

CLECO CORP
Form DEF 14A
March 29, 2005
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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

Filed by the Registrant

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Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Cleco Corporation

(Name of Registrant as Specified In Its Charter)

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

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(1) Amount Previously Paid:

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**Proxy Statement
and
Notice of
Annual Meeting
of Shareholders
to be held on
May 5, 2005

March 31, 2005**

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CLECO CORPORATION

2030 Donahue Ferry Road

Pineville, Louisiana 71360-5226

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TIME	9:00 a.m., Central time, on Thursday, May 5, 2005
PLACE	Ray and Mary Anna Granberry Conference Center Louisiana College 1140 College Drive Pineville, Louisiana 71360
ITEMS OF BUSINESS	(1) To elect four directors each of whom will serve a three-year term expiring in 2008, or until their successors are elected and qualified. (2) To ratify the Audit Committee's appointment of the firm of PricewaterhouseCoopers LLP as Cleco Corporation's independent auditors to conduct the annual audit of Cleco for the fiscal year ended December 31, 2004 and quarterly reviews through September 30, 2005. (3) To approve (i) an amendment to the Cleco Corporation 2000 Long-Term Incentive Compensation Plan (the "LTIP") to increase the number of shares of common stock reserved for issuance under the LTIP by 1,600,000 shares (the "LTIP amendment") and (ii) the renewal of the material terms of the performance goals under the LTIP in order to allow certain grants and awards made to certain officers and other key employees to continue to qualify as performance-based compensation deductible under Internal Revenue Code Section 162(m) (the "Code Section 162(m) renewal"). (4) To transact any other business that may properly come before the annual meeting or any adjournments or postponements thereof.
RECORD DATE	You can vote if you were a shareholder of record as of the close of business on March 7, 2005.
ANNUAL REPORT	Our 2004 Annual Report, which is not a part of the proxy soliciting material, is 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. Any proxy may be revoked at any time prior to its exercise at the annual meeting.

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Judy P. Miller

Corporate Secretary

March 31, 2005

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PROXY STATEMENT

CLECO CORPORATION

ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON MAY 5, 2005

Cleco Corporation is furnishing you this proxy statement because you are a holder of Cleco common stock or preferred 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 Thursday, May 5, 2005, at the Ray and Mary Anna Granberry Conference Center, Louisiana College, 1140 College Drive, Pineville, Louisiana 71360 (please see the map included as Appendix A). The voting stock of Cleco consists of shares of common stock and preferred stock, with each share of common stock and preferred stock entitling its owner to one vote. The holders of common stock and preferred stock vote together as a single class, except in the election of directors, where holders of common stock can cumulate their votes. At the annual meeting, holders of record of Cleco voting stock at the close of business on March 7, 2005 will be entitled to vote upon proposals relating to:

the election of four directors each of whom will serve until the annual meeting in 2008, or until their successors are elected and qualified;

the ratification of the Audit Committee's appointment of the firm of PricewaterhouseCoopers LLP as Cleco Corporation's independent auditors to conduct the annual audit of Cleco for the fiscal year ended December 31, 2004 and quarterly reviews through September 30, 2005;

the approval of (i) an amendment to the LTIP to increase the number of shares of common stock reserved for issuance under the LTIP by 1,600,000 shares and (ii) the Code Section 162(m) renewal; 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 four nominees for director, FOR the ratification of the Audit Committee's appointment of PricewaterhouseCoopers LLP as independent auditors, and FOR the LTIP amendment and the Code Section 162(m) renewal.

This proxy statement and the accompanying proxy card are being mailed first on or about March 31, 2005 to record shareholders of Cleco as of the close of business on March 7, 2005.

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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" 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 & Company, Inc. to assist in the solicitation of proxies. Morrow's fee is approximately \$7,500 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 voting 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** each of the proposals 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.

