BUCKLE INC
Form 10-Q
September 12, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended August 3, 2013

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from ____________ to ____________

Commission File Number: 001-12951

THE BUCKLE, INC.
(Exact name of Registrant as specified in its charter)

Nebraska	47-0366193
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2407 West 24th Street, Kearney, Nebraska 68845-4915
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (308) 236-8491

Securities registered pursuant to Section 12(b) of the Act:

Title of class	Name of Each Exchange on Which Registered
Common Stock, $.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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(Former name, former address, and former fiscal year if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for a shorter period that the registrant was required to submit and post such files). Yes þ

No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. (See definition of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act).
þ Large accelerated filer; o Accelerated filer; o Non-accelerated filer; o Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ

The number of shares outstanding of the Registrant's Common Stock, as of September 6, 2013, was 48,326,124.

THE BUCKLE, INC.

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THE BUCKLE, INC.

CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands Except Share and Per Share Amounts)
(Unaudited)

ASSETS	August 3, 2013	February 2, 2013
CURRENT ASSETS:		
Cash and cash equivalents	$103,054	$117,608
Short-term investments	25,711	26,414
Receivables	6,885	3,470
Inventory	133,550	103,853
Prepaid expenses and other assets	27,623	25,528
Total current assets	296,823	276,873
PROPERTY AND EQUIPMENT	389,945	373,286
Less accumulated depreciation and amortization	(223,095)	(210,183)
	166,850	163,103
LONG-TERM INVESTMENTS	39,501	35,735
OTHER ASSETS	2,194	2,263
	$505,368	$477,974
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$56,522	$34,124
Accrued employee compensation	20,688	42,183
Accrued store operating expenses	10,980	10,121
Gift certificates redeemable	15,968	22,221
Income taxes payable	1,433	20,307
Total current liabilities	105,591	128,956
DEFERRED COMPENSATION	12,303	10,600
DEFERRED RENT LIABILITY	38,096	36,947
OTHER LIABILITIES	10,926	11,822
Total liabilities	166,916	188,325
COMMITMENTS		
STOCKHOLDERS' EQUITY:		
Common stock, authorized 100,000,000 shares of $.01 par value; 48,326,124 and 48,059,269 shares issued and outstanding at August 3, 2013 and February 2, 2013, respectively	483	481
Additional paid-in capital	122,664	117,391
Retained earnings	216,077	172,711

Accumulated other comprehensive loss	(772)	(934)
Total stockholders' equity	338,452	289,649
	$505,368	$477,974

See notes to unaudited condensed consolidated financial statements.

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THE BUCKLE, INC.

CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands Except Per Share Amounts)
(Unaudited)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	August 3, 2013	July 28, 2012	August 3, 2013	July 28, 2012
SALES, Net of returns and allowances	$232,529	$215,483	$502,241	$479,245
COST OF SALES (Including buying, distribution, and occupancy costs)	138,042	128,980	290,747	278,547
Gross profit	94,487	86,503	211,494	200,698
OPERATING EXPENSES:				
Selling	44,944	41,491	92,234	87,761
General and administrative	10,140	8,622	20,600	18,525
	55,084	50,113	112,834	106,286
INCOME FROM OPERATIONS	39,403	36,390	98,660	94,412
OTHER INCOME, Net	507	361	857	2,173
INCOME BEFORE INCOME TAXES	39,910	36,751	99,517	96,585
PROVISION FOR INCOME TAXES	14,766	13,528	36,821	35,553
NET INCOME	$25,144	$23,223	$62,696	$61,032
EARNINGS PER SHARE:				
Basic	$0.53	$0.49	$1.31	$1.29
Diluted	$0.52	$0.49	$1.31	$1.28
Basic weighted average shares	47,705	47,343	47,701	47,281
Diluted weighted average shares	47,961	47,662	47,947	47,630

See notes to unaudited condensed consolidated financial statements.

THE BUCKLE, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)
(Unaudited)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	August 3, 2013	July 28, 2012	August 3, 2013	July 28, 2012
NET INCOME	$25,144	$23,223	$62,696	$61,032
OTHER COMPREHENSIVE INCOME, NET OF TAX:				
Change in unrealized loss on investments	154	13	162	11
Other comprehensive income	154	13	162	11
COMPREHENSIVE INCOME	$25,298	$23,236	$62,858	$61,043

See notes to unaudited condensed consolidated financial statements.

THE BUCKLE, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Amounts in Thousands Except Share and Per Share Amounts)
(Unaudited)

	Number of Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
FISCAL 2013						
BALANCE, February 3, 2013	48,059,269	$481	$117,391	$172,711	$(934)	$289,649
Net income	—	—	—	62,696	—	62,696
Dividends paid on common stock, ($0.40 per share)	—	—	—	(19,330)	—	(19,330)
Common stock issued on exercise of stock options	15,032	—	—	—	—	—
Issuance of non-vested stock, net of forfeitures	251,823	2	(2)	—	—	—
Amortization of non-vested stock grants, net of forfeitures	—	—	5,017	—	—	5,017
Income tax benefit related to exercise of stock options	—	—	258	—	—	258
Change in unrealized loss on investments, net of tax	—	—	—	—	162	162
BALANCE, August 3, 2013	48,326,124	$483	$122,664	$216,077	$(772)	$338,452
FISCAL 2012						
BALANCE, January 29, 2012	47,432,089	$474	$100,333	$263,039	$(699)	$363,147
Net income	—	—	—	61,032	—	61,032
Dividends paid on common stock, ($0.40 per share)	—	—	—	(19,168)	—	(19,168)
Common stock issued on exercise of stock options	238,448	2	315	—	—	317
Issuance of non-vested stock, net of forfeitures	250,660	3	(3)	—	—	—
Amortization of non-vested stock grants, net of forfeitures	—	—	4,137	—	—	4,137
Income tax benefit related to exercise of stock options	—	—	4,165	—	—	4,165
Change in unrealized loss on investments, net of tax	—	—	—	—	11	11
BALANCE, July 28, 2012	47,921,197	$479	$108,947	$304,903	$(688)	$413,641

See notes to unaudited condensed consolidated financial statements.

THE BUCKLE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)
(Unaudited)

	Twenty-Six Weeks Ended	
	August 3, 2013	July 28, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$62,696	$61,032
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	15,927	16,249
Amortization of non-vested stock grants, net of forfeitures	5,017	4,137
Deferred income taxes	(1,856)	(1,530)
Other	55	401
Changes in operating assets and liabilities:		
Receivables	(809)	51
Inventory	(29,697)	(20,297)
Prepaid expenses and other assets	(1,233)	(1,640)
Accounts payable	21,560	15,978
Accrued employee compensation	(21,495)	(25,891)
Accrued store operating expenses	859	(2,058)
Gift certificates redeemable	(6,253)	(6,409)
Income taxes payable	(21,446)	(10,869)
Deferred rent liabilities and deferred compensation	2,852	2,446
Net cash flows from operating activities	26,177	31,600
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(18,892)	(19,637)
Change in other assets	69	70
Purchases of investments	(19,486)	(14,041)
Proceeds from sales/maturities of investments	16,680	16,659
Net cash flows from investing activities	(21,629)	(16,949)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the exercise of stock options	—	317
Excess tax benefit from stock option exercises	228	3,709
Payment of dividends	(19,330)	(19,168)
Net cash flows from financing activities	(19,102)	(15,142)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,554)	(491)
CASH AND CASH EQUIVALENTS, Beginning of period	117,608	166,511
CASH AND CASH EQUIVALENTS, End of period	$103,054	$166,020

See notes to unaudited condensed consolidated financial statements.

THE BUCKLE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THIRTEEN AND TWENTY-SIX WEEKS ENDED AUGUST 3, 2013 AND JULY 28, 2012
(Dollar Amounts in Thousands Except Share and Per Share Amounts)
(Unaudited)

1. Management Representation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments necessary for the fair presentation of the results of operations for the interim periods have been included. All such adjustments are of a normal recurring nature. Because of the seasonal nature of the business, results for interim periods are not necessarily indicative of a full year's operations. The accounting policies followed by the Company and additional footnotes are reflected in the consolidated financial statements for the fiscal year ended February 2, 2013, included in The Buckle, Inc.'s 2012 Form 10-K.

The Company follows generally accepted accounting principles (“GAAP”) established by the Financial Accounting Standards Board (“FASB”). References to GAAP in these notes are to the FASB Accounting Standards Codification (“ASC”).

2. Description of the Business

The Company is a retailer of medium to better priced casual apparel, footwear, and accessories for fashion conscious young men and women. The Company operates its business as one reportable segment. The Company had 452 stores located in 43 states throughout the continental United States as of August 3, 2013 and 439 stores in 43 states as of July 28, 2012. During the twenty-six week period ended August 3, 2013, the Company opened 12 new stores and substantially remodeled 3 stores; which includes 9 new stores and 2 substantial remodels during the second quarter. During the twenty-six week period ended July 28, 2012, the Company opened 8 new stores and substantially remodeled 12 stores; which includes 8 new stores and 6 substantial remodels during the second quarter.

The following is information regarding the Company’s major product lines, stated as a percentage of the Company’s net sales:

	Percentage of Net Sales Thirteen Weeks Ended				Percentage of Net Sales Twenty-Six Weeks Ended			
Merchandise Group	August 3, 2013		July 28, 2012		August 3, 2013		July 28, 2012	
Denims	37.3	%	36.2	%	41.3	%	40.9	%
Tops (including sweaters)	32.0		33.9		30.0		31.9	
Sportswear/Fashions	12.5		12.0		11.6		11.2	
Accessories	9.5		10.1		8.4		8.4	
Footwear	6.1		5.9		6.2		5.7	
Outerwear	0.9		0.8		1.0		0.8	
Casual bottoms	0.8		0.8		0.8		0.9	
Other	0.9		0.3		0.7		0.2	
	100.0	%	100.0	%	100.0	%	100.0	%

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3. Earnings Per Share

Basic earnings per share data are based on the weighted average outstanding common shares during the period. Diluted earnings per share data are based on the weighted average outstanding common shares and the effect of all dilutive potential common shares, including stock options.

	Thirteen Weeks Ended August 3, 2013			Thirteen Weeks Ended July 28, 2012		
	Income	Weighted Average Shares	Per Share Amount	Income	Weighted Average Shares	Per Share Amount
Basic EPS	$25,144	47,705	$0.53	$23,223	47,343	$0.49
Effect of Dilutive Securities:						
Stock options and non-vested shares	—	256	(0.01)	—	319	—
Diluted EPS	$25,144	47,961	$0.52	$23,223	47,662	$0.49

	Twenty-Six Weeks Ended August 3, 2013			Twenty-Six Weeks Ended July 28, 2012		
	Income	Weighted Average Shares	Per Share Amount	Income	Weighted Average Shares	Per Share Amount
Basic EPS	$62,696	47,701	$1.31	$61,032	47,281	$1.29
Effect of Dilutive Securities:						
Stock options and non-vested shares	—	246	—	—	349	(0.01)
Diluted EPS	$62,696	47,947	$1.31	$61,032	47,630	$1.28

4. Investments

The following is a summary of investments as of August 3, 2013:

	Amortized Cost or Par Value	Gross Unrealized Gains	Gross Unrealized Losses	Other-than-Temporary Impairment	Estimated Fair Value
Available-for-Sale Securities:					
Auction-rate securities	$13,025	$—	$(1,225)	$(725)	$11,075
Preferred stock	982	—	—	(970)	12
	$14,007	$—	$(1,225)	$(1,695)	$11,087
Held-to-Maturity Securities:					
State and municipal bonds	$41,822	$80	$(11)	$—	$41,891
Trading Securities:					
Mutual funds	$11,274	$1,029	$—	$—	$12,303

The following is a summary of investments as of February 2, 2013:

	Amortized Cost or Par Value	Gross Unrealized Gains	Gross Unrealized Losses	Other-than-Temporary Impairment	Estimated Fair Value
Available-for-Sale Securities:					
Auction-rate securities	$13,075	$—	$(1,482)	$(725)	$10,868
Preferred stock	2,000	—	—	(1,974)	26
	$15,075	$—	$(1,482)	$(2,699)	$10,894
Held-to-Maturity Securities:					
State and municipal bonds	$40,155	$108	$(15)	$—	$40,248
Certificates of deposit	500	4	—	—	504
	$40,655	$112	$(15)	$—	$40,752
Trading Securities:					
Mutual funds	$10,257	$343	$—	$—	$10,600

The auction-rate securities and preferred stock were invested as follows as of August 3, 2013:

Nature	Underlying Collateral	Par Value
Municipal revenue bonds	100% insured by AAA/AA/A-rated bond insurers at August 3, 2013	10,025
Municipal bond funds	Fixed income instruments within issuers' money market funds	50
Student loan bonds	Student loans guaranteed by state entities	2,950
Preferred stock	Underlying investments of closed-end funds	982
Total par value		$14,007

As of August 3, 2013, the Company’s auction-rate securities portfolio was 73% AA/Aa-rated, 20% A-rated, and 7% below A-rated.

The amortized cost and fair value of debt securities by contractual maturity as of August 3, 2013 is as follows:

	Amortized Cost	Fair Value
Held-to-Maturity Securities		
Less than 1 year	$25,711	$25,748
1 - 5 years	16,111	16,143
	$41,822	$41,891

At August 3, 2013 and February 2, 2013, $11,087 and $10,869 of available-for-sale securities and $16,111 and $14,266 of held-to-maturity securities are classified in long-term investments. Trading securities are held in a Rabbi Trust, intended to fund the Company’s deferred compensation plan, and are classified in long-term investments.

The Company's investments in auction-rate securities ("ARS") and preferred securities are classified as available-for-sale and reported at fair market value. As of August 3, 2013, the reported investment amount is net of $1,225 of temporary impairment and $1,695 of other-than-temporary impairment ("OTTI") to account for the impairment of certain securities from their stated par value. The $1,225 temporary impairment is reported, net of tax, as an "accumulated other comprehensive loss" of $772 in stockholders' equity as of August 3, 2013. For the investments considered temporarily impaired, the Company believes that these ARS can be successfully redeemed or liquidated in the future at par value plus accrued interest. The Company believes it has the ability and maintains its intent to hold these investments until such recovery of market value occurs; therefore, the Company believes the current lack of liquidity has created the temporary impairment in valuation and has classified the investments in long-term investments.

As of August 3, 2013, the Company had $13,025 invested in ARS and $982 invested in preferred securities, at par value, which are reported at their estimated fair value of $11,075 and $12, respectively. As of February 2, 2013, the Company had $13,075 invested in ARS and $2,000 invested in preferred securities, which were reported at their estimated fair value of $10,868 and $26, respectively. ARS have a long-term stated maturity, but are reset through a "dutch auction" process that occurs every 7 to 49 days, depending on the terms of the individual security. Until February 2008, the ARS market was highly liquid. During February 2008, however, a significant number of auctions related to these securities failed, meaning that there was not enough demand to sell the entire issue at auction. The failed auctions have limited the current liquidity of certain of the Company's investments in ARS and the Company has reason to believe that certain of the underlying issuers of its ARS are currently at risk. The Company does not, however, anticipate that further auction failures will have a material impact on the Company's ability to fund its business. During the first two quarters of fiscal 2013, the Company was able to successfully liquidate ARS and preferred securities with a par value of $1,068. The Company reviews all investments for OTTI at least quarterly or as indicators of impairment exist. Indicators of impairment include the duration and severity of decline in market value. In addition, the Company considers qualitative factors including, but not limited to, the financial condition of the investee, the credit rating of the investee, and the current and expected market and industry conditions in which the investee operates.

As of August 3, 2013, all of the Company's investments in ARS and preferred securities were classified in long-term investments. As of February 2, 2013, $25 of the Company's investments in ARS and preferred securities was classified in short-term investments (due to a known upcoming redemption at par value) and $10,869 was classified in long-term investments.

5. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities. Short-term and long-term investments with active markets or known redemption values are reported at fair value utilizing Level 1 inputs.
- Level 2 – Observable market-based inputs (either directly or indirectly) such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or inputs that are corroborated by market data.
- Level 3 – Unobservable inputs that are not corroborated by market data and are projections, estimates, or interpretations that are supported by little or no market activity and are significant to the fair value of the assets. The Company has concluded that certain of its ARS represent Level 3 valuation and should be valued using a discounted cash flow analysis. The assumptions used in preparing the discounted cash flow model include estimates for interest rates, timing and amount of cash flows, and expected holding periods of the ARS. As of August 3, 2013, the unobservable inputs used by the Company and its independent third-party valuation consultant in valuing its Level 3

investments in ARS included:

Durations until redemption ranging from 0.5 to 29.0 years, with a weighted average of 6.4 years.
Discount rates ranging from 0.88% to 5.80%, with a weighted average of 2.28%.
Loss severities ranging from 0% to 25% of par value, with a weighted average of 2.66%.

