$ 450,843
Ms. Miller	\$ 99,204	\$ 205,764	\$ 411,527
Mr. Crump	\$ 89,479	\$ 185,607	\$ 371,214

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**EXECUTIVE OFFICERS COMPENSATION**

The number of target shares that corresponds to the dollar value listed in Column E is listed in the Grants of Plan-Based Awards table on page 32. Further detail of the threshold and maximum award levels is provided in the Grants of Plan-Based Awards table, as well as the discussion that follows. An explanation of why we use the LTIP award and its relationship to other compensation elements can be found in the CD&A on page 24, Performance-Based Restricted Stock.

**Option Awards**

Column F, Option Awards reflects the grant date fair value for grants made to executive officers in 2012. Such grants provide our executive officers the opportunity to purchase shares of Cleco common stock at some future date at the fair market value of the stock on the date of the grant. No stock options were granted to our named executive officers during 2012, 2011 or 2010.

**Non-Equity Incentive Plan Compensation**

Column G, Non-Equity Incentive Plan Compensation contains cash awards earned during 2012 and paid in March 2013, earned during 2011 and paid in March 2012 and earned during 2010 and paid in March 2011 under the PFP Plan or AIP.

**Change in Pension Value and Nonqualified Deferred Compensation Earnings**

The values in Column H represent the aggregate increase in the actuarial present value of benefits earned by each named executive officer during 2012, 2011 and 2010 under the Pension Plan and the SERP, including the SERP's supplemental death benefit provision. These values do not represent cash received by the named executives in 2012, 2011 or 2010; rather, these amounts represent the present value of future retirement payments we project will be made to each named executive. Changes in the present value of the Pension Plan and the SERP from December 31, 2011 to December 31, 2012; from December 31, 2010 to December 31, 2011; and from December 31, 2009 to December 31, 2010 result from an additional year of earned service, compensation changes and a decrease

in the discount rate used to compute present value. (Generally, a decrease in the discount rate will increase the present value of benefits and an increase in the discount rate will decrease present value.) The increase in the present value of Mr. Williamson's benefit further results from the inclusion of a full year of his base salary and the annual incentive payment made in 2012, but does not reflect any age or service credits.

Projected annual payments are included in the tables beginning on page 40 under Retirement. The present value of our accumulated benefit obligation for each named executive officer is included in the table on page 35, Pension Benefits. These values are reviewed by our Compensation Committee in conjunction with their annual Tally Sheet analysis. An explanation of why we use the SERP and its relationship to other compensation elements can be found in the CD&A on page 25, Supplemental Executive Retirement Plan.

Column H also would include any above-market or preferential earnings on deferred compensation paid by the Company. There were no such preferential earnings paid by the Company in 2012, 2011 or 2010.

**All Other Compensation**

Payments made to or on behalf of our named executive officers in Column I, All Other Compensation, include the following:

Contributions by Cleco under the 401(k) Savings Plan on behalf of the named executive officers;

Term life insurance premiums paid for the benefit of the named executive officers;

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Expenses incurred for spousal travel on Company business;

For 2012, 2011 and 2010, accumulated dividends paid for the LTIP three-year performance cycles ended December 31, 2011, December 31, 2010 and December 31, 2009, respectively;

The Company provided benefits in 2012 under its relocation program for Mr. Williamson in connection with arrangements made as part of his initial employment offer; and

Federal Insurance Contributions Act ( FICA ) tax due currently and paid by the Company on the annual increase in the named executive officer's future SERP benefit.

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**Table of Contents****EXECUTIVE OFFICERS COMPENSATION**

The value of the Column I items for 2012 for each of our named executive officers is as follows:

	<b>Mr. Williamson</b>	<b>Mr. Olagues</b>	<b>Mr. Hoefling</b>	<b>Ms. Miller</b>	<b>Mr. Crump</b>
Cleco Contributions to 401(k) Savings Plan	\$ 15,000	\$ 9,958	\$ 10,000	\$ 10,000	\$ 8,558
Taxable Group Term Life Insurance Premiums	\$ 350	\$ 35	\$ 0	\$ 830	\$ 350
Spousal Travel	\$ 1,919	\$ 0	\$ 0	\$ 182	\$ 182
Accumulated Dividends Paid on LTIP	\$ 0	\$ 21,198	\$ 24,759	\$ 9,118	\$ 16,087
Costs Associated with Relocation of Mr. Williamson	\$ 615,607	\$ 0	\$ 0	\$ 0	\$ 0
FICA Tax on SERP	\$ 0	\$ 0	\$ 0	\$ 4,318	\$ 1,198
<b>Total Other Compensation</b>	<b>\$ 632,876</b>				