Record Date and Voting Rights

Holders of record of outstanding voting stock as of the close of business on March 7, 2005 are entitled to receive notice of and to vote at the annual meeting. As of March 7, 2005, there were 49,256,532 shares of Cleco common stock outstanding and 234,129 shares of Cleco preferred stock outstanding. As of March 7, 2005, all officers and directors of Cleco, as a group, beneficially owned 3.5% of the outstanding shares of Cleco common stock and 13.7% of the outstanding shares of Cleco preferred stock.

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 four directors to serve until the 2008 annual meeting of shareholders, or until their successors are elected and qualified;

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Proposal 2 the ratification of the Audit Committee's appointment of PricewaterhouseCoopers LLP as Cleco's independent auditors to conduct the annual audit of Cleco for the fiscal year ended December 31, 2004 and quarterly reviews through September 30, 2005; and

Proposal 3 the approval of the LTIP amendment and the Code Section 162(m) renewal.

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. Broker non-votes on matters are treated as shares as to which voting power has been withheld by the beneficial holders of those shares and, therefore, as shares not entitled to vote. Under Louisiana law and the Cleco Bylaws, a quorum is based upon the number of outstanding shares of voting stock, including shares relating to abstentions.

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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.

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, or DRIP.

If you are an employee of Cleco and participate in the Cleco Savings and Investment Plan (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 Savings Plan as of the close of business on March 7, 2005, the record date for the annual meeting. You also may vote the number of shares of Cleco preferred stock allocated to your account under the Savings Plan as of 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. The trustee under the 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 four nominees for director, **FOR** the ratification of the Audit Committee's appointment of PricewaterhouseCoopers LLP as independent auditors, and **FOR** the LTIP amendment and the Code Section 162(m) renewal, and in accordance with the recommendations of the Cleco board of directors on any other proposals 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 canceling his or her proxy.

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PROPOSAL NUMBER 1 ELECTION OF FOUR CLASS II 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 whole board. Cleco's board of directors currently has a total of 11 directors: four are in Class I, four 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 four Class II 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 2008, or until their successors are elected and qualified.

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 four 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 III and I, who are continuing as directors at this time and whose terms of office expire in 2006 and 2007, respectively, are named below following the information concerning the four nominees for election as Class II directors.

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

Below is information concerning the four nominees for election as Class II directors at the annual meeting, as well as the continuing Class III and Class I directors, including the business experience of each during the past five years.

Class II Directors (nominees to be elected at the 2005 annual meeting; terms of office expire in 2008)

William L. Marks is a director of and has been chairman and chief executive officer of Whitney Holding Corporation, 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. Mr. Marks, who is 62 years old, has been a director of Cleco since 2001 and is a member of the Compensation and Executive Committees. He is also a director of Adtran, Inc. and serves on the board of trustees of Wake Forest University.

Ray B. Nesbitt, who is retired, was employed by Exxon Chemical Company as president for more than five years before retiring in 1998. Mr. Nesbitt, who is 71 years old, has been a director of Cleco since 2001 and is a member of the Audit, Nominating/Governance and Qualified Legal Compliance Committees. He is also a director of Hibernia Corporation, Hibernia National Bank and Vermilion Corporation.

Robert T. Ratcliff, Sr. has been chairman, president and chief executive officer of Ratcliff Construction Company, LLC, a company primarily engaged in the design and construction of industrial, commercial and governmental facilities, for more than five years. Mr.

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Ratcliff, who is 62 years old, has been a director of Cleco since 1993 and is a member of the Executive, Nominating/Governance and Qualified Legal Compliance Committees. He is also a director of Hibernia Corporation and Hibernia National Bank.

William H. Walker, Jr. was named chairman of the board of Howard Weil, Inc., an investment banking firm, in October 2004. Mr. Walker has served as president of Howard Weil and as a member of its board

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of directors for more than five years. Mr. Walker, who is 59 years old, has been a director of Cleco since 1996 and is chairman of the Compensation Committee and a member of the Executive, Nominating/Governance and Qualified Legal Compliance Committees.