As of August 3, 2013 and February 2, 2013, the Company held certain assets that are required to be measured at fair value on a recurring basis including available-for-sale and trading securities. The Company's available-for-sale securities include its investments in ARS, as further described in Note 4. The failed auctions, beginning in February 2008, related to certain of the Company's investments in ARS have limited the availability of quoted market prices. The Company has determined the fair value of its ARS using Level 1 inputs for known or anticipated subsequent redemptions at par value, Level 2 inputs using observable inputs, and Level 3 using unobservable inputs where the following criteria were considered in estimating fair value:

- Pricing was provided by the custodian of ARS;
- Pricing was provided by a third-party broker for ARS;
- Sales of similar securities;
- Quoted prices for similar securities in active markets;
- Quoted prices for publicly traded preferred securities;
- Quoted prices for similar assets in markets that are not active - including markets where there are few transactions for the asset, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly;
- Pricing was provided by a third-party valuation consultant (using Level 3 inputs).

In addition, the Company considers other factors including, but not limited to, the financial condition of the investee, the credit rating, insurance, guarantees, collateral, cash flows, and the current and expected market and industry conditions in which the investee operates. Management believes it has used information that was reasonably obtainable in order to complete its valuation process and determine if the Company's investments in ARS had incurred any temporary and/or other-than-temporary impairment as of August 3, 2013 and February 2, 2013.

Future fluctuations in fair value of ARS that the Company judges to be temporary, including any recoveries of previous write-downs, would be recorded as an adjustment to "accumulated other comprehensive loss." The value and liquidity of ARS held by the Company may be affected by continued auction-rate failures, the credit quality of each security, the amount and timing of interest payments, the amount and timing of future principal payments, and the probability of full repayment of the principal. Additional indicators of impairment include the duration and severity of the decline in market value. The interest rates on these investments will be determined by the terms of each individual ARS. The material risks associated with the ARS held by the Company include those stated above as well as the current economic environment, downgrading of credit ratings on investments held, and the volatility of the entities backing each of the issues.

The Company's financial assets measured at fair value on a recurring basis are as follows:

	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets	Significant Observable Inputs	Significant Unobservable Inputs	
August 3, 2013	(Level 1)	(Level 2)	(Level 3)	Total
Available-for-sale securities:				
Auction-rate securities	$—	$178	$10,897	$11,075
Preferred stock	12	—	—	12
Trading securities (including mutual funds)	12,303	—	—	12,303
Totals	$12,315	$178	$10,897	$23,390

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	Fair Value Measurements at Reporting Date Using			
February 2, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Available-for-sale securities:				
Auction-rate securities	$—	$178	$10,690	$10,868
Preferred stock	26	—	—	26
Trading securities (including mutual funds)	10,600	—	—	10,600
Totals	$10,626	$178	$10,690	$21,494

Securities included in Level 1 represent securities which have a known or anticipated upcoming redemption as of the reporting date and those that have publicly traded quoted prices. ARS included in Level 2 represent securities which have not experienced a successful auction subsequent to the end of fiscal 2007. The fair market value for these securities was determined by applying a discount to par value based on auction prices for similar securities and by utilizing a discounted cash flow model, using market-based inputs, to determine fair value. The Company used a discounted cash flow model to value its Level 3 investments, using estimates regarding recovery periods, yield, and liquidity. The assumptions used are subjective based upon management's judgment and views on current market conditions, and resulted in $1,203 of the Company's recorded temporary impairment and $725 of the OTTI as of August 3, 2013. The use of different assumptions would result in a different valuation and related temporary impairment charge.

Changes in the fair value of the Company's financial assets measured at fair value on a recurring basis are as follows:

	Twenty-six Weeks Ended August 3, 2013 Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Available-for-Sale Securities		Trading Securities	
	Auction-rate Securities	Preferred Stock	Mutual Funds	Total
Balance, beginning of year	$10,690	$—	$—	$10,690
Total gains and losses:				
Included in other comprehensive income	257	—	—	257
Purchases, Issuances, Sales, and Settlements:				
Sales	(50)	—	—	(50)
Balance, end of quarter	$10,897	$—	$—	$10,897

	Twenty-six Weeks Ended July 28, 2012			
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Available-for-Sale Securities		Trading Securities	
	Auction-rate Securities	Preferred Stock	Mutual Funds	Total
Balance, beginning of year	$11,220	$—	$—	$11,220
Total gains and losses:				
Included in other comprehensive income	—	—	—	—
Purchases, Issuances, Sales, and Settlements:				
Sales	(50)	—	—	(50)
Balance, end of quarter	$11,170	$—	$—	$11,170

There were no transfers of securities between Levels 1, 2, or 3 during the twenty-six week periods ended August 3, 2013 or July 28, 2012. The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period in which the transfer occurred.

The carrying value of cash equivalents approximates fair value due to the low level of risk these assets present and their relatively liquid nature, particularly given their short maturities. The Company also holds certain financial instruments that are not carried at fair value on the consolidated balance sheets, including held-to-maturity securities. Held-to-maturity securities consist of state and municipal bonds, corporate bonds, and certificates of deposit. The fair values of these debt securities are based on quoted market prices and yields for the same or similar securities, which the Company determined to be Level 2 inputs. As of August 3, 2013, the fair value of held-to-maturity securities was $41,891 compared to the carrying amount of $41,822. As of February 2, 2013, the fair value of held-to-maturity securities was $40,752 compared to the carrying amount of $40,655.

6. Supplemental Cash Flow Information

The Company had non-cash investing activities during the twenty-six week periods ended August 3, 2013 and July 28, 2012 of ($838) and ($1,254), respectively. The non-cash investing activity relates to the change in the balance of unpaid purchases of property, plant, and equipment included in accounts payable as of the end of the period. The liability for unpaid purchases of property, plant, and equipment included in accounts payable was $1,857 and $1,019 as of August 3, 2013 and February 2, 2013, respectively. Amounts reported as unpaid purchases are recorded as cash outflows from investing activities for purchases of property, plant, and equipment in the consolidated statement of cash flows in the period they are paid.

Additional cash flow information for the Company includes cash paid for income taxes during the twenty-six week periods ended August 3, 2013 and July 28, 2012 of $59,895 and $44,244, respectively.

7. Stock-Based Compensation

The Company has several stock option plans which allow for granting of stock options to employees, executives, and directors. The options are in the form of non-qualified stock options and are granted with an exercise price equal to the market value of the Company's common stock on the date of grant. The options generally expire ten years from the date of grant. The Company also has a restricted stock plan that allows for the granting of non-vested shares of common stock to employees and executives and a restricted stock plan that allows for the granting of non-vested shares of common stock to non-employee directors.

As of August 3, 2013, 635,153 shares were available for grant under the various stock option plans, of which 447,457 shares were available for grant to executive officers. Also as of August 3, 2013, 1,139,041 shares were available for grant under the Company's various restricted stock plans, of which 1,113,917 shares were available for grant to executive officers.

Compensation expense was recognized during fiscal 2013 and fiscal 2012 for equity-based grants, based on the grant date fair value of the awards. The fair value of grants of non-vested common stock awards is the stock price on the date of grant.

Information regarding the impact of compensation expense related to grants of non-vested shares of common stock is as follows:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	August 3, 2013	July 28, 2012	August 3, 2013	July 28, 2012
Stock-based compensation expense, before tax	$2,433	$1,999	$5,017	$4,137
Stock-based compensation expense, after tax	$1,533	$1,259	$3,161	$2,606

FASB ASC 718 requires the benefits of tax deductions in excess of the compensation cost recognized for stock options exercised during the period to be classified as financing cash inflows. This amount is shown as “excess tax benefit from stock option exercises” on the consolidated statements of cash flows. For the twenty-six week periods ended August 3, 2013 and July 28, 2012, the excess tax benefit realized from exercised stock options was $228 and $3,709, respectively.

A summary of the Company’s stock-based compensation activity related to stock options for the twenty-six week period ended August 3, 2013 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding - beginning of year	42,808	$1.79		
Granted	—	—		
Expired/forfeited	—	—		
Exercised	(15,032)	0.01		
Outstanding - end of quarter	27,776	$2.75	1.30 years	$1,508
Exercisable - end of quarter	27,776	$2.75	1.30 years	$1,508

No stock options were granted during fiscal 2013 or fiscal 2012. The total intrinsic value of options exercised during the twenty-six week periods ended August 3, 2013 and July 28, 2012 was $710 and $11,300, respectively. As of August 3, 2013, there was no unrecognized compensation expense as all outstanding stock options were vested.

Non-vested shares of common stock granted during the twenty-six week periods ended August 3, 2013 and July 28, 2012 were granted pursuant to the Company’s 2005 Restricted Stock Plan and the Company’s 2008 Director Restricted Stock Plan. Shares granted under the 2005 Plan typically vest over a period of four years, only upon certification by the Compensation Committee of the Board of Directors that the Company has achieved its pre-established performance targets for the fiscal year. Shares granted under the 2008 Director Plan vest 25% on the date of grant and then in equal portions on each of the first three anniversaries of the date of grant.

A summary of the Company's stock-based compensation activity related to grants of non-vested shares of common stock for the twenty-six week period ended August 3, 2013 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Non-Vested - beginning of year	419,261	$39.52
Granted	254,400	47.03
Forfeited	(2,577)	40.33
Vested	(50,728)	43.60
Non-Vested - end of quarter	620,356	$42.26

As of August 3, 2013, there was $13,668 of unrecognized compensation expense related to grants of non-vested shares. It is expected that this expense will be recognized over a weighted average period of approximately 2.1 years. The total fair value of shares vested during the twenty-six week periods ended August 3, 2013 and July 28, 2012 was $2,400 and $2,775, respectively.

8. Recently Issued Accounting Pronouncements

In February 2013, the FASB issued ASU No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which adds additional disclosure requirements for items reclassified out of accumulated other comprehensive income. The additional disclosure requirements are effective for interim and annual reporting periods beginning after December 15, 2012. The adoption of ASU 2013-02 did not have a material impact on the Company's financial position or results of operations.

THE BUCKLE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Consolidated Financial Statements and notes thereto of the Company included in this Form 10-Q. All references herein to the “Company”, “Buckle”, “we”, “us”, or similar terms refer to The Buckle, Inc. and its subsidiary. The following is management’s discussion and analysis of certain significant factors which have affected the Company’s financial condition and results of operations during the periods included in the accompanying consolidated financial statements.

EXECUTIVE OVERVIEW

Company management considers the following items to be key performance indicators in evaluating Company performance.

Comparable Store Sales – Stores are deemed to be comparable stores if they were open in the prior year on the first day of the fiscal period being presented. Stores which have been remodeled, expanded, and/or relocated, but would otherwise be included as comparable stores, are not excluded from the comparable store sales calculation. Online sales are excluded from comparable store sales. Management considers comparable store sales to be an important indicator of current Company performance, helping leverage certain fixed costs when results are positive. Negative comparable store sales results could reduce net sales and have a negative impact on operating leverage, thus reducing net earnings.

Merchandise Margins – Management evaluates the components of merchandise margin including initial markup and the amount of markdowns during a period. Any inability to obtain acceptable levels of initial markups or any significant increase in the Company’s use of markdowns could have an adverse effect on the Company’s gross margin and results of operations.

Operating Margin – Operating margin is a good indicator for management of the Company’s success. Operating margin can be positively or negatively affected by comparable store sales, merchandise margins, occupancy costs, and the Company’s ability to control operating costs.

Cash Flow and Liquidity (working capital) – Management reviews current cash and short-term investments along with cash flow from operating, investing, and financing activities to determine the Company’s short-term cash needs for operations and expansion. The Company believes that existing cash, short-term investments, and cash flow from operations will be sufficient to fund current and long-term anticipated capital expenditures and working capital requirements for the next several years.

RESULTS OF OPERATIONS

The following table sets forth certain financial data expressed as a percentage of net sales and the percentage change in the dollar amount of such items compared to the prior period:

	Percentage of Net Sales Thirteen Weeks Ended August 3, 2013	Percentage of Net Sales Thirteen Weeks Ended July 28, 2012	Percentage Increase/ (Decrease)	Percentage of Net Sales Twenty-Six Weeks Ended August 3, 2013	Percentage of Net Sales Twenty-Six Weeks Ended July 28, 2012	Percentage Increase/ (Decrease)
Net sales	100.0 %	100.0 %	7.9 %	100.0 %	100.0 %	4.8 %
Cost of sales (including buying, distribution, and occupancy costs)	59.4 %	59.9 %	7.0 %	57.9 %	58.1 %	4.4 %
Gross profit	40.6 %	40.1 %	9.2 %	42.1 %	41.9 %	5.4 %
Selling expenses	19.3 %	19.2 %	8.3 %	18.4 %	18.3 %	5.1 %
General and administrative expenses	4.4 %	4.0 %	17.6 %	4.1 %	3.9 %	11.2 %
Income from operations	16.9 %	16.9 %	8.3 %	19.6 %	19.7 %	4.5 %
Other income, net	0.2 %	0.2 %	40.3 %	0.2 %	0.4 %	(60.6)%
Income before income taxes	17.1 %	17.1 %	8.6 %	19.8 %	20.1 %	3.0 %
Provision for income taxes	6.3 %	6.3 %	9.2 %	7.3 %	7.4 %	3.6 %
Net income	10.8 %	10.8 %	8.3 %	12.5 %	12.7 %	2.7 %

Net sales increased from $215.5 million in the second quarter of fiscal 2012 to $232.5 million in the second quarter of fiscal 2013, a 7.9% increase. Comparable store sales for the thirteen week quarter ended August 3, 2013 increased by $6.6 million, or 3.2%, compared to the prior year thirteen week period ended August 4, 2012. The comparable store sales increase for the quarter was primarily due to a 3.5% increase in the average number of units sold per transaction and a 1.2% increase in the average retail price per piece of merchandise sold, partially offset by a 1.6% decline in the number of transactions at comparable stores during the period. Sales growth for the thirteen week period was also attributable to the inclusion of a full quarter of operating results for the 10 new stores opened after the first quarter of fiscal 2012, to the opening of 12 new stores during the first two quarters of fiscal 2013, to a shift in the fiscal periods due to the 53rd week in fiscal 2012, and to growth in online sales. Online sales for the quarter (which are not included in comparable store sales) increased 5.3% to $16.8 million for the thirteen week period ended August 3, 2013 compared to $16.0 million for the thirteen week period ended July 28, 2012.

Net sales increased from $479.2 million for the first two quarters of fiscal 2012 to $502.2 million for the first two quarters of fiscal 2013, a 4.8% increase. Comparable store sales increased by $9.7 million, or 2.2%, for the twenty-six week period ended August 3, 2013 compared to the prior year twenty-six week period ended August 4, 2012. The comparable store sales increase for the twenty-six week period was primarily due to a 3.6% increase in the average number of units sold per transaction and a 0.8% increase in the average retail price per piece of merchandise sold, partially offset by a 2.2% decline in the number of transactions at comparable stores during the period. Sales growth for the twenty-six week period was also attributable to the inclusion of a full two quarters of operating results for the 10 new stores opened during fiscal 2012, to the opening of 12 new stores during the first two quarters of fiscal 2013, to a shift in the fiscal periods due to the 53rd week in fiscal 2012, and to growth in online sales. Online sales for the year-to-date period increased 5.7% to $37.7 million for the twenty-six week period ended August 3, 2013 compared to $35.7 million for the twenty-six week period ended July 28, 2012. Average sales per square foot increased 1.7% from $203.48 for the twenty-six week period ended July 28, 2012 to $206.91 for the twenty-six week period ended August 3, 2013. Total square footage as of August 3, 2013 was 2.267 million compared to 2.196 million as of July 28, 2012.

Due to the 53rd week in fiscal 2012, total net sales for the second quarter and for the year-to-date periods are compared to the prior year thirteen and twenty-six week fiscal periods ended July 28, 2012, while comparable store sales are compared to the corresponding thirteen and twenty-six week periods ended August 4, 2012.

For the second quarter, the Company's average retail price per piece of merchandise sold increased $0.53, or 1.2%, compared to the second quarter of fiscal 2012. This $0.53 increase was primarily attributable to the following changes (with their corresponding effect on the overall average price per piece): a 2.6% increase in average denim price points ($0.42), a 15.9% increase in average footwear price points ($0.37), a shift in the merchandise mix ($0.37), and increased average price points in certain other merchandise categories ($0.07); which were partially offset by an 11.9% reduction in average woven shirt price points (-$0.44) and a 5.8% reduction in average accessory price points (-$0.26). These changes are primarily a reflection of merchandise shifts in terms of brands and product styles, fabrics, details, and finishes.

For the year-to-date period, the Company's average retail price per piece of merchandise sold increased $0.37, or 0.8%, compared to the same period in fiscal 2012. This $0.37 increase was primarily attributable to the following changes (with their corresponding effect on the overall average price per piece): a 14.8% increase in average footwear price points ($0.37), a 1.7% increase in average denim price points ($0.32), and a shift in the merchandise mix ($0.23); which were partially offset by a 10.4% reduction in average woven shirt price points (-$0.38) and reduced average price points in certain other merchandise categories (-$0.17). These changes are primarily a reflection of merchandise shifts in terms of brands and product styles, fabrics, details, and finishes.