Class III Directors (terms of office expire in 2006)

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 chief executive officer from 1995 until 1999. Mr. Garrett, who is 61 years old, has been a director of Cleco since 1981. Mr. Garrett is chairman of the board of directors and chairman of the Executive, Nominating/Governance and Qualified Legal Compliance Committees. Mr. Garrett also presides over executive sessions of non-management directors.

F. Ben James, Jr. has been president of James Investments, Inc., a company primarily engaged in real estate development and international marketing, for more than five years. Mr. James, who is 69 years old, has been a director of Cleco since 1986 and is a member of the Audit and Compensation Committees.

Elton R. King, who is retired, was employed as president and chief executive officer 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. in 1999, where he had been employed for more than five years, serving most recently as the president of its network and carrier services group. Mr. King, who is 58 years old, has been a director of Cleco since 1999 and is a member of the Audit and Compensation Committees. He is also a director of Hibernia Corporation and Hibernia National Bank.

Class I Directors (terms of office expire in 2007)

Sherian G. Cadoria, who is retired, served as president of Cadoria Speaker and Consultancy Service for more than five years before retiring in December 2004. She also retired as Brigadier General of the United States Army in 1990 after a 29-year military career. General Cadoria, who is 65 years old, has been a director of Cleco since 1993 and is a member of the Audit and Compensation Committees. She is also a director of Christus St. Frances Cabrini Hospital, Alexandria, LA.

Richard B. Crowell has been engaged in the practice of law for more than five years as a member of the law firm of Crowell & Owens. Mr. Crowell, who is 66 years old, has been a director of Cleco since 1997 and is a member of the Audit, Nominating/Governance and Qualified Legal Compliance Committees. He is also a director of Whitney Holding Corporation and Whitney National Bank.

David M. Eppler has served as president and chief executive officer of Cleco since May 2000, as president and chief operating officer from January 1999 to May 2000, and as executive vice president and chief operating officer from July 1997 to January 1999. Since 2001, Mr. Eppler also has served as a manager of Perryville Energy Holdings LLC, a subsidiary of Cleco that filed a voluntary Chapter 11 bankruptcy petition in January 2004 in connection with the proposed sale of Perryville Energy Partners, L.L.C.'s power plant to a subsidiary of Entergy Corporation. Mr. Eppler, who is 54 years old, joined Cleco in 1981. He has served as a director of Cleco since 1998 and is a member of the Executive Committee. In December 2004, Mr. Eppler advised the board of directors that he intends to retire in June 2005 or later in the year if necessary to facilitate an orderly management transition.

W. Larry Westbrook, who is retired, was employed by Southern Company as its chief financial officer and senior risk officer from 1986 until retirement in 2001, and was responsible for finance, accounting, tax, risk management and investor relations. Mr. Westbrook was retained as a consultant by Mirant Corporation, a former subsidiary of Southern Company, in August 2002 and served as senior vice

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president and interim principal accounting officer until March 2003. In July 2003, Mirant Corporation and certain of its subsidiaries filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Mr. Westbrook, who is 66 years old, was elected a director by the board of directors in July 2003 and is chairman of the Audit Committee and a member of the Nominating/Governance and Qualified Legal Compliance Committees. He is also a director of Northside Hospital, Atlanta, GA, and serves on the advisory board of the Goizueta School of Business at Emory University.

Independence and Organization of the Board of Directors

Cleco's board of directors has delegated some of its authority to five committees. These are the Executive Committee, the Audit Committee, the Compensation Committee, the Nominating/Governance Committee and the Qualified Legal Compliance Committee. The members of those committees are identified, as appropriate, under Class II Directors, Class III Directors and Class I Directors above. In accordance with current listing standards of the New York Stock Exchange (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 were last revised by the board of directors in January 2005 and are included as Appendix B to this proxy statement. The board of directors has determined that all of its directors, except Mr. Eppler, who is chief executive officer of Cleco, meet the categorical standards and are independent within the meaning of the current listing standards of the NYSE.

The Executive Committee exercises all powers of the board of directors, as defined and limited by Cleco's Bylaws, between meetings of the full board whenever it is not desirable or practical to conduct a meeting of the full board. The Executive Committee operates under a written charter adopted by the board of directors in January 2003 and revised in January 2004, a copy of which is posted on Cleco's homepage at <http://www.cleco.com>. The Executive Committee held three meetings, one of which was a formal telephone meeting, during 2004.

The Audit Committee selects the independent auditors of Cleco, 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 all 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 operates under a written charter adopted by the board of directors in April 2000 and revised in January 2004, a copy of which is posted on Cleco's homepage at <http://www.cleco.com>. The Audit Committee held eight meetings, four of which were formal telephone meetings, during 2004.

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 the LTIP. The Compensation Committee operates under a written charter adopted by the board of directors in January 2003 and revised in January 2004, a copy of which is posted on Cleco's homepage at <http://www.cleco.com>. The Compensation Committee held four meetings, one of which was a formal telephone meeting, in 2004.

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, and changes to Cleco's Corporate Governance Guidelines. The Nominating/Governance Committee operates under a written charter adopted by the board of directors in January 2003 and revised in January 2004, a copy of which is posted on Cleco's homepage at <http://www.cleco.com>. The Nominating/Governance Committee held four meetings in 2004.

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Cleco's board of directors held four regular meetings and five special meetings, one of which was a formal telephone meeting, during 2004. Generally, in months when a formal meeting is not held, members of Cleco's board of directors hold informal telephone conference meetings, are provided with written reports regarding the operations of Cleco, 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 2004, all directors attended at least 75% 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 2004 annual meeting of shareholders was attended by all directors serving at that time.

During 2004, all members of Cleco's board of directors served as members of the board of managers of Cleco Power LLC, Cleco's wholly owned utility subsidiary.

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

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 recommendation. Cleco's Nominating/Governance Committee did not receive any nominees for election as director at the 2005 annual meeting of shareholders from a shareholder or group of shareholders who individually, or in the aggregate, beneficially owned more than 5% of Cleco's voting common stock for at least one year.

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."

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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 that shareholders, employees and other interested persons may 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.

Compensation of the Board of Directors

Directors who are Cleco employees receive no additional compensation for serving as a director. In 2004, compensation for non-management directors included annual retainer and meeting fees, stock options, restricted stock awards, and insurance benefits under a group accidental death and dismemberment plan.

During 2004 and prior to the increase in annual retainer described below, each non-management director received an annual retainer of \$20,000; an additional annual fee of \$3,000 if the director was a chairman of a committee other than the Audit Committee, the chairman of which receives an additional annual fee of \$7,500; \$1,000 for each day of in-person meeting attendance at a board or committee meeting; and \$500 for each day of telephone conference meeting attendance at a board or committee meeting including the informal meetings described above. As chairman of the board of directors, Mr. Garrett receives an additional annual retainer of \$65,000. In July 2004, a study of director compensation resulted in a recommendation to increase the annual retainer paid to directors to \$25,000. This increase was approved by the board of directors in July 2004 and became effective October 1, 2004. Annual retainer and meeting fees are paid, at the election of each director, in the form of cash, Cleco common stock, or a combination of both cash and stock. Cleco reimburses directors for travel and related expenses incurred for attending meetings of Cleco's board of directors and board committees. During 2004, all non-management directors served the entire year.

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Prior to 2005, at the beginning of his or her three-year term, each non-management director received a grant of options to purchase 5,000 shares of Cleco common stock. Each grant was immediately exercisable, had a ten-year exercise period, and had an exercise price equal to the fair market value of Cleco common stock on the date of grant. If a director's initial term was less than three years, the grant was prorated. During 2004, General Cadoria, Mr. Crowell and Mr. Westbrook each received a grant of options to purchase 5,000 shares of Cleco common stock at an exercise price of \$17.75. During 2004, each non-management director also received an annual restricted stock award of 250 shares of Cleco common stock and a special restricted stock award of 1,200 shares of Cleco common stock. Directors were not required to provide any consideration in exchange for the restricted stock awards. Restrictions on the stock applicable to the award of 250 shares lapse after a three-year period measured from the date of the award or at the director's retirement if earlier, and the stock cannot be sold or transferred during this period. Restrictions on the stock applicable to the award of 1,200 shares lapse after a six-year period measured from the date of the award or at the director's retirement if earlier, and the stock cannot be sold or transferred during this period.