Gross profit after buying, distribution, and occupancy expenses increased from $86.5 million in the second quarter of fiscal 2012 to $94.5 million in the second quarter of fiscal 2013, a 9.2% increase. As a percentage of net sales, gross profit increased from 40.1% in the second quarter of fiscal 2012 to 40.6% in the second quarter of fiscal 2013. The increase was attributable to the leveraging of certain occupancy, buying, and distribution costs given the comparable store sales increase and a shift in the weeks of the fiscal period.

Year-to-date, gross profit increased from $200.7 million for the twenty-six week period ended July 28, 2012 to $211.5 million for the twenty-six week period ended August 3, 2013, a 5.4% increase. As a percentage of net sales, gross profit increased from 41.9% for the first half of fiscal 2012 to 42.1% for the first half of fiscal 2013. The increase was attributable to an improvement in merchandise margins.

Selling expenses increased from $41.5 million for the second quarter of fiscal 2012 to $44.9 million for the second quarter of fiscal 2013, an 8.3% increase. As a percentage of net sales, selling expenses increased from 19.2% for the second quarter of fiscal 2012 to 19.3% for the second quarter of fiscal 2013. The increase was primarily attributable to increases in expense related to the incentive bonus accrual (0.20%, as a percentage of net sales) and health insurance claims expense (0.15%, as a percentage of net sales), which were partially offset by reductions in internet order fulfillment expenses (0.15%, as a percentage of net sales) and certain other selling expenses (0.10%, as a percentage of net sales).

Year-to-date, selling expenses increased from $87.8 million in the first half of fiscal 2012 to $92.2 million in the first half of fiscal 2013, a 5.1% increase. As a percentage of net sales, selling expenses increased from 18.3% in fiscal 2012 to 18.4% in fiscal 2013. The increase was primarily attributable to increases in store payroll expense (0.20%, as a percentage of net sales) and health insurance claims expense (0.15%, as a percentage of net sales), which were partially offset by reductions in internet order fulfillment expenses (0.10%, as a percentage or net sales) and certain other selling expenses (0.15%, as a percentage of net sales).

General and administrative expenses increased from $8.6 million in the second quarter of fiscal 2012 to $10.1 million in the second quarter of fiscal 2013, a 17.6% increase. As a percentage of net sales, general and administrative expenses increased from 4.0% in the second quarter of fiscal 2012 to 4.4% in the second quarter of fiscal 2013. The increase was the result of increases in legal expenses (0.20%, as a percentage of net sales), equity compensation expense (0.10%, as a percentage of net sales), and certain other general and administrative expenses (0.10%, as a percentage of net sales).

Year-to-date, general and administrative expenses increased from $18.5 million for the first half of fiscal 2012 to $20.6 million for the first half of fiscal 2013, an 11.2% increase. As a percentage of net sales, general and administrative expenses increased from 3.9% in fiscal 2012 to 4.1% in fiscal 2013. The increase was the result of increases in equity compensation expense (0.15%, as a percentage of net sales) and certain other general and administrative expenses (0.05%, as a percentage of net sales).

As a result of the above changes, the Company's income from operations increased 8.3% to $39.4 million for the second quarter of fiscal 2013 compared to $36.4 million for the second quarter of fiscal 2012. Income from operations was 16.9% of net sales for the second quarter of fiscal 2013 compared to 16.9% of net sales for the second quarter of fiscal 2012.

Income from operations, for the twenty-six week period ended August 3, 2013, increased 4.5% to $98.7 million compared to $94.4 million for the twenty-six week period ended July 28, 2012. Income from operations was 19.6% of net sales for the first half of fiscal 2013 compared to 19.7% of net sales for the first half of fiscal 2012.

Other income increased from $0.4 million for the second quarter of fiscal 2012 to $0.5 million for the second quarter of fiscal 2013. Other income for the year-to-date period decreased from $2.2 million for the twenty-six week period ended July 28, 2012 to $0.9 million for the twenty-six week period ended August 3, 2013, with the reduction related primarily to certain state economic development incentives received during the first quarter of fiscal 2012.

Income tax expense as a percentage of pre-tax income was 37.0% in the second quarter of fiscal 2013 compared to 36.8% in the second quarter of fiscal 2012, bringing net income to $25.1 million in the second quarter of fiscal 2013 compared to $23.2 million in the second quarter of fiscal 2012, an increase of 8.3%.

Income tax expense was also 37.0% of pre-tax income in the first half of fiscal 2013 compared to 36.8% of pre-tax income in the first half of fiscal 2012, bringing year-to-date net income to $62.7 million for fiscal 2013 compared to $61.0 million for fiscal 2012, an increase of 2.7%.

LIQUIDITY AND CAPITAL RESOURCES

As of August 3, 2013, the Company had working capital of $191.2 million, including $103.1 million of cash and cash equivalents and short-term investments of $25.7 million. The Company's cash receipts are generated from retail sales and from investment income, and the Company's primary ongoing cash requirements are for inventory, payroll, occupancy costs, dividend payments, new store expansion, remodeling, and other capital expenditures. Historically, the Company's primary source of working capital has been cash flow from operations. During the first half of fiscal 2013 and fiscal 2012, the Company's cash flow from operations was $26.2 million and $31.6 million, respectively.

The uses of cash for both twenty-six week periods primarily include payment of annual bonuses accrued at fiscal year end, changes in inventory and accounts payable for build-up of inventory levels, dividend payments, construction costs for new and remodeled stores, other capital expenditures, and purchases of investment securities.

During the first half of fiscal 2013 and 2012, the Company invested $11.7 million and $18.1 million, respectively, in new store construction, store renovation, and store technology upgrades. The Company also spent $7.2 million and $1.5 million in the first half of fiscal 2013 and 2012, respectively, in capital expenditures for the corporate headquarters and distribution facility. Capital spending for the corporate headquarters and distribution center during the first half of fiscal 2013 includes $5.4 million for the purchase of a new corporate airplane as a replacement for a plane that was sold by the Company in the fourth quarter of fiscal 2012.

During the remainder of fiscal 2013, the Company anticipates completing approximately 7 additional store construction projects, including approximately 1 new store and approximately 6 stores to be substantially remodeled and/or relocated. Management estimates that total capital expenditures during fiscal 2013 will be approximately $30.0 to $34.0 million, which includes primarily planned new store and store remodeling projects. The Company believes that existing cash and cash equivalents, investments, and cash flow from operations will be sufficient to fund current and long-term anticipated capital expenditures and working capital requirements for the next several years. The Company has a consistent record of generating positive cash flow each year and, as of August 3, 2013, had total cash and investments of $168.3 million. The Company does not currently have plans for a merger or acquisition and has fairly consistent plans for new store expansion and remodels. Based upon past results and current plans, management does not anticipate any large swings in the Company's need for cash in the upcoming years.

Future conditions, however, may reduce the availability of funds based upon factors such as a decrease in demand for the Company's product, change in product mix, competitive factors, and general economic conditions as well as other risks and uncertainties which would reduce the Company's sales, net profitability, and cash flows. Also, the Company's acceleration in store openings and/or remodels or the Company entering into a merger, acquisition, or other financial related transaction could reduce the amount of cash available for further capital expenditures and working capital requirements.

The Company has available an unsecured line of credit of $25.0 million with Wells Fargo Bank, N.A. for operating needs and letters of credit. The line of credit provides that outstanding letters of credit cannot exceed $20.0 million. Borrowings under the line of credit provide for interest to be paid at a rate based on LIBOR. The Company has, from time to time, borrowed against these lines of credit. There were no bank borrowings during the first half of fiscal 2013 or 2012. The Company had no bank borrowings as of August 3, 2013 and was in compliance with the terms and conditions of the line of credit agreement.

Auction-Rate Securities - As of August 3, 2013, investments included $11.1 million of auction-rate securities ("ARS") and preferred securities, which compares to $10.9 million of ARS and preferred securities as of February 2, 2013. ARS have a long-term stated maturity, but are reset through a "dutch auction" process that occurs every 7 to 49 days, depending on the terms of the individual security. During February 2008, a significant number of auctions related to these securities failed, meaning that there was not enough demand to sell the entire issue at auction. The failed auctions have limited the current liquidity of the Company's investments in ARS and the Company has reason to believe that certain of the underlying issuers of its ARS are currently at risk. The Company does not anticipate, however, that further auction failures will have a material impact on the Company's ability to fund its business.

ARS and preferred securities are reported at fair market value, and as of August 3, 2013, the reported investment amount is net of a $1.2 million temporary impairment and a $1.7 million other-than-temporary impairment ("OTTI") to account for the impairment of certain securities from their stated par value. The Company reported the $1.2 million temporary impairment, net of tax, as an "accumulated other comprehensive loss" of $0.8 million in stockholders' equity as of August 3, 2013. The Company has accounted for the impairment as temporary, as it currently believes that these ARS can be successfully redeemed or liquidated in the future at par value plus accrued interest.

The Company reviews all investments for OTTI at least quarterly or as indicators of impairment exist. The value and liquidity of ARS held by the Company may be affected by continued auction-rate failures, the credit quality of each security, the amount and timing of interest payments, the amount and timing of future principal payments, and the probability of full repayment of the principal. Additional indicators of impairment include the duration and severity of the decline in market value. The interest rates on these investments will be determined by the terms of each individual ARS. The material risks associated with the ARS held by the Company include those stated above as well as the current economic environment, downgrading of credit ratings on investments held, and the volatility of the entities backing each of the issues. In addition, the Company considers qualitative factors including, but not limited to, the financial condition of the investee, the credit rating of the investee, and the current and expected market and industry conditions in which the investee operates. The Company believes it has the ability and intent to hold these investments until recovery of market value occurs or until the ultimate maturity of the investments.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations are based upon The Buckle, Inc.'s consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires that management make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the financial statement date, and the reported amounts of sales and expenses during the reporting period. The Company regularly evaluates its estimates, including those related to inventory, investments, incentive bonuses, and income taxes. Management bases its estimates on past experience and on various other factors that are thought to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Management believes that the estimates and judgments used in preparing these consolidated financial statements were the most appropriate at that time. Presented below are those critical accounting policies that management believes require subjective and/or complex judgments that could potentially affect reported results of operations. The critical accounting policies and estimates utilized by the Company in the preparation of its condensed consolidated financial statements for the period ending August 3, 2013 have not changed materially from those utilized for the fiscal year ended February 2, 2013, included in The Buckle Inc.'s 2012 Annual Report on Form 10-K .

1. Revenue Recognition. Retail store sales are recorded upon the purchase of merchandise by customers. Online sales are recorded when merchandise is delivered to the customer, with the time of delivery being based on estimated

shipping time from the Company’s distribution center to the customer. Shipping fees charged to customers are included in revenue and shipping costs are included in selling expenses. The Company recognizes revenue from sales made under its layaway program upon delivery of the merchandise to the customer. Revenue is not recorded when gift cards and gift certificates are sold, but rather when a card or certificate is redeemed for merchandise. A current liability for unredeemed gift cards and certificates is recorded at the time the card or certificate is purchased. The liability recorded for unredeemed gift certificates and gift cards was $16.0 million and $22.2 million as of August 3, 2013 and February 2, 2013, respectively. The amounts of the gift certificate and gift card liabilities are determined using the outstanding balances from the prior three and four years of issuance, respectively. The Company records breakage as other income when the probability of redemption, which is based on historical redemption patterns, is remote.

The Company establishes a liability for estimated merchandise returns based upon the historical average sales return percentage. Customer returns could potentially exceed the historical average, thus reducing future net sales results and potentially reducing future net earnings. The accrued liability for reserve for sales returns was $1.1 million as of August 3, 2013 and $0.9 million as of February 2, 2013. Sales tax collected from customers is excluded from revenue and is included as part of “accrued store operating expenses” on the Company's Consolidated Balance Sheets.

2. Inventory. Inventory is valued at the lower of cost or market. Cost is determined using an average cost method that approximates the first-in, first-out (FIFO) method. Management makes adjustments to inventory and cost of goods sold, based upon estimates, to reserve for merchandise obsolescence and markdowns that could affect market value, based on assumptions using calculations applied to current inventory levels within each different markdown level. Management also reviews the levels of inventory in each markdown group and the overall aging of the inventory versus the estimated future demand for such product and the current market conditions. Such judgments could vary significantly from actual results, either favorably or unfavorably, due to fluctuations in future economic conditions, industry trends, consumer demand, and the competitive retail environment. Such changes in market conditions could negatively impact the sale of markdown inventory, causing further markdowns or inventory obsolescence, resulting in increased cost of goods sold from write-offs and reducing the Company’s net earnings. The liability recorded as a reserve for markdowns and/or obsolescence was $6.3 million as of both August 3, 2013 and February 2, 2013, respectively. The Company is not aware of any events, conditions, or changes in demand or price that would indicate that its inventory valuation may not be materially accurate at this time.

3. Income Taxes. The Company records a deferred tax asset and liability for expected future tax consequences resulting from temporary differences between financial reporting and tax bases of assets and liabilities. The Company considers future taxable income and ongoing tax planning in assessing the value of its deferred tax assets. If the Company determines that it is more than likely that these assets will not be realized, the Company would reduce the value of these assets to their expected realizable value, thereby decreasing net income. Estimating the value of these assets is based upon the Company’s judgment. If the Company subsequently determined that the deferred tax assets, which had been written down, would be realized in the future, such value would be increased. Adjustment would be made to increase net income in the period such determination was made. As of August 3, 2013 and February 2, 2013, the Company’s non-current deferred tax liability includes a $0.2 million valuation allowance recorded to reduce the value of the Company’s capital loss carryforward to its expected realizable amount prior to expiration.

4. Operating Leases. The Company leases retail stores under operating leases. Most lease agreements contain tenant improvement allowances, rent holidays, rent escalation clauses, and/or contingent rent provisions. For purposes of recognizing lease incentives and minimum rental expense on a straight-line basis over the terms of the leases, the Company uses the date of initial possession to begin amortization, which is generally when the Company enters the space and begins to make improvements in preparation of intended use. For tenant improvement allowances and rent holidays, the Company records a deferred rent liability on the consolidated balance sheets and amortizes the deferred rent over the terms of the leases as reductions to rent expense on the consolidated statements of income.

For scheduled rent escalation clauses during the lease terms or for rental payments commencing at a date other than the date of initial occupancy, the Company records minimum rental expense on a straight-line basis over the terms of the leases on the consolidated statements of income. Certain leases provide for contingent rents, which are determined as a percentage of gross sales in excess of specified levels. The Company records a contingent rent liability on the consolidated balance sheets and the corresponding rent expense when specified levels have been achieved or are reasonably probable to be achieved.

5. Investments. Investments classified as short-term investments include securities with a maturity of greater than three months and less than one year. Available-for-sale securities are reported at fair value, with unrealized gains and

losses excluded from earnings and reported as a separate component of stockholders' equity (net of the effect of income taxes), using the specific identification method, until they are sold.

The Company reviews impairment to determine the classification of potential impairments as either temporary or other-than-temporary. A temporary impairment results in an unrealized loss being recorded in other comprehensive income. An impairment that is considered other-than-temporary would be recognized in net income. The Company considers various factors in reviewing impairment, including the duration and severity of the decline in market value. In addition, the Company considers qualitative factors including, but not limited to, the financial condition of the investee, the credit rating of the investee, the current and expected market and industry conditions in which the investee operates, and the Company's intent and ability to hold the investments for a period of time sufficient to allow for any anticipated recovery in market value. The Company believes it has the ability and maintains its intent to hold these investments until recovery of market value occurs or until the ultimate maturity of the investments.

The Company determined the fair value of ARS using Level 1 inputs for known or anticipated subsequent redemptions at par value, Level 2 inputs using observable inputs, and Level 3 using unobservable inputs, where the following criteria were considered in estimating fair value:

- Pricing was provided by the custodian of ARS;
- Pricing was provided by a third-party broker for ARS;
- Sales of similar securities;
- Quoted prices for similar securities in active markets;
- Quoted prices for publicly traded preferred securities;
- Quoted prices for similar assets in markets that are not active - including markets where there are few transactions for the asset, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly;
- Pricing was provided by a third-party valuation consultant (using Level 3 inputs).

In addition, the Company considers other factors including, but not limited to, the financial condition of the investee, the credit rating, insurance, guarantees, collateral, cash flows, and the current and expected market and industry conditions in which the investee operates. Management believes it has used information that was reasonably obtainable in order to complete its valuation process and determine if the Company’s investments in ARS had incurred any temporary and/or other-than-temporary impairment as of August 3, 2013.

The Company has concluded that certain of its ARS represent Level 3 valuation and should be valued using a discounted cash flow analysis. The assumptions used in preparing the discounted cash flow model include estimates for interest rates, timing and amount of cash flows, and expected holding periods of the ARS. As of August 3, 2013, the unobservable inputs used by the Company and its independent third-party valuation consultant in valuing its Level 3 investments in ARS included:

- Durations until redemption ranging from 0.5 to 29.0 years, with a weighted average of 6.4 years.
- Discount rates ranging from 0.88% to 5.80%, with a weighted average of 2.28%.
- Loss severities ranging from 0% to 25% of par value, with a weighted average of 2.66%.

OFF-BALANCE SHEET ARRANGEMENTS, CONTRACTUAL OBLIGATIONS, AND COMMERCIAL COMMITMENTS

As referenced in the tables below, the Company has contractual obligations and commercial commitments that may affect the financial condition of the Company. Based on management’s review of the terms and conditions of its contractual obligations and commercial commitments, there is no known trend, demand, commitment, event, or uncertainty that is reasonably likely to occur which would have a material effect on the Company’s financial condition, results of operations, or cash flows.

In addition, the commercial obligations and commitments made by the Company are customary transactions which are similar to those of other comparable retail companies. The operating lease obligations shown in the table below represent future cash payments to landlords required to fulfill the Company’s minimum rent requirements. Such amounts are actual cash requirements by year and are not reported net of any tenant improvement allowances received from landlords.

The following tables identify the material obligations and commitments as of August 3, 2013:

Payments Due by Period

Contractual obligations (dollar amounts in thousands):	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Purchase obligations	$9,061	$6,176	$2,234	$651	$—
Deferred compensation	12,303	—	—	—	12,303
Operating leases	377,453	60,986	109,637	92,055	114,775
Total contractual obligations	$398,817	$67,162	$111,871	$92,706	$127,078

Other commercial commitments (dollar amounts in thousands):	Amount of Commitment Expiration Per Period Total Amounts Committed	Less than 1 year	1-3 years	4-5 years	After 5 years
Lines of credit	$—	$—	$—	$—	$—
Total commercial commitments	$—	$—	$—	$—	$—

The Company has available an unsecured line of credit of $25.0 million, of which $20.0 million is available for letters of credit, which is excluded from the preceding table. Certain merchandise purchase orders require that the Company open letters of credit. When the Company takes possession of the merchandise, it releases payment on the letters of credit. The amounts of outstanding letters of credit reported reflect the open letters of credit on merchandise ordered, but not yet received or funded. The Company believes it has sufficient credit available to open letters of credit for merchandise purchases. There were no bank borrowings during the first half of fiscal 2013 or the first half of fiscal 2012. The Company had outstanding letters of credit totaling $2.2 million and $3.2 million as of August 3, 2013 and February 2, 2013, respectively. The Company has no other off-balance sheet arrangements.

SEASONALITY AND INFLATION

The Company's business is seasonal, with the holiday season (from approximately November 15 to December 30) and the back-to-school season (from approximately July 15 to September 1) historically contributing the greatest volume of net sales. For fiscal years 2012, 2011, and 2010, the holiday and back-to-school seasons accounted for approximately 35% of the Company's fiscal year net sales. Although the operations of the Company are influenced by general economic conditions, the Company does not believe that inflation has had a material effect on the results of operations during the twenty-six week periods ended August 3, 2013 and July 28, 2012. Quarterly results may vary significantly depending on a variety of factors including the timing and amount of sales and costs associated with the opening of new stores, the timing and level of markdowns, the timing of store closings, the remodeling of existing stores, competitive factors, and general economic conditions.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2013, the FASB issued ASU No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which adds additional disclosure requirements for items reclassified out of accumulated other comprehensive income. The additional disclosure requirements are effective for interim and annual reporting periods beginning after December 15, 2012. The adoption of ASU 2013-02 did not have a material impact on the Company’s financial position or results of operations.

FORWARD LOOKING STATEMENTS

Information in this report, other than historical information, may be considered to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the “1995 Act”). Such statements are made in good faith by the Company pursuant to the safe-harbor provisions of the 1995 Act. In connection with these safe-harbor provisions, this management’s discussion and analysis contains certain forward-looking statements, which reflect management’s current views and estimates of future economic conditions, Company performance, and financial results. The statements are based on many assumptions and factors that could cause future results to differ materially. Such factors include, but are not limited to, changes in product mix, changes in fashion trends, competitive factors, and general economic conditions, economic conditions in the retail apparel industry, as well as other risks and uncertainties inherent in the Company’s business and the retail industry in general. Any changes in these factors could result in significantly different results for the Company. The Company further cautions that the forward-looking information contained herein is not exhaustive or exclusive. The Company does not undertake to update any forward-looking statements, which may be made from time to time by or on behalf of the Company.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has evaluated the disclosure requirements of Item 305 of S-K "Quantitative and Qualitative Disclosures about Market Risk," and has concluded that the Company has inherent risks in its operations as it is exposed to certain market risks, including interest rates.

Interest Rate Risk - To the extent that the Company borrows under its line of credit facility, the Company would be exposed to market risk related to changes in interest rates. As of August 3, 2013, no borrowings were outstanding under the line of credit facility. The Company is not a party to any derivative financial instruments. Additionally, the Company is exposed to market risk related to interest rate risk on the cash and investments in interest-bearing securities. These investments have carrying values that are subject to interest rate changes that could impact earnings to the extent that the Company did not hold the investments to maturity. If there are changes in interest rates, those changes would also affect the investment income the Company earns on its cash and investments. For each one-quarter percent decline in the interest/dividend rate earned on cash and investments (approximately a 50% change in the rate earned), the Company's net income would decrease approximately $0.3 million, or less than $0.01 per share. This amount could vary based upon the number of shares of the Company's stock outstanding and the level of cash and investments held by the Company.

Other Market Risk – At August 3, 2013, the Company held $14.0 million, at par value, of investments in auction-rate securities ("ARS") and preferred stock. The Company concluded that a $1.2 million temporary impairment and a $1.7 million other-than-temporary impairment existed related to these securities as of August 3, 2013. Given current market conditions in the ARS and equity markets, the Company may incur additional temporary or other-than-temporary impairment in the future if market conditions persist and the Company is unable to recover the cost of its investments in ARS.

ITEM 4 – CONTROLS AND PROCEDURES

The Company maintains a system of disclosure controls and procedures that are designed to provide reasonable assurance that material information, which is required to be timely disclosed, is accumulated and communicated to management in a timely manner. An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")) was performed as of the end of the period covered by this report. This evaluation was performed under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer.

Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report were effective to provide reasonable assurance that information required to be disclosed by the Company in the Company's reports that it files or submits under the Exchange Act is accumulated and communicated to management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized, and reported within the time periods specified by the SEC's rules and forms.

Change in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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THE BUCKLE, INC.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings: None

Item 1A. Risk Factors:

There have been no material changes from the risk factors disclosed under “Item 1A - Risk Factors” in the Company’s Annual Report on Form 10-K for the fiscal year ended February 2, 2013.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds:

The following table sets forth information concerning purchases made by the Company of its common stock for each of the months in the fiscal quarter ended August 3, 2013:

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under Publicly Announced Plans
May 5, 2013 to June 1, 2013	-	-	-	543,900
June 2, 2013 to July 6, 2013	-	-	-	543,900
July 7, 2013 to Aug. 3, 2013	-	-	-	543,900
	-	-	-	

The Board of Directors authorized a 1,000,000 share repurchase plan on November 20, 2008. The Company has 543,900 shares remaining to complete this authorization.

Item 3. Defaults Upon Senior Securities: None

Item 4. Mine Safety Disclosures: None

Item 5. Other Information: None

Item 6. Exhibits:

a. Exhibits 31.1 and 31.2 certifications, as well as Exhibits 32.1 and 32.2 Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

b. Exhibit 101 includes the following materials from The Buckle, Inc.’s Quarterly Report on Form 10-Q for the quarter ended August 3, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Income; (iii) Consolidated Statements of Comprehensive Income; (iv) Consolidated Statements of Stockholders’ Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text and in detail.

THE BUCKLE, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE BUCKLE, INC.

Dated: September 12, 2013

/s/ DENNIS H. NELSON
DENNIS H. NELSON, President and CEO
(principal executive officer)

Dated: September 12, 2013

/s/ KAREN B. RHOADS
KAREN B. RHOADS, Vice President
of Finance and CFO
(principal accounting officer)

y:Helvetica Condensed Black,sans-serif;font-size:8pt;font-weight:bold;">$
(15,287
)

$
299,870

Depreciation and amortization
$
102,444

$
7,296

$
(1
)

$
109,739

$
43,698

$
377

$
1

$
44,076

Merger transaction and commitment costs
$
151,501

$
23,195

$
—

$
174,696

$
—

$
34,928

$
(16
)

$
34,912

Interest charges
$
54,606

$
35,246

$
(86
)

$
89,766

$
21,840

$
295

$
(12
)

$
22,123

Interest income
$
652

$
275

$
(87
)

$
840

$
208

$
69

$

(12
)

$
265

Federal and state income tax expense (benefit)
$
5,376

$
(28,198
)

$
—

$
(22,822
)

$
12,993

$
(9,525
)

$
—

$
3,468

Net income (loss)
$
17,580

$
(41,692
)

$
(1
)

$
(24,113
)

$
21,548

$
(25,508
)

$
—

$
(3,960
)
Additions to property, plant, and equipment
$
143,790

$
654

$
—

$
144,444

$
42,353

$
39

$
—

$
42,392

Equity investment in investee
$
18,672

$
—

$
—

$
18,672

Goodwill
$
1,490,797

$
—

$
—

$
1,490,797

Total segment assets
$
5,758,245

$
614,959

$
(30,060
)

$
6,343,144

	PREDECESSOR			
	FOR THE YEAR ENDED DEC. 31, 2015			
(THOUSANDS)	CLECO POWER	OTHER	ELIMINATIONS	TOTAL
Revenue				
Electric operations	$1,142,389	$—	$ —	$1,142,389
Other operations	67,109	2,078	(1)	69,186
Electric customer credits	(2,173)	—	—	(2,173)
Affiliate revenue	1,142	57,323	(58,465)	—
Operating revenue, net	$1,208,467	$59,401	$ (58,466)	$1,209,402
Depreciation and amortization	$147,839	$1,739	$ 1	$149,579
Merger transaction costs	$—	$4,592	$ (1)	$4,591
Interest charges	$76,560	$1,149	$ 282	$77,991
Interest income	$725	$(111)	$ 281	$895
Federal and state income tax expense (benefit)	$79,294	$(1,590)	$ —	$77,704
Net income (loss)	$141,350	$(7,681)	$ —	$133,669
Additions to property, plant, and equipment	$156,357	$462	$ —	$156,819
Equity investment in investee	$16,822	$—	$ —	$16,822
Total segment assets	$4,233,337	$21,471	$ 68,546	$4,323,354

	PREDECESSOR			
	FOR THE YEAR ENDED DEC. 31, 2014			
(THOUSANDS)	CLECO POWER	OTHER	ELIMINATIONS	TOTAL
Revenue				
Electric operations	$1,225,960	$—	$ —	$1,225,960
Tolling operations	—	5,467	(5,467)	—
Other operations	64,893	2,163	(1)	67,055
Electric customer credits	(23,530)	—	—	(23,530)
Affiliate revenue	1,326	56,031	(57,357)	—
Operating revenue, net	$1,268,649	$63,661	$ (62,825)	$1,269,485

Depreciation and amortization	$144,026	$2,479	$ —	$146,505
Merger transaction costs	$—	$17,848	$ —	$17,848
Interest charges	$74,673	$(1,538)	$ 471	$73,606
Interest income	$1,707	$(410)	$ 471	$1,768
Federal and state income tax expense (benefit)	$76,974	$(9,858)	$ —	$67,116
Net income (loss)	$154,316	$424	$ (1)	$154,739
Additions to property, plant, and equipment	$206,607	$1,029	$ —	$207,636
Equity investment in investees	$14,532	$8	$ —	$14,540
Total segment assets	$4,232,942	$248,043	$ (112,567)	$4,368,418

Cleco Power
Cleco Power is a vertically integrated, regulated electric utility operating within Louisiana and Mississippi and is viewed as one unit by management. Discrete financial reports are prepared only at the company level.

Note 12 —
Regulation
and Rates

Transmission ROE
Two complaints were filed with FERC seeking to reduce the ROE component of the transmission rates that MISO transmission owners, including Cleco, may collect under the MISO tariff. The first complaint, filed in November 2013, is for the period November 2013 through February 2015. On September 29, 2016, FERC issued a Final Order in response to the first complaint establishing a 10.32% ROE.
The second complaint, filed in February 2015, is for the period February 2015 through May 2016. In June 2016, an ALJ issued an initial decision in the second rate case docket recommending a 9.70% base ROE. A binding FERC order on the second ROE complaint is expected in the second quarter of 2017.
As of December 31, 2016, Cleco Power had $3.3 million accrued for ROE reductions, including accrued interest. On February 13, 2017, $1.2 million of refunds relating to the first complaint were submitted to MISO.
For more information on the ROE complaint, see Note 15 — “Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees — Litigation — Transmission ROE.”

FRP
Cleco Power’s annual retail earnings are subject to an FRP that was approved by the LPSC in June 2014. Under the terms of the FRP, Cleco Power is allowed to earn a target ROE of 10.0%, while providing the opportunity to earn up to 10.9%. Additionally, 60% of retail earnings between 10.9% and 11.75% and all retail earnings over 11.75%, are required to be refunded to customers. The amount of credits due to customers, if any, is determined by Cleco Power and the LPSC annually. Credits are typically included on customers’ bills the following summer, but the amount and timing of the refunds is ultimately subject to LPSC approval. Cleco Power must file annual monitoring reports no later than October 31 for the 12-month period ending June 30. Cleco Power was scheduled to file an application with the LPSC for a new FRP by June 30, 2017. However, as part of the merger approval process, Cleco Power agreed not to file an application for a new FRP or request an increase in base rates until June 30, 2019, with anticipated new rates being effective July 1, 2020.
In October 2015, Cleco Power filed its monitoring report for the 12-month period ended June 30, 2015, which indicated that $0.2 million was due to be returned to eligible customers. On July 27, 2016, the LPSC Staff issued their report indicating agreement with Cleco Power’s refund calculation for the 12-month period ended June 30, 2015. The $0.2 million was refunded to eligible customers in September 2016. On October 31, 2016, Cleco Power filed its monitoring report for the 12-month period ended June 30, 2016, which indicated that no refund was due as a result of the FRP, and $0.3 million was due as a result of the cost of service savings from the Merger Commitments. On December 28, 2016, Cleco Power received its first set of data requests pertaining to the monitoring report and has filed responses. On February 2,

2017, Cleco Power received a second set of data requests. Cleco Power is in the process of preparing responses to these requests. For more information on Merger Commitments, see "— Merger Commitments.”

Merger Commitments
On March 28, 2016, the LPSC approved the Merger. The LPSC’s written order approving the Merger was issued on April 7, 2016. Approval of the Merger was conditioned upon certain commitments, including $136.0 million of

customer rate credits. On April 28, 2016, the LPSC voted to issue credits equally to eligible customers with service as of June 30, 2016, beginning in July 2016. As of December 31, 2016, Cleco Power had issued $121.5 million of customer rate credits. Also included in the Merger Commitments were $2.5 million of contributions for economic development for Louisiana state and local organizations to be disbursed over five years, an additional $7.0 million one-time contribution for economic development in Cleco Power's service territory to be administered by the LED, and $6.0 million of charitable contributions to be disbursed over five years.
In addition, the Merger Commitments included $1.2 million of annual estimated cost of service savings expected as a result of the Merger. The cost savings is not subject to the target ROE or any sharing mechanism in the current FRP and will continue until Cleco Power files for a new FRP in 2019. The cost savings will be refunded to customers annually beginning in September 2017. As of December 31, 2016, Cleco Power had $0.9 million accrued for the cost savings refund. A report on the status of the Merger Commitments must be filed annually by October 31 for the 12-month period ended June 30. On October 31, 2016, Cleco Power filed the annual Merger Commitment status report for the period ended June 30, 2016.

Other
On April 8, 2016, the LPSC issued Docket No. R-34026 to investigate double leveraging issues for all LPSC-jurisdictional utilities whereby double leveraging is utilized to fund a utility's capital structure, and to consider whether any costs associated with such double leveraging should be included in the rates paid by the utility's retail customers. Cleco Power filed a motion to intervene in this proceeding along with other Louisiana utilities. On April 8, 2016, the LPSC also issued Docket No. R-34029 to investigate tax structure issues for all LPSC-jurisdictional utilities to consider whether only the state and federal taxes included in a utility's retail rate will be those that do not exceed the utility's share of the actual taxes paid to those federal and state taxing authorities. Cleco Power filed a motion to intervene in this proceeding along with other Louisiana utilities. On October 4, 2016, Cleco received the first set of data requests from the LPSC Staff for each of the above mentioned dockets. Cleco has filed responses to the non-confidential requests and is waiting on the completion of a confidentiality agreement to respond to the confidential requests. Cleco anticipates the completion of this agreement in the second quarter of 2017.
Note 13 —
Variable
Interest
Entities
Cleco and Cleco Power apply the equity method of accounting to report the investment in Oxbow in the consolidated financial statements. Under the equity method, the assets and liabilities of this entity are reported as Equity investment in investee on Cleco and Cleco Power's Consolidated Balance Sheets. The revenue and expenses (excluding income taxes) of this entity

are netted and reported as equity income or loss from investees on Cleco and Cleco Power's Consolidated Statements of Income.

Oxbow is owned 50% by Cleco Power and 50% by SWEPCO. Cleco Power is not the primary beneficiary because it shares the power to control Oxbow's significant activities with SWEPCO. Cleco Power's current assessment of its maximum exposure to loss related to Oxbow at December 31, 2016, consisted of its equity investment of $18.7 million. During 2016, Cleco Power made $2.5 million of cash contributions to its equity investment in Oxbow as a result of the expected transition from the Dolet Hills mine to the Oxbow mine in the second quarter of 2017. During 2016, Cleco Power received $0.6 million from Oxbow as a return of investment.

The following table presents the components of Cleco Power's equity investment in Oxbow:

INCEPTION TO DATE (THOUSANDS)	AT DEC. 31, 2016	AT DEC. 31, 2015
Purchase price	$12,873	$12,873
Cash contributions	6,399	3,949
Dividend received	(600)	—
Total equity investment in investee	$18,672	$16,822

The following table compares the carrying amount of Oxbow's assets and liabilities with Cleco Power's maximum exposure to loss related to its investment in Oxbow:

(THOUSANDS)	AT DEC. 31, 2016	AT DEC. 31, 2015
Oxbow's net assets/liabilities	$37,345	$33,645
Cleco Power's 50% equity	$18,672	$16,822
Cleco Power's maximum exposure to loss	$18,672	$16,822

The following tables contain summarized financial information for Oxbow:

(THOUSANDS)	AT DEC. 31, 2016	AT DEC. 31, 2015
Current assets	$886	$2,794
Property, plant, and equipment, net	25,864	23,749
Other assets	10,971	7,220
Total assets	$37,721	$33,763
Current liabilities	$376	$118
Partners' capital	37,345	33,645
Total liabilities and partners' capital	$37,721	$33,763

	FOR THE YEAR ENDED DEC. 31,		
(THOUSANDS)	2016	2015	2014
Operating revenue	$5,459	$3,991	$2,248
Operating expenses	5,459	3,991	2,248
Income before taxes	$—	$—	$—

Oxbow's property, plant, and equipment, net consists of land and lignite reserves. The lignite reserves are intended to be used to provide fuel to the Dolet Hills Power Station. DHLC mines the lignite reserves at Oxbow through the Amended Lignite Mining Agreement.

Oxbow has no third-party agreements, guarantees, or other third-party commitments that contain obligations affecting Cleco Power's investment in Oxbow.

Note 14 —
Operating
Leases

Cleco maintains operating leases in its ordinary course of business activities. For the years ended December 31, 2016, 2015, and 2014, operating lease expense of $9.0 million, $9.4

million, and $9.4 million was recognized, respectively. The following table is a summary of expected operating lease payments for Cleco and Cleco Power:

(THOUSANDS)	CLECO HOLDINGS	CLECO POWER	TOTAL
Year ending Dec. 31,			
2017	$ 315	$ 6,505	$ 6,820
2018	313	2,939	3,252
2019	—	2,823	2,823
2020	—	2,801	2,801
2021	—	2,396	2,396
Thereafter	—	3,301	3,301
Total operating lease payments	$ 628	$ 20,765	$ 21,393

Cleco Power leases utility systems from two municipalities and one non-municipal public body. The first municipal lease has a term of 10 years and expires on August 11, 2021. The second municipal lease has a term of 10 years and expires on May 13, 2018. The non-municipal lease has a term of 27 years and expires on July 31, 2039. Each utility system lease contains provisions for extensions.

Cleco Power has leases for 231 railcars for coal transportation. One lease for 115 railcars expires on March 31, 2021. The other lease for 116 railcars expires on March 31, 2017 and management is evaluating future options. Cleco Power pays a monthly rental fee per car. The railcar leases do not contain contingent rent payments.

Cleco Power leases three towboats to push the barges that deliver solid fuels to the plant site. The lease agreement for these towboats expires on August 31, 2017. Cleco Power pays a fixed amount for the towboats that is adjusted annually.

Cleco and Cleco Power's remaining leases provide for office and operating facilities, office equipment, tower rentals, and vehicles.

Note 15 —
Litigation,
Other
Commitments
and
Contingencies,
and
Disclosures
about
Guarantees

Litigation

Devil's Swamp

In October 2007, Cleco received a Special Notice for Remedial Investigation and Feasibility Study (RI/FS) from the EPA pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (also known as the Superfund statute) for a facility known as the Devil's Swamp Lake site located just northwest of Baton Rouge, Louisiana. The special notice requested that Cleco and Cleco Power, along with many other listed potentially responsible parties (PRP), enter into negotiations with the EPA for the performance of an RI/FS at the Devil's Swamp Lake site. The EPA identified Cleco as one of many companies that sent PCB wastes for disposal to the site. The EPA proposed to add the Devil's Swamp Lake site to the National Priorities List on March 8, 2004, based on the release of PCBs to fisheries and wetlands located on the site, but no final listing decision has yet been made. The PRPs began discussing a potential proposal to the EPA in February 2008. The EPA issued a Unilateral Administrative Order to two PRP's, Clean Harbors, Inc. and Baton Rouge Disposal, to conduct an RI/FS in December 2009. The Tier 1 part of the study was completed in June 2012. Field activities for the Tier 2 investigation were completed in July 2012. The draft Tier 2 remedial investigation report was submitted in December 2014. In 2015, remedial investigation activities included the collection and analysis of sediment, crawfish, and fish tissue samples. After reviewing the sample analysis, in August 2015, the Louisiana Department of Health and Hospitals updated the advisory for the area to advise that fish and crawfish from the area should not be eaten. The final Tier 2 remedial investigation report was made public in December 2015. Currently, the study/remedy selection task continues, and there is no record of a decision. Therefore, management is unable to determine how significant Cleco's share of the costs associated with the RI/FS and possible response action at the site, if any, may be and whether this will have a material impact on the results of operations, financial condition, or cash flows of the Registrants.

Merger

In connection with the Merger, four actions were filed in the Ninth Judicial District Court for Rapides Parish, Louisiana and three actions were filed in the Civil District Court for Orleans Parish, Louisiana. The petitions in each action generally alleged, among other things, that the members of the Cleco Corporation's Board of Directors breached their fiduciary duties by, among other things, conducting an allegedly inadequate sale process, agreeing to the Merger at a price that allegedly undervalued Cleco, and failing to disclose material information about the Merger. The petitions also alleged that Cleco Partners, Cleco Corporation, Merger Sub, and in some cases, certain of the investors in Cleco Partners, either aided and abetted or entered into a civil conspiracy to advance those supposed breaches of duty. The petitions seek various remedies, including monetary damages, which includes attorneys' fees and expenses. The four actions filed in the Ninth Judicial District Court for Rapides Parish are captioned as follows:

- Braunstein v. Cleco Corporation, No. 251,383B (filed October 27, 2014),
- Moore v. Macquarie Infrastructure and Real Assets, No. 251,417C (filed October 30, 2014),
- Trahan v. Williamson, No. 251,456C (filed November 5, 2014), and
- L'Herisson v. Macquarie Infrastructure and Real Assets, No. 251,515F (filed November 14, 2014).

On November 14, 2014, the plaintiff in the Braunstein action moved for a dismissal of the action without prejudice, and that motion was granted on November 19, 2014. On December 3, 2014, the Court consolidated the remaining three actions and appointed interim co-lead counsel. On December 18, 2014, the plaintiffs in the consolidated action filed a Consolidated Amended Verified Derivative and Class Action Petition for Damages and Preliminary and Permanent Injunction (the Consolidated Amended Petition). The consolidated action names Cleco Corporation, its directors, Cleco Partners, and Merger Sub as defendants. The Consolidated Amended Petition alleges, among other things, that Cleco Corporation's directors breached their fiduciary duties to Cleco's shareholders and grossly mismanaged Cleco by approving the Merger Agreement because it allegedly did not value Cleco adequately, failing to structure a process through which shareholder value would be maximized, engaging in self-dealing by ignoring conflicts of interest, and failing to disclose material information about the Merger. The Consolidated Amended Petition further alleges that all defendants conspired to commit the breaches of fiduciary

duty. Cleco believes that the allegations of the Consolidated Amended Petition are without merit and that it has substantial meritorious defenses to the claims set forth in the Consolidated Amended Petition.
The three actions filed in the Civil District Court for Orleans Parish are captioned as follows:

- Butler v. Cleco Corporation, No. 2014-10776 (filed November 7, 2014),
- Creative Life Services, Inc. v. Cleco Corporation, No. 2014-11098 (filed November 19, 2014), and
- Cashen v. Cleco Corporation, No. 2014-11236 (filed November 21, 2014).

Both the Butler and Cashen actions name Cleco Corporation, its directors, Cleco Partners, Merger Sub, MIRA, bcIMC, and John Hancock Financial as defendants. The Creative Life Services action names Cleco Corporation, its directors, Cleco Partners, Merger Sub, MIRA, and Macquarie Infrastructure Partners III, L.P., as defendants. On December 11, 2014, the plaintiff in the Butler action filed an Amended Class Action Petition for Damages. Each petition alleges, among other things, that members of Cleco Corporation's Board of Directors breached their fiduciary duties to Cleco's shareholders by approving the Merger Agreement because it allegedly does not value Cleco adequately, failing to structure a process through which shareholder value would be maximized and engaging in self-dealing by ignoring conflicts of interest. The Butler and Creative Life Services petitions also allege that the directors breached their fiduciary duties by failing to disclose material information about the Merger. Each petition further alleged that Cleco, Cleco Partners, Merger Sub, and certain of the investors in Cleco Partners aided and abetted the directors' breaches of fiduciary duty. On December 23, 2014, the directors and Cleco filed declinatory exceptions in each action on the basis that each action was improperly brought in Orleans Parish and should either be transferred to the Ninth Judicial District Court for Rapides Parish or dismissed. On December 30, 2014, the plaintiffs in each action jointly filed a motion to consolidate the three actions pending in Orleans Parish and to appoint interim co-lead plaintiffs and co-lead counsel. On January 23, 2015, the Court in the Creative Life Services case sustained the defendants' declinatory exceptions and dismissed the case so that it could be transferred to the Ninth Judicial District Court for Rapides Parish. On February 5, 2015, the plaintiffs in Butler and Cashen also consented to the dismissal of their cases from Orleans Parish so they could be transferred to the Ninth Judicial District Court for Rapides Parish. On February 25, 2015, the Ninth Judicial District Court for Rapides Parish held a hearing on a motion for preliminary injunction filed by plaintiffs Moore, L'Herisson, and Trahan seeking to enjoin the shareholder vote at the Special Meeting of Shareholders held on February 26, 2015, for approval of the Merger Agreement. Following the hearing, the Court denied the plaintiffs' motion. On June 19, 2015, three of the plaintiffs filed their Second Consolidated Amended Verified Derivative and Class Action Petition. This will be considered according to a schedule established by the Ninth Judicial District Court for Rapides Parish. Cleco filed exceptions seeking dismissal of the amended petition on July 24, 2015. Cleco believes that the allegations of the petitions in each action are without merit and that it has substantial meritorious defenses to the claims set forth in each of the petitions.

On March 21, 2016, the plaintiffs filed their Third Consolidated Amended Verified Derivative Petition for Damages and Preliminary and Permanent Injunction. On May 13, 2016, the plaintiffs filed their Fourth Verified Consolidated Amended Class Action Petition. This petition eliminated the request for preliminary and permanent injunction and also named an additional executive officer as a defendant. Cleco filed exceptions seeking dismissal of the amended Petition. A hearing was held on September 15, 2016. On September 26, 2016, the District Court granted the exceptions filed by Cleco and dismissed all claims asserted by the former shareholders. The plaintiffs appealed the District Court's ruling to the Louisiana Third Circuit Court of Appeal on November 9, 2016. A briefing schedule has not yet been set.

Gulf Coast Spinning

In September 2015, a potential customer sued Cleco for failure to fully perform an alleged verbal agreement to lend or otherwise fund its startup costs to the extent of $6.5 million. Gulf Coast Spinning Company, LLC (Gulf Coast), the primary plaintiff, alleges that Cleco promised to assist it in raising approximately $60.0 million, which Gulf Coast needed to construct a cotton spinning facility near Bunkie, Louisiana. According to the petition filed by Gulf Coast in the 12th Judicial District Court for Avoyelles Parish, Louisiana (the "District Court"), Cleco made such promises of funding assistance in order to cultivate a new industrial electric customer which would increase its revenues under a power supply agreement that it executed with Gulf Coast. Gulf Coast seeks unspecified damages arising from its inability to raise sufficient funds to complete the project, including lost profits.

Cleco filed an Exception of No Cause of Action arguing that the case should be dismissed. The District Court denied Cleco's exception in December 2015, after considering briefs and arguments. On January 21, 2016, Cleco appealed the District Court's denial of its exception by filing with the Third Circuit Court of Appeal for the State of Louisiana. On June 30, 2016, the Third Circuit Court of Appeal for the State of Louisiana denied the request to have the case dismissed. On July 29, 2016, Cleco filed a writ to the Louisiana Supreme Court seeking a review of the District Court's denial of Cleco's exception. On November 15, 2016, the Louisiana Supreme Court denied Cleco's writ application.

In February 2016, the parties agreed to a stay of all proceedings pending discussions concerning settlement. On May 16, 2016, the District Court lifted the stay at the request of Gulf Coast. Cleco believes the allegations of the petition are contradicted by the written documents executed by Gulf Coast and are otherwise without merit and that it has substantial meritorious defenses to the claims alleged by Gulf Coast.

LPSC Audits

Fuel Audit

Generally, the cost of fuel used for electric generation and the cost of power purchased for utility customers are recovered through the LPSC-established FAC that enables Cleco Power to pass on to its customers substantially all such charges. Recovery of FAC costs is subject to periodic fuel audits by the LPSC. The LPSC FAC General Order issued in November 1997, in Docket No. U-21497 provides that an audit of FAC filings will be performed at least every other year. On February 3, 2016, the LPSC initiated an audit of Cleco Power's fuel and purchased power expenses for the period January 2014

through December 2015. The total amount of fuel expense included in the audit was $582.6 million. On January 19, 2017, the LPSC Staff issued its audit report which recommended no disallowance of fuel costs. Management expects the report to be approved by the LPSC in the second quarter of 2017. Cleco Power currently has FAC filings for 2016 subject to audit. Management is unable to predict or give a reasonable estimate of the possible range of the disallowance, if any, related to these filings.

Environmental Audit

In July 2009, the LPSC issued Docket No. U-29380 Subdocket A, which provides for an EAC to recover from customers certain costs of environmental compliance. The costs eligible for recovery are prudently incurred air emissions credits associated with complying with federal, state, and local air emission regulations that apply to the generation of electricity reduced by the sale of such allowances. Also eligible for recovery are variable emission mitigation costs, which are the costs of reagents such as ammonia and limestone that are a part of the fuel mix used to reduce air emissions, among other things. On February 3, 2016, the LPSC initiated an audit of Cleco Power's environmental costs for the period November 2010 through December 2015. The total amount of environmental costs included in this audit was $81.2 million. On December 1, 2016, the LPSC Staff issued its audit report which recommended a disallowance of environmental costs of less than $0.1 million. The report was approved by the LPSC on February 17, 2017. Cleco Power currently has EAC filings for 2016 subject to audit. Management is unable to predict or give a reasonable estimate of the possible range of the disallowance, if any, related to these filings.
Cleco Power began incurring additional environmental compliance expenses in the second quarter of 2015 for reagents associated with compliance with MATS. In June 2015, the U.S. Supreme Court remanded the MATS rule to the D.C. Circuit Court of Appeals. In December 2015, the D.C. Circuit Court of Appeals remanded the rule to the EPA; however, the D.C. Circuit Court of Appeals did not vacate this rule. On April 15, 2016, the EPA released a final supplemental finding that, even considering costs, it is appropriate and necessary to regulate hazardous air pollutants. By the June 24, 2016, deadline, six petitions were filed with the U.S. Court of Appeals for the D.C. Circuit Court of Appeals for review of the EPA's findings. These expenses are also eligible for recovery through Cleco Power's EAC and are subject to periodic review by the LPSC.

Transmission ROE

Two complaints were filed with FERC seeking to reduce the ROE component of the transmission rates that MISO transmission owners, including Cleco, may collect under the MISO tariff. The complaints sought to reduce the current 12.38% ROE used in MISO's transmission rates to a proposed 6.68%. The first complaint, filed in November 2013, is for the period November 2013 through February 2015. In December 2015, an ALJ issued an initial decision recommending a 10.32% ROE. On September 29, 2016, FERC issued a Final Order confirming the ALJ's recommendation of a 10.32% ROE.
In February 2015, the second ROE complaint was filed for the period February 2015 through May 2016. In June 2016, an ALJ issued an initial decision in the second rate case docket recommending a 9.70% base ROE. A binding FERC order on

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the second ROE complaint is expected in the second quarter of 2017.
In November 2014, the MISO transmission owners committee, in which Cleco is a member, filed a request with FERC for an incentive to increase the new ROE by 50 basis points for RTO participation as allowed by the MISO tariff. In January 2015, FERC granted the request. The collection of the adder is delayed until the resolution of the ROE complaint proceeding.
As of December 31, 2016, Cleco Power had $3.3 million accrued for a reduction to the ROE, including accrued interest. On February 13, 2017, $1.2 million of refunds relating to the first complaint were submitted to MISO. Management believes a reduction in the ROE, as well as any additional refund, will not have a material adverse effect on the results of operations, financial condition, or cash flows of the Registrants.

Other
Cleco is involved in various litigation matters, including regulatory, environmental, and administrative proceedings before various courts, regulatory commissions, arbitrators, and governmental agencies regarding matters arising in the ordinary course of business. The liability Cleco may ultimately incur with respect to any one of these matters in the event of a negative outcome may be in excess of amounts currently accrued. Management regularly analyzes current information and, as of December 31, 2016, believes the probable and reasonably estimable liabilities based on the eventual disposition of these matters is $4.8 million and has accrued this amount.

Off-Balance Sheet Commitments and Guarantees
Cleco Holdings and Cleco Power have entered into various off-balance sheet commitments in the form of guarantees and standing letters of credit, in order to facilitate their activities and the activities of Cleco Holdings' subsidiaries and equity investees (affiliates). Cleco Holdings and Cleco Power have also agreed to contractual terms that require the Registrants to pay third parties if certain triggering events occur. These contractual terms generally are defined as guarantees.
Cleco Holdings entered into these off-balance sheet commitments in order to entice desired counterparties to contract with its affiliates by providing some measure of credit assurance to the counterparty in the event Cleco's affiliates do not fulfill certain contractual obligations. If Cleco Holdings had not provided the off-balance sheet commitments, the desired counterparties may not have contracted with Cleco's affiliates, or may have contracted with them at terms less favorable to its affiliates.
The off-balance sheet commitments are not recognized on Cleco and Cleco Power's Consolidated Balance Sheets because management has determined that Cleco and Cleco Power's affiliates are able to perform these obligations under their contracts and that it is not probable that payments by Cleco or Cleco Power will be required.
Cleco Holdings provided guarantees and indemnities to Entergy Louisiana and Entergy Gulf States as a result of the sale of the Perryville facility in 2005. At December 31, 2016, the remaining indemnifications relate to environmental matters that may have been present prior to closing. These remaining indemnifications have no limitations to time. The maximum amount of the potential payment to Entergy Louisiana and Entergy Gulf States is $42.4 million. Currently, management

does not expect to be required to pay Entergy Louisiana and Entergy Gulf States under these guarantees.
On behalf of Acadia, Cleco Holdings provided guarantees and indemnifications as a result of the sales of Acadia Unit 1 to Cleco Power and Acadia Unit 2 to Entergy Louisiana in 2010 and 2011, respectively. At December 31, 2016, the remaining indemnifications relate to the fundamental organizational structure of Acadia. These remaining indemnifications have no limitations as to time or maximum potential future payments. Currently, management does not expect to be required to pay Cleco Power or Entergy Louisiana under these guarantees.
Cleco Holdings provided indemnifications to Cleco Power as a result of the transfer of Coughlin to Cleco Power in March 2014. Cleco Power also provided indemnifications to Cleco Holdings and Evangeline as a result of the transfer

of Coughlin to Cleco Power. The maximum amount of the potential payment to Cleco Power, Cleco Holdings, and Evangeline for their respective indemnifications is $40.0 million, except for indemnifications relating to the fundamental organizational structure of each respective entity, of which the maximum amount is $400.0 million. Currently, management does not expect to be required to make any payments under these indemnifications.

As part of the Amended Lignite Mining Agreement, Cleco Power and SWEPCO, joint owners of Dolet Hills, have agreed to pay the loan and lease principal obligations of the lignite miner, DHLC, when due if DHLC does not have sufficient funds or credit to pay. Previously, Cleco Power recorded a liability of $3.8 million related to the amended agreement with an offsetting regulatory asset. Management determined that it does not expect to be required to pay DHLC under this guarantee. As a result of this determination, the liability and the offsetting regulatory asset were remeasured to zero during the second quarter of 2016. Any amounts paid on behalf of the miner would be credited by the lignite miner against future invoices for lignite delivered. The maximum projected payment by Cleco Power under this guarantee is estimated to be $106.5 million; however, the Amended Lignite Mining Agreement does not contain a cap. The projection is based on the forecasted loan and lease obligations to be incurred by DHLC, primarily for purchases of equipment. Cleco Power has the right to dispute the incurrence of loan and lease obligations through the review of the mining plan before the incurrence of such loan and lease obligations. The Amended Lignite Mining Agreement is not expected to terminate pursuant to its terms until 2036 and does not affect the amount the Registrants can borrow under their credit facilities. Currently, management does not expect to be required to pay DHLC under this guarantee.

Generally, neither Cleco Holdings nor Cleco Power has recourse that would enable them to recover amounts paid under their guarantee or indemnification obligations. There are no assets held as collateral for third parties that either Cleco Holdings or Cleco Power could obtain and liquidate to recover amounts paid pursuant to the guarantees or indemnification obligations.

Long-Term Purchase Obligations

Cleco Holdings had no unconditional long-term purchase obligations at December 31, 2016. Cleco Power has several unconditional long-term purchase obligations related to the purchase of petroleum coke, limestone, and energy delivery facilities. The aggregate amount of payments required under such obligations at December 31, 2016, is as follows:

YEAR ENDING DEC. 31,	(THOUSANDS)
2017	$ 56,482
2018	14,905
2019	3,688
Total long-term purchase obligations	$ 75,075

Payments under these agreements for the years ended December 31, 2016, 2015, and 2014 were $72.9 million, $89.7 million, and $90.4 million, respectively.

Other Commitments

NMTC Fund
In 2008, Cleco Holdings and US Bancorp Community Development (USBCDC) formed the NMTC Fund. Cleco Holdings has a 99.9% membership interest in the NMTC Fund and USBCDC has a 0.1% interest. The purpose of the NMTC Fund is to invest in projects located in qualified active low-income communities that are underserved by typical debt capital markets. These investments are designed to generate NMTCs and Historical Rehabilitation tax credits. The NMTC Fund was later amended to include renewable energy investments. The majority of the energy investments qualify for grants under Section 1603 of the ARRA. The tax benefits received from the NMTC Fund reduce the federal income tax obligations of Cleco Holdings. In total, Cleco Holdings contributed $285.5 million of equity contributions to the NMTC Fund and will receive at least $303.8 million in the form of tax credits, tax losses, capital gains/losses, earnings, and cash over the life of the investment, which ends in 2018. The $18.3 million difference between equity contributions and total benefits received will be recognized over the life of the NMTC Fund as net tax benefits are delivered.
Due to the right of offset, the investment and associated debt are presented on Cleco's Consolidated Balance Sheets in the line item titled Tax credit fund investment, net. At December 31, 2016, and 2015 the amount of the liability component contained in the net asset was $0.6 million and zero, respectively. The liability at December 31, 2016, is expected to be paid in the first quarter of 2017. The amount of tax benefits delivered in excess of capital contributions as of December 31, 2016, was $17.3 million. The amount of tax benefits delivered but not utilized as of December 31, 2016, was $116.2 million and is reflected as a deferred tax asset.
By using the cost method for investments, the gross investment amortization expense will be recognized over a ten-year period, with two years remaining under the new amendment. The basis of the investment is reduced by the grants received under Section 1603 of the ARRA, which allow certain projects to receive a federal grant in lieu of tax credits, and other cash. Periodic amortization of the investment and the deferred taxes generated by the basis reduction temporary difference are included as components of income tax expense.

Fuel Transportation Agreement
In October 2007, Cleco Power entered into an agreement with Savage Services that met the accounting definition of a capital lease for barges in order to transport petroleum coke and limestone to Madison Unit 3. On December 28, 2012, Cleco Power entered into an amended agreement for 42 dedicated

barges. The amended agreement continues to meet the accounting definition of a capital lease.
Under the amended agreement, the barge lease rate contains both fixed and variable components, of which the latter is adjusted annually per the Producer Price Index (PPI) for executory costs. The initial term of this agreement is from the date of the amendment until August 31, 2017. The term of this agreement will automatically renew for successive periods of two years each unless written notice is provided by either party. The amended agreement contains a

provision for early termination upon the occurrence of any one of four specified cancellation events. Cleco is evaluating future options related to its fuel transportation agreement with Savage Services.
Under both the original agreement and the amended agreement, if the barges are idle, the lessor is required to attempt to sublease the barges to third parties, with the revenue reducing Cleco Power's lease payment. During the year ended December 31, 2016, Cleco Power paid approximately $3.7 million in lease payments and received less than $0.1 million revenue from subleases. During the year ended December 31, 2015, Cleco Power paid approximately $3.7 million in lease payments and received $0.5 million in revenue from subleases.
The following is an analysis of leased property under capital leases by major classes:

	AT DEC. 31,	
CLASSES OF PROPERTY (THOUSANDS)	2016	2015
Barges	$11,350	$11,350
Less: accumulated amortization	9,729	7,296
Net capital leases	$1,621	$4,054

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2016:

(THOUSANDS)	
Year ending December 31, 2017	$2,480
Less: executory costs	620
Net minimum lease payments	1,860
Less: amount representing interest	41
Present value of net minimum lease payments	$1,819
Current liabilities	$1,819

During the years ended December 31, 2016, and 2015, Cleco Power incurred immaterial amounts of contingent rent under the barge agreement related to the increase in the PPI.

Other
Cleco has accrued for liabilities related to third parties, employee medical benefits, and AROs. For more information on AROs, see Note 2 — "Summary of Significant Accounting Policies — AROs" and Note 4 — "Regulatory Assets and Liabilities — AROs."

Risks and Uncertainties
Cleco could be subject to possible adverse consequences if Cleco's counterparties fail to perform their obligations or if Cleco or its affiliates are not in compliance with loan agreements or bond indentures.
Access to capital markets is a significant source of funding for both short- and long-term capital requirements not satisfied by operating cash flows. On April 8, 2016, taking into

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consideration the anticipated completion of the Merger, S&P and Moody's downgraded Cleco Holdings' credit rating to BBB- (stable) and Baa3 (stable), respectively. On April 8, 2016, taking into consideration the anticipated completion of the Merger, S&P and Moody's credit ratings were maintained at Cleco Power at BBB+ (stable) and A3 (stable), respectively. Any downgrade of credit ratings would result in additional fees and higher interest rates under its bank credit facilities and, potentially, other debt agreements.

Changes in the regulatory environment or market forces could cause Cleco to determine its assets have suffered an other-than-temporary decline in value, whereby an impairment would be required and Cleco's financial condition could be materially adversely affected.

Cleco Power is a participant in the MISO market. Energy prices in the MISO market are based on LMP, which includes a component directly related to congestion on the transmission system. Pricing zones with greater transmission congestion may have a higher LMP. Physical transmission constraints present in the MISO market could increase energy costs within Cleco Power's pricing zones. Cleco Power uses FTRs to mitigate transmission congestion risk. Changes to anticipated transmission paths may result in an unexpected increase in energy costs to Cleco Power.

Note 16 — Affiliate Transactions

Cleco

Cleco has entered into service agreements with affiliates to receive and to provide goods and professional services. Goods and services received by Cleco primarily involve services provided by Support Group. Support Group provides joint and common administrative support services in the areas of information technology; finance, cash management, accounting, tax, and auditing; human resources; public relations; project consulting; risk management; strategic and corporate development; legal, ethics, and regulatory compliance; facilities management; supply chain and inventory management; and other administrative services. In March, 2014, Coughlin was transferred to Cleco Power. Until the transfer in 2014, Midstream provided electric power plant operations and maintenance expertise, primarily to Evangeline.

Cleco is charged the higher of management's estimated fair market value or fully loaded costs for goods and services provided by Cleco Power. Cleco, with the exception of Support Group, charges Cleco Power the lower of management's estimated fair market value or fully loaded costs for goods and services provided in accordance with service agreements. Support Group charges only fully loaded costs.

All charges and revenues from consolidated affiliates were eliminated in Cleco's Consolidated Statements of Income for the years ending December 31, 2016, 2015, and 2014.

At December 31, 2016, Cleco Holdings had accounts receivable of less than $0.1 million due from Cleco Group in relation to merger costs paid on behalf of Cleco Group. At December 31, 2016, Cleco Holdings had no accounts payable due to Cleco Group. At December 31, 2015, Cleco had no affiliate balances that were payable to or receivable from non-consolidated affiliates.

During the successor period April 13, 2016, through December 31, 2016, Cleco Holdings received $100.7 million of equity contributions from Cleco Group and made $88.8 million of distribution payments to Cleco Group.

Cleco Power

Cleco Power has entered into service agreements with affiliates to receive and to provide goods and professional services. Charges from affiliates included in Cleco Power's Consolidated Statements of Income primarily involve services provided by Support Group in accordance with service agreements. In March 2014, Coughlin was transferred to Cleco Power. Prior to the transfer, charges from affiliates also included power purchased from Evangeline. Support Group provides joint and common administrative support services in the areas of information technology; finance, cash management, accounting, tax, and auditing; human resources; public relations; project consulting; risk management; strategic and corporate development; legal, ethics, and regulatory compliance; facilities management; supply chain and inventory management; and other administrative services. For information on the transfer of Coughlin, see Note 18 — “Coughlin Transfer.”

With the exception of Support Group, affiliates charge Cleco Power the lower of management’s estimated fair market value or fully loaded costs for goods and services provided in accordance with service agreements. Support Group charges only fully loaded costs. The following table is a summary of charges from each affiliate included in Cleco Power’s Consolidated Statements of Income:

	FOR THE YEAR ENDED DEC. 31,		
(THOUSANDS)	2016	2015	2014
Support Group			
Other operations	$46,116	$53,079	$50,801
Maintenance	$2,255	$1,807	$2,091
Taxes other than income taxes	$10	$(3)	$(9)
Other expenses	$106	$403	$339
Evangeline			
Purchased power expense	$—	$—	$5,467

The majority of the services provided by Cleco Power relates to the lease of office space to Support Group. Cleco Power charges affiliates the higher of management’s estimated fair market value or fully loaded costs for goods and services provided in accordance with service agreements.

The following table is a summary of revenue received from affiliates included in Cleco Power’s Consolidated Statements of Income:

	FOR THE YEAR ENDED DEC. 31,		
(THOUSANDS)	2016	2015	2014
Affiliate revenue			
Support Group	$884	$1,142	$1,322
Evangeline	—	—	4
Total affiliate revenue	$884	$1,142	$1,326
Other income			
Cleco Holdings	$19	$3	$30
Support Group	—	—	10
Evangeline	—	—	9
Diversified Lands	—	10	14
Perryville	6	—	5
Attala	6	—	5
Total other income	$31	$13	$73
Total	$915	$1,155	$1,399

Cleco Power had the following affiliate receivable and payable balances associated with the service agreements:

(THOUSANDS)	AT DEC. 31, 2016 ACCOUNTS RECEIVABLE	AT DEC. 31, 2016 ACCOUNTS PAYABLE	AT DEC. 31, 2015 ACCOUNTS RECEIVABLE	AT DEC. 31, 2015 ACCOUNTS PAYABLE
Cleco Holdings	$3	$ 119	$653	$ 564
Support Group	1,402	7,071	1,254	6,034
Other[1]	1	—	1	—
Total	$1,406	$ 7,190	$1,908	$ 6,598

[1] Represents Attala and Perryville in 2016 and Attala, Diversified Lands, and Perryville in 2015.

During 2016, 2015, and 2014, Cleco Power made $110.0 million, $135.0 million, and $115.0 million of distribution payments to Cleco Holdings, respectively. During 2016, Cleco Power received equity contributions from Cleco Holdings of $50.0 million cash. Cleco Power received no equity contributions from Cleco Holdings in 2015 and received a $138.1 million non-cash equity contribution relating to the transfer of Coughlin in 2014.
Cleco Power is the pension plan sponsor and the related trust holds the assets. The net unfunded status of the pension plan is reflected at Cleco Power. The liability of Cleco Power’s affiliates is transferred with a like amount of assets to Cleco Power monthly. The following table shows the expense of the pension plan related to Cleco Power’s affiliates for the years ended 2016 and 2015:

(THOUSANDS)	FOR THE YEAR ENDED DEC. 31, 2016	2015
Support Group	$1,771	$2,055

Note 17 — Intangible Assets and Goodwill

During 2008, Cleco Katrina/Rita acquired a $177.5 million intangible asset which includes $176.0 million for the right to bill and collect storm recovery charges from customers of Cleco Power and $1.5 million of financing costs. This intangible asset is expected to have a life of 12 years, but may have a life of up to 15 years depending on the time period required to collect the required amount from Cleco Power’s customers. The intangible asset’s expected amortization expense is based on the estimated collections from Cleco Power’s customers. At the end of its life, the asset will have no residual value. At the date of the Merger, the gross balance of the Cleco Katrina/Rita intangible asset for Cleco was adjusted to be net of accumulated amortization, as no accumulated amortization existed on the date of the Merger. During the years ended December 31, 2016, 2015, and 2014, Cleco Katrina/Rita recognized amortization expense of $16.5 million, $15.7 million, and $15.4 million, respectively, based on actual collections.
As a result of the Merger, fair value adjustments were recorded on Cleco’s Consolidated Balance Sheet for the valuation of the Cleco trade name and long-term wholesale power supply agreements. At the end of their life, these intangible assets will have no residual value. The trade name intangible asset is being amortized over its estimated economic useful life of 20 years. For the successor period April 13, 2016, through December 31, 2016, Cleco recognized amortization expense of $0.2 million on the trade name intangible asset. The intangible assets related to the power supply agreements are being amortized over the remaining life of each applicable contract ranging between 2 years and 19

years. For the successor period April 13, 2016, through December 31, 2016, Cleco recognized a reduction of revenue of $7.5 million on the intangible assets for the power supply agreements.
The following tables summarize the balances for intangible assets subject to amortization for Cleco and Cleco Power as of December 31, 2016, and 2015:
Cleco

(THOUSANDS)	SUCCESSOR AT DEC. 31, 2016	PREDECESSOR AT DEC. 31, 2015
Cleco Katrina/Rita right to bill and collect storm recovery charges	$ 70,594	$ 177,537
Power supply agreements	86,726	—
Trade name	5,100	—
Gross carrying amount	162,420	177,537
Accumulated amortization	(19,786)	(102,574)
Net intangible assets subject to amortization	$ 142,634	$ 74,963

Cleco Power

(THOUSANDS)	AT DEC. 31, 2016	AT DEC. 31, 2015
Cleco Katrina/Rita right to bill and collect storm recovery charges	$177,537	$177,537
Accumulated amortization	(119,064)	(102,574)
Net intangible assets subject to amortization	$58,473	$74,963

The following tables summarize the amortization expense related to intangible assets expected to be recognized in Cleco and Cleco Power's Statements of Income:
Cleco

EXPECTED AMORTIZATION EXPENSE	(THOUSAND)
For the year ending Dec. 31,	
2017	$ 28,704
2018	$ 29,564
2019	$ 31,087
2020	$ 9,935
2021	$ 9,935
Thereafter	$ 33,409

Cleco Power

EXPECTED AMORTIZATION EXPENSE	(THOUSANDS)
For the year ending Dec. 31,	
2017	$ 18,009
2018	$ 19,312
2019	$ 21,152

On April 13, 2016, in connection with the completion of the Merger, Cleco recognized goodwill of $1.49 billion. Management has assigned goodwill to Cleco's reportable segment, Cleco Power. For more information about Cleco's policy on goodwill, see Note 2 — "Summary of Significant Accounting Policies — Goodwill."
For more information about the Merger related adjustments, see Note 3 — "Business Combinations."
Note 18 —
Coughlin
Transfer
In October 2012, Cleco Power announced that Evangeline was the winning bidder in Cleco Power's 2012 long-term RFP for up to 800 MW to meet long-term capacity and energy needs. In December 2012, Cleco Power and Evangeline executed definitive agreements to transfer ownership and control of Coughlin from Evangeline to Cleco Power. In March 2014,

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Coughlin was transferred to Cleco Power with a net book value of $176.0 million. Cleco Power finalized the rate treatment of Coughlin as part of its FRP extension proceeding before the LPSC in June 2014.

Note 19 —
Accumulated
Other
Comprehensive
Loss

The components of accumulated other comprehensive loss are summarized in the following tables for Cleco and Cleco Power.

All amounts are reported net of income taxes. Amounts in parentheses indicate debits.

Cleco

(THOUSANDS)	POSTRETIREMENT BENEFIT NET (LOSS) GAIN	NET (LOSS) GAIN ON CASH FLOW HEDGES	TOTAL AOCI
PREDECESSOR			
Balances, Dec. 31, 2013	$ (19,725)	$ (6,151)	$ (25,876)
Other comprehensive loss before reclassifications			
Postretirement benefit adjustments incurred during the year	(9,022)	—	(9,022)
Amounts reclassified from accumulated other comprehensive loss			
Amortization of postretirement benefit net loss	2,021	—	2,021
Reclassification of net loss to interest charges	—	212	212
Net current-period other comprehensive (loss) income	(7,001)	212	(6,789)
Balances, Dec. 31, 2014	$ (26,726)	$ (5,939)	$ (32,665)
Other comprehensive income before reclassifications			
Postretirement benefit adjustments incurred during the year	2,790	—	2,790
Amounts reclassified from accumulated other comprehensive loss			
Amortization of postretirement benefit net loss	3,079	—	3,079
Reclassification of net loss to interest charges	—	211	211
Net current-period other comprehensive income	5,869	211	6,080
Balances, Dec. 31, 2015	$ (20,857)	$ (5,728)	$ (26,585)
Amounts reclassified from accumulated other comprehensive loss			
Amortization of postretirement benefit net loss	587	—	587
Reclassification of net loss to interest charges	—	60	60
Net current-period other comprehensive income	587	60	647
Balances, Apr. 12, 2016	$ (20,270)	$ (5,668)	$ (25,938)
SUCCESSOR[(1)]			
Balances, Apr. 13, 2016	$ —	$ —	$ —
Other comprehensive income before reclassifications			
Postretirement benefit adjustments incurred during the year	2,304	—	2,304
Amounts reclassified from accumulated other comprehensive income			

Amortization of postretirement benefit net gain	(804)	—	(804)
Net current-period other comprehensive income	1,500	—	1,500
Balances, Dec. 31, 2016	$ 1,500	$ —	$ 1,500

(1)As a result of the Merger, AOCI was reduced to zero on April 13, 2016, as required by acquisition accounting.

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CLECO
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Cleco Power

(THOUSANDS)	POSTRETIREMENT BENEFIT NET (LOSS) GAIN	NET (LOSS) GAIN ON CASH FLOW HEDGES	TOTAL AOCI
Balances, Dec. 31, 2013	$ (9,026)	$ (6,151)	$ (15,177)
Other comprehensive loss before reclassifications			
Postretirement benefit adjustments incurred during the year	(3,344)	—	(3,344)
Amounts reclassified from accumulated other comprehensive loss			
Amortization of postretirement benefit net loss	1,021	—	1,021
Reclassification of net loss to interest charges	—	212	212
Net current-period other comprehensive (loss) income	(2,323)	212	(2,111)
Balances, Dec. 31, 2014	$ (11,349)	$ (5,939)	$ (17,288)
Other comprehensive loss before reclassifications			
Postretirement benefit adjustments incurred during the year	(1,232)	—	(1,232)
Amounts reclassified from accumulated other comprehensive loss			
Amortization of postretirement benefit net loss	1,217	—	1,217
Reclassification of net loss to interest charges	—	211	211
Net current-period other comprehensive (loss) income	(15)	211	196
Balances, Dec. 31, 2015	$ (11,364)	$ (5,728)	$ (17,092)
Other comprehensive income before reclassifications			
Postretirement benefit adjustments incurred during the year	3,913	—	3,913
Amounts reclassified from accumulated other comprehensive loss			
Amortization of postretirement benefit net loss	(454)	—	(454)
Reclassification of net loss to interest charges	—	211	211
Net current-period other comprehensive income	3,459	211	3,670
Balances, Dec. 31, 2016	$ (7,905)	$ (5,517)	$ (13,422)

Note 20 — Miscellaneous Financial Information (Unaudited)

Cleco
Quarterly information for Cleco for 2016 and 2015 is shown in the following tables:

		2016
PREDECESSOR	SUCCESSOR	

(THOUSANDS)	1ST QUARTER	2ND QUARTER APR. 1 - APR. 12	2ND QUARTER APR. 13 - JUNE 30	3RD QUARTER	4TH QUARTER
Operating revenue, net	$266,968	$ 32,903	$243,502	$ 342,860	$ 266,642
Operating income (loss)	$50,192	$ (29,832)	$(110,148)	$ 93,143	$ 53,299
Net income (loss)	$19,368	$ (23,328)	$(81,914)	$ 39,621	$ 18,180
Contribution from member	$—	$ —	$100,720	$ —	$ —
Distributions to member	$—	$ —	$28,000	$ 28,000	$ 32,765

	2015			
	PREDECESSOR			
(THOUSANDS)	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
Operating revenue, net	$295,457	$ 289,074	$ 345,468	$ 279,403
Operating income	$62,722	$ 69,884	$ 102,572	$ 52,162
Net income	$26,922	$ 30,234	$ 54,663	$ 21,850

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Cleco Power

Quarterly information for Cleco Power for 2016 and 2015 is shown in the following tables:

	2016			
(THOUSANDS)	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
Operating revenue, net	$ 266,682	$ 278,343	$ 345,131	$ 269,017
Operating income (loss)	$ 52,265	$ (81,841)	$ 99,420	$ 59,156
Net income (loss)	$ 20,879	$ (61,229)	$ 52,572	$ 26,906
Contribution from parent	$ —	$ 50,000	$ —	$ —
Distributions to parent	$ 25,000	$ 10,000	$ 50,000	$ 25,000

	2015			
(THOUSANDS)	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
Operating revenue, net	$ 295,271	$ 288,885	$ 345,189	$ 279,122
Operating income	$ 65,670	$ 70,243	$ 103,966	$ 54,321
Net income	$ 28,605	$ 31,813	$ 58,661	$ 22,270
Distributions to parent	$ 25,000	$ 35,000	$ 40,000	$ 35,000

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of December 31, 2016, evaluations were performed under the supervision and with the participation of Cleco and Cleco Power (individually, “Registrant” and collectively, the “Registrants”) management, including the CEO and Chief Financial Officer (CFO). The evaluations assessed the effectiveness of the Registrants’ disclosure controls and procedures. Based on the evaluations, the CEO and CFO have concluded that the Registrants’ disclosure controls and procedures are effective to ensure that information required to be disclosed by each Registrant in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms; and that the Registrants’ disclosure controls and procedures are also effective in ensuring that such information is accumulated and communicated to the Registrants’ management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting
There have been no changes in the Registrants’ internal control over financial reporting that occurred during the quarter ended December 31, 2016, that has materially affected, or is reasonably likely to materially affect, the Registrants’ internal control over financial reporting.

Management’s Reports on Internal Control Over Financial Reporting
The management of Cleco and Cleco Power is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act. Cleco and Cleco Power’s internal control over financial reporting is a process designed by, or under the supervision of, each of Cleco and Cleco Power’s principal executive and financial officers and effected by Cleco and Cleco Power’s board of managers, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.
Management has designed its internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. Management’s assessments included

review and testing of both the design effectiveness and operating effectiveness of controls over relevant assertions related to significant accounts and disclosures in the financial statements.
All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.
The management of Cleco and Cleco Power, under the supervision of each of the Registrants’ principal executive officer and principal financial officer, conducted an assessment of the effectiveness of Cleco and Cleco Power’s respective internal control over financial reporting as of December 31, 2016. In making this assessment, management used the criteria in Internal Control—Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on this assessment, the management of Cleco and Cleco Power concluded that, as of December 31, 2016, the Registrants’ internal control over financial reporting was effective.

Certifications
The certifications of the Registrants’ CEO and CFO required by Section 302 of the Sarbanes-Oxley Act of 2002 are filed as Exhibits 31.1, 31.2, 31.3, and 31.4 to this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION

On February 21, 2017, the Boards of Managers of Cleco Group and Cleco Holdings approved the compensation of Peggy Scott in connection with her appointment as Interim CEO of Cleco Group and Cleco Holdings effective February 8, 2017, and Cleco Group entered into an Interim Executive Employment Agreement with Ms. Scott (Agreement). The Agreement, which is effective February 8, 2017, shall continue until a permanent CEO is in place for Cleco Group and Cleco Holdings. The Agreement provides that Ms. Scott will devote up to four days per month to her duties under the Agreement and will be compensated at an annual rate of $270,000. The Agreement provides for payment to Ms. Scott at a daily rate of $3,750 for each day worked in excess of four days. Ms. Scott will continue to serve as Chair of the Boards of Managers of Cleco Group, Cleco Holdings, and Cleco Power and will be compensated separately for her service in those capacities in accordance with her separate agreement covering those services. The Agreement provides that Ms. Scott is not eligible to participate in Cleco's annual or long-term incentive plans or its SERP.
The foregoing description of the Agreement is qualified in its entirety by reference to the Agreement, which is attached hereto as Exhibit 10(k) and incorporated herein by reference.

On February 21, 2017, the Board of Managers of Cleco Power approved the compensation of William G. Fontenot in connection with his promotion to Interim Chief Executive Officer of Cleco Power effective February 8, 2017.
In connection with Mr. Fontenot's new position, the Board approved an increase in his annualized base salary to $375,000, representing a 29.3% increase from his prior annualized base salary of $290,000. No changes were made to the percentage targets for Mr. Fontenot's Pay for Performance Plan (annual cash bonus) award level or any long-term incentive compensation plan approved in the future, although the target amounts under those plans will increase given the increase in Mr. Fontenot's salary.
The Board also approved a modification to the terms of SERP as it relates to Mr. Fontenot. For purposes of the SERP calculation, a base salary of $300,000 will be assumed for Mr. Fontenot for 2017, which salary is consistent with the annual base salary he would have received in 2017 in his position as Chief Operating Officer. Consequently, there will be no impact on his SERP benefit for the increased salary attributable to his interim position.

PART
III

Cleco Power
The information called for by Items 10, 11, 12 and 13 with respect to Cleco Power is omitted pursuant to General Instruction I(2)(c) to Form 10-K (Omission of Information by Certain Wholly Owned Subsidiaries).

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE OF THE REGISTRANTS

Board of Managers of Cleco
As of February 22, 2017, the Boards of Managers of Cleco Group and Cleco Holdings is comprised of 13 managers, as set forth below. Cleco Power's Board of Managers is comprised of 14 managers, including the same 13 managers that comprise the Boards of Managers of Cleco Group and Cleco Holdings, plus one additional manager, Melissa Stark. The managers' ages, dates of election, employment history, and committee assignments as of February 22, 2017, are also set forth below.

David Agnew is employed by MIRA and acts as MIRA's liaison with federal, state and local governments in the United States. Mr. Agnew is 51 years old and became a member of the Boards of Managers in 2016. He is the chair of the Governance and Public Affairs Committee. Prior to joining MIRA, Mr. Agnew served at the White House, where he was Deputy Assistant to the President and Director of Intergovernmental Affairs. In this role, Mr. Agnew oversaw the Obama Administration's relationship with state, city, county and tribal elected officials across the country. Mr. Agnew previously served as Deputy Director of the office and was the President's liaison to America's mayors and county officials.
Before working in the White House, Mr. Agnew was a businessman and community leader in Charleston, South Carolina. He has served as a top deputy to Charleston Mayor Joseph P. Riley, Jr., a Special Assistant in the Office of U.S. Secretary of Labor Robert Reich, and as a management consultant at PricewaterhouseCoopers LLP. Mr. Agnew has been active in public affairs and urban policy throughout his career, and has served in leadership roles for numerous non-profit organizations, including the Trust for Public Land, the Charleston Parks Conservancy, and the College of Charleston Riley Center. He also currently serves on the Board of Winrock International, a global development non-profit.
Mr. Agnew received his Master's degree in Public Policy from Harvard University's Kennedy School of Government. He is a Harry S. Truman Scholar, a European Union Visiting Fellow and a Liberty Fellow.

Andrew Chapman joined MIRA in 2006 and currently acts as Head of Asset Management for Macquarie Infrastructure Partners I, II and III and asset director for utility companies Puget Energy (Puget) and Aquarion Water Company (Aquarion). Mr. Chapman is 61 years old and became a member of the Boards of Managers in 2016. He is the chair of the Business Planning and Budget Review Committee and a member of the Leadership Development and Compensation Committee, the Governance and Public Affairs Committee and the Audit Committee. Mr. Chapman serves on the board of Puget and is the chairman of Aquarion's board.

Mr. Chapman held executive positions with Elizabethtown Water Company, E-town Corporation, American Water Works and the State of New Jersey prior to joining MIRA in 2006.
Mr. Chapman earned his Masters of Business Administration from the Yale School of Management.

Richard Dinneny is the Senior Portfolio Manager, Infrastructure and Renewable Resources for bcIMC, where he has responsibility for all aspects of investing in infrastructure transactions. He is 54 years old and became a member of the Boards of Managers in 2016. Mr. Dinneny is the chair of the Audit Committee and a member of the Business Planning and Budget Review Committee. Mr. Dinneny has reviewed and completed a number of infrastructure and utility investments. He currently serves as a director of Vier Gas Services GmbH & Co. KG, Essen, the owner of Open Grid Europe, and an alternate director on the board of Puget.
Mr. Dinneny earned his Masters of Business Administration from York University in Toronto and was awarded the Chartered Financial Analyst designation in 1998.

Mark Fay is a Managing Director for MIRA, where he is primarily responsible for the portfolio management and strategy of the MIP series of infrastructure funds operating within the United States and Canada. He is 35 years old and became a member of the Boards of Managers in 2016. Mr. Fay is the chair of the Asset Management Committee and a member of the Business Planning and Budget Review Committee.
Mr. Fay joined the Macquarie Group in 2003, working in the Risk Management division. In 2005, he transferred to MIRA, where he was part of the team that acquired a major ownership interest in a leading Australian retirement home business, and subsequently became the asset manager and then led the successful divestiture of the business. From 2008 until 2012, Mr. Fay worked for Illyria, an Australian-based media investment group, as an investment manager primarily focused on the sourcing and execution of new investments.
Mr. Fay holds a Bachelor of Commerce from Monash University, where he majored in Finance with minors in Accounting and Economics.

Richard "Rick" Gallot, Jr. is the President of Grambling State University. He is 50 years old and became a member of the Boards of Managers in 2016. Mr. Gallot is a member of the Leadership Development and Compensation Committee and the Governance and Public Affairs Committee.
Mr. Gallot recently served as a Louisiana state senator for District 29, where he held the position of vice-chairman of the Commerce Committee and was a member of the Agriculture, Forestry, Aquaculture, and Rural Development Committee and the Revenue and Fiscal Affairs Committee. He previously served as a member of the Louisiana House of Representatives for District 11, where he served as chair of the

House and Governmental Affairs Committee and was a member of the Executive Committee.
Mr. Gallot obtained his Juris Doctorate from Southern University School of Law.

David Randall “Randy” Gilchrist is the President and CEO of Gilchrist Construction Company (GCC), a central Louisiana-based infrastructure contractor specializing in road and bridge construction. He is 57 years old and became a member of the Boards of Managers in 2016. Mr. Gilchrist is a member of the Asset Management Committee and the Audit Committee.
Under Mr. Gilchrist’s leadership, GCC has grown since 1985 from a small site work contractor to one of Louisiana’s leading highway contractors. Mr. Gilchrist has served as president of Associated General Contractors, chairman of Driving Louisiana Forward, chairman of the Central Louisiana Chamber of Commerce, and vice chairman of Central Louisiana Economic Development Alliance. He has also served on the boards of The Rapides Foundation and Rapides Healthcare System.

Recep Kendircioglu is a Managing Director at John Hancock Financial Services in the Power and Infrastructure Group. He is 41 years old and became a member of the Boards of Managers in 2016. Mr. Kendircioglu is a member of the Asset Management Committee.
Mr. Kendircioglu joined John Hancock in 2007, where he is responsible for the origination and execution of debt and equity investments in the infrastructure and utility sectors.
Mr. Kendircioglu holds a Masters in Business Administration from Rice University. He is a Chartered Financial Analyst, a certified Financial Risk Manager and a member of the Boston Security Analysts Society.

Christopher Leslie is the CEO of MIP, the manager of MIRA’s U.S.-based private infrastructure funds, Macquarie Infrastructure Partners I, II and III, which collectively manage more than $7 billion in U.S. and Canadian infrastructure investments. Mr. Leslie is 52 years old and became a member of the Boards of Managers in 2016. He is the chair of the Leadership Development and Compensation Committee.
Mr. Leslie joined Macquarie in 1992 in Australia. He has been instrumental in expanding Macquarie’s infrastructure business globally, having launched Macquarie offices in Southeast Asia, India and North America.
Mr. Leslie holds a Bachelor of Commerce degree from the University of Melbourne.

Peggy Scott is the interim CEO of Cleco Group and Cleco Holdings since February 8, 2017. Prior to joining Cleco Group and Cleco Holdings, Ms. Scott served as the Executive Vice President and Chief Operating Officer of Blue Cross Blue Shield of Louisiana (BCBS). She is 65 years old and became a member of the Boards of Managers in 2016. Ms. Scott is the chair of Cleco’s Boards of Managers and also serves as a member of the Governance and Public Affairs Committee.
Ms. Scott joined BCBS in 2005 as Executive Vice President, Chief Financial Officer/Treasurer, and Chief Strategy Officer. She became the Executive Vice President and Chief Operations Officer in 2008. Ms. Scott was the first woman in the U.S. to receive the IMA/Robert Half National Financial Executive of the Year award. She was the first Louisiana resident to be named to the American Institute of CPA’s Business and Industry Hall of Fame in 2007. In April 2014, Ms.

Scott was inducted in Louisiana State University’s E.J. Ourso College of Business’s Hall of Distinction.
Ms. Scott received her executive Masters of Business Administration from Tulane University.

Melissa Stark currently serves as the managing principal and owner of Co Issuer Corporate Staffing, LLC (CICS) which she established in 2003 to provide independent directors and officers for special purpose entities. She is 54 years old and was appointed as a special independent manager of Cleco Power, whose sole purpose is to vote on any bankruptcy-related matters, as specified in Cleco Power's Second Amended and Restated Company Agreement. Ms. Stark concurrently serves as a principal and co-founder of Water Tower Capital, LLC, a Chicago based investment advisory firm. From 1994 to 1996 she was Vice President - Fixed Income Research at Duff & Phelps (now known as Fitch) and served as Vice President - Special Investments at PPM America, Inc. from 1991 to 1994. Ms. Stark holds a Masters of Business Administration in Finance from New York University Stern School of Business and has held a number of financial analyst positions.

Steven Turner is a Portfolio Manager within the Infrastructure & Renewable Resources Department at bclMC, where he is responsible for sourcing, executing, and managing infrastructure investments. He is 44 years old and became a member of the Boards of Managers in 2016. Mr. Turner is a member of the Business Planning and Budget Review Committee and Asset Management Committee.
Mr. Turner serves on the boards of Macquarie Utilities Inc. and Aquarion Water Company, the parent companies to a suite of New England-based water utilities. He is also an alternate director on the board of Corix Infrastructure Inc., a waste/wastewater and utility products company based in Vancouver, British Columbia.
Mr. Turner has over 10 years of experience in equity capital markets. Prior to joining bcIMC, he held positions as an Associate with Ventures West Management, a leading Canadian venture capital firm and as an Associate Equity Analyst with Raymond James Ltd., a full service brokerage firm.
Mr. Turner has a B.S. in Environmental Engineering from Montana Tech of the University of Montana and holds a Masters of Business Administration from the University of Victoria. He is also a registered Professional Engineer in the Province of British Columbia and is a Chartered Financial Analyst charter holder.

Bruce Wainer is the CEO of Wainer Enterprises, a family-owned commercial development company on Louisiana's Northshore and in New Orleans. He is 57 years old and became a member of the Boards of Managers in 2016. He is a member of the Business Planning and Budget Review Committee and Asset Management Committee. He is the developer of some of the most successful commercial developments in the New Orleans area and chairman of the Northshore Business Council. His business affiliations include partner at Wainer Brothers, All State Financial Company and Circle West Trailer Park Company; president of Quality Properties, Inc., Regent Lands, Inc., Flowers, Inc., Upside Down Cajun Brands, Inc., Louisiana Properties, Inc., Tamco, Inc., Riverhill, Inc., Metro Credit Services, Inc. and Pan American Investors, Inc., and manager of Advance Mortgage Company, LLC.

Lincoln Webb is the Senior Vice President of Infrastructure & Renewable Resources at bcIMC, where he is responsible for the overall management of the firm's infrastructure and renewable resource investments and setting strategic direction for the group. He is 45 years old and became a member of the Boards of Managers in 2016. Mr. Webb is a member of the Leadership Development and Compensation Committee. Currently, Mr. Webb serves as a director on the boards of Open Grid Europe GmbH and is a member of the Audit committee at Corix Infrastructure. He has served as a director on the boards of Puget Energy in Washington, DBCT Ports of Australia, Aquarion Water of Connecticut, Thames Water in London and Transelec S.A., Chile's largest transmission utility. He holds a Masters of Business Administration in International Business from the University of Victoria, a Masters

of City Planning from the Department of Architecture at the University of Manitoba, and is a Chartered Financial Analyst charter holder.

Executive Officers of Cleco

The names of the executive officers of Cleco and certain subsidiaries, their positions held, five-year employment history, ages, and years of service as of February 22, 2017, are as follows. Executive officers are appointed annually to serve for the ensuing year or until their successors have been appointed. Darren J. Olagues, the former Chief Executive Officer and President of Cleco Holdings and Cleco Power, resigned from the Company effective February 8, 2017.

NAME OF EXECUTIVE	POSITION AND FIVE-YEAR EMPLOYMENT HISTORY
Peggy B. Scott Cleco Holdings	Chairman and Interim Chief Executive Officer since February 2017; Executive Vice President, Chief Financial Officer/Treasurer, and Chief Strategy Officer, Blue Cross Blue Shield of Louisiana from August 2005 to July 2015. (Age 65; <1 year of service)
William G. Fontenot Cleco Power	Interim Chief Executive Officer since February 2017.
Cleco Holdings Cleco Power	Chief Operating Officer since April 2016; Senior Vice President - Utility Operations from March 2012 to April 2016; Group Vice President from March 2010 to March 2012. (Age 54; 30 years of service)
Terry L. Taylor Cleco Holdings Cleco Power	Chief Financial Officer since April 2016; Controller and Chief Accounting Officer from November 2011 to April 2016; Assistant Controller from August 2006 to November 2011. (Age 62; 16 years of service)
Julia E. Callis Cleco Holdings Cleco Power	Chief Compliance Officer and General Counsel since April 2016; Associate General Counsel and Corporate Secretary from November 2011 to April 2016; Senior Attorney from August 2007 to November 2011. (Age 48; 9 years of service)
Anthony L. Bunting Cleco Holdings Cleco Power	Chief Administrative Officer since April 2016; Vice President - Transmission & Distribution Operations from March 2012 to April 2016; Vice President - Customer Services and Energy Delivery from October 2004 to March 2012. (Age 57; 25 years of service)
Jeffrey M. Baudier Cleco Holdings Cleco Power	Chief Marketing & Development Officer since July 2016; Partner - Phelps Dunbar LLP from January 2013 to June 2016; President & Chief Executive Officer - Petra Nova LLC of NRG Energy from January 2011 to December 2012. (Age 48; <1 year of service)
F. Tonita Laprarie Cleco Holdings Cleco Power	Controller & Chief Accounting Officer since July 2016; General Manager Audit & Risk from March 2014 to July 2016; Manager Accounting Services from December 2007 to March 2014. (Age 52; 16 years of service)
Robert R. LaBorde, Jr. Cleco Holdings	Vice President Generation Operations & Environmental Services since April 2016; Vice President - Strategic Planning, Development and Environmental Policy from November 2011 to November 2012; General Manager - Environmental Services from August 2006 to November 2011.
Cleco Power	Vice President - Generation Operations from November 2012 to April 2016. (Age 49; 25 years of service)

Dean C. Sikes Cleco Holdings Cleco Power	Vice President Engineering, Construction & Project Management since April 2016; General Manager Generation Engineering & Construction from March 2013 to April 2016; Manager Transmission Protection, Apparatus & Metering from January 2005 to March 2013. (Age 53; 29 years of service)
Gregory A. Coco Cleco Holdings Cleco Power	Vice President Transmission & Distribution Operations since April 2016; General Manager Brame Energy Center from March 2013 to April 2016; General Manager Generation Engineering & Construction from March 2012 to March 2013; General Manager Transmission Services from October 2002 to March 2012. (Age 57; 35 years of service)
Joel M. Prevost Cleco Holdings Cleco Power	Vice President Asset Management since April 2016; General Manager T&D Engineering & Construction from March 2012 to April 2016; General Manager Power Plant Engineering & Construction from June 2004 to March 2012. (Age 56; 35 years of service)
J. Robert Cleghorn Cleco Holdings Cleco Power	Vice President Regulatory Strategy since April 2016; General Manager Regulatory Strategy & Planning from March 2012 to April 2016; General Manager Regulatory Strategy from June 2005 to March 2012. (Age 58; 29 years of service)
Justin S. Hilton Cleco Holdings Cleco Power	Vice President MISO Operations since April 2016; General Manager Transmission Strategy from March 2012 to April 2016; General Manager Retail Operations from November 2004 to March 2012. (Age 47; 27 years of service)
Shirley J. Turner Cleco Holdings Cleco Power	Vice President Customer Experience since April 2016; General Manager Customer Experience Management from March 2012 to April 2016; Manager Customer Services from January 2005 to March 2012. (Age 63; 41 years of service)

NAME OF EXECUTIVE	POSITION AND FIVE-YEAR EMPLOYMENT HISTORY
Eric A. Schouest Cleco Holdings Cleco Power	Vice President Marketing South since August 2016; General Manager Governmental Affairs/Regulatory Sales from February 2013 to August 2016; General Manager Eastern District from November 2004 to February 2013. (Age 51; 15 years of service)
Marty A. Smith Cleco Holdings Cleco Power	Vice President Marketing North since January 2017; General Manager Corporate Safety from April 2016 to January 2017; General Manager Distribution Engineering & Real Estate from February 2013 to April 2016; General Manager Northern District from March 2012 to February 2013; General Manager Central District from January 2009 to March 2012. (Age 55; 25 years of service)
Marcus A. Augustine Cleco Holdings Cleco Power	Corporate Secretary & Senior Attorney since April 2016; Senior Attorney from January 2015 to April 2016; Attorney from September 2012 to January 2015; Associate - Sidley Austin LLP from January 2011 to September 2012. (Age 36; 4 years of service)

Audit Committee

Cleco has a separately-designated standing audit committee. The members of Cleco's Audit Committee are Andrew Chapman, Richard Dinneny (who serves as chair of the committee) and Randy Gilchrist. The Boards have determined that Andrew Chapman is the audit committee financial expert.

Section 16(a) Beneficial Ownership Reporting Compliance

Prior to closing the Merger, Section 16(a) of the Securities Exchange Act of 1934, as amended, required Cleco's executive officers and directors, and persons who beneficially owned 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, 2016, all Section 16(a) filing requirements applicable to its executive officers, directors and greater-than-10% shareholders were satisfied.

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 managers. In addition, the board of managers has adopted Conflicts of Interest and Related Policies to prohibit certain conduct and to reflect the expectation of the board of managers 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, Cleco considers transactions that are reportable under the SEC's 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 Public Affairs and Governance Committee. Any recommendations by the Public Affairs and Governance Committee to implement a waiver shall be referred to the full board of managers for a final determination. The Code of Conduct, Ethics & Business Standards, and Conflicts of Interest and Related Policies are posted on Cleco's website at https://cleco.com; Leadership-Codes of Conduct. Each of these documents is also available free of charge by request sent to: Public

Relations, Cleco, P.O. Box 5000, Pineville, LA 71361-5000.

Communications with the Board

The Corporate Governance Guidelines provide for communications with the board of managers by interested persons. In order for 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 board's chair. 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 interested person wishing to communicate with the board of managers, or the non-management members of the board, may do so by addressing such communication as follows:

Chair of the Board of Managers
c/o Corporate Secretary
Cleco Holdings
P. O. Box 5000
Pineville, LA 71361-5000

Upon receipt, Cleco's corporate secretary will forward the communication, unopened, directly to the chair director. The chair director 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 managers and whether any response should be made to the person sending the communication, unless the communication was made anonymously.

ITEM
11. EXECUTIVE
COMPENSATION

Leadership Development and Compensation Committee Interlocks and Insider Participation
The members of the Leadership Development and Compensation Committee (Committee) of the Boards of Managers (Board) of Cleco Power and Cleco Holdings (referred to in this Item 11 as the Company) who served during 2016 are named in the Report of the Leadership Development and Compensation Committee. No members of the Committee were officers or employees of the Company or any of its subsidiaries during 2016, were formerly Company officers or had any relationship otherwise requiring disclosure. Effective with the completion of the Merger, the Board was appointed, and the Committee was appointed May 10, 2016.

Compensation Discussion and Analysis (CD&A)
This section provides information about the compensation program in place for the Company's named executive officers after the Merger and who are included in the Summary Compensation Table. It includes a discussion and analysis of the overall objectives of our compensation program and each element of compensation the Company provides. For a detailed discussion of compensation for the named executive officers prior to the Merger, see "Pre-Merger Compensation Discussion and Analysis" below.

Executive Summary

2016 Business Highlights
In 2016 the Company successfully completed the regulatory approvals for the Merger. Following the Merger, the Company reestablished the organization as well as its governing structure while achieving solid operating and financial performance. Below are some of our accomplishments for the year:

- Key Strategic Initiatives Related to the Merger
  Completed the valuation of the investment in the Company
  Refinanced the Acquisition Loan Facility of $1.35 billion
  Established credit ratings at Cleco Holdings and Cleco Power
- Effective Utility Operations
  Secured $20.8 million investment for additional tree trimming including a regulatory approval and recovery mechanism
  Successfully negotiated a five-year extension of the Acadia Joint Owner Agreement with Entergy Louisiana

- Key Capital Investments
  Completed the St. Mary Clean Energy Center Operating and Lease Agreement and initiated construction of the project
  Completed the Cenla Donahue transmission substation which is part of the Cenla Transmission Expansion Project