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Beginning in January 2005, non-management directors will not receive grants of options to purchase Cleco common stock at the beginning of their three-year terms. In addition, each non-management director now receives an annual restricted stock award of Cleco common stock valued at \$40,000, not to exceed 5,000 shares of stock in any year. The grant date of the award is the date of the January board meeting each year, and the valuation date of the stock is the first trading day of the year. The number of shares to be issued is determined by dividing 85% of the stock price on the valuation date into \$40,000. Directors are not required to provide any consideration in exchange for the restricted stock award. Restrictions on the stock applicable to the award lapse after a six-year period measured from the date of the award or at the director's retirement if earlier, and the stock cannot be sold or transferred during this period.

A non-management director may elect to participate in a deferred compensation plan and defer the receipt of all or part of his or her fees, whether payable in cash or Cleco common stock, restricted stock, and option gain. Benefits are equal to the amount credited to each director's individual account based on compensation deferred plus applicable investment returns as specified by the director upon election to participate in the plan. Investment options are similar to those provided to participants in Cleco's Savings Plan and funds may be reallocated between investments at the discretion of the participant with the exception of investments in Cleco stock. Accounts are payable in the form of a single-sum payment or in the form of substantially equal annual installments, not to exceed 15, when a director ceases to serve on the board or attains a specified age. Cleco currently is reviewing the deferred compensation plan to ensure its compliance with the new American Jobs Creation Act of 2004. Cleco also provides its non-management directors with \$200,000 of life insurance and permanent total disability coverage under a group accidental death and dismemberment plan maintained by Cleco Power LLC, a wholly owned subsidiary of Cleco.

Interests of the Board of Directors

In 2004, no non-management member of Cleco's board performed services for or received compensation from Cleco or its affiliates except for those services relating to his or her duty as a member of Cleco's board.

Expected Management Changes

As stated above, Mr. Eppler has notified Cleco's board of directors that he intends to retire in June 2005 or later in the year if necessary to facilitate an orderly management transition. On March 22, 2005, the board of directors announced its plans to name Michael H. Madison as the new chief executive officer and president of Cleco and to make him a director. The board of directors anticipates taking these actions at its annual board meeting immediately following the annual meeting of shareholders.

Table of Contents**SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT**

The following table describes the Cleco common stock and Cleco preferred 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, 2005 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			Ownership of	
	of Common Stock			Preferred Stock	
	Options			Number of Shares(4)	Percent of Class
	Exercisable Within 60 Days(2)	Other(3)	Percent of Class		
Direct(1)	Days(2)	Other(3)	Class	Shares(4)	Class
Directors and Nominees					
Sherian G. Cadoria	6,589	22,200		*	
Richard B. Crowell	76,994	12,500	130,615 ⁽⁵⁾	*	
J. Patrick Garrett	57,201	20,834		*	
F. Ben James, Jr.	14,289	20,834		*	
Elton R. King	13,522	18,056		*	
William L. Marks	16,289	14,167		*	
Ray B. Nesbitt	8,289	14,167		*	
Robert T. Ratcliff, Sr.	10,101	19,168		*	
William H. Walker, Jr.	81,903	19,168		*	
W. Larry Westbrook	9,602	7,750		*	
Named Executive Officers					
David M. Eppler ⁽⁶⁾	81,077	160,667	9,042	*	942 *
Michael H. Madison	21,425	0	535	*	56 *
Dilek Samil	28,647	3,000	726	*	76 *
Samuel H. Charlton III	25,391	26,334	1,323	*	138 *
R. O. Neal Chadwick, Jr.	14,908	3,833	1,971	&nbs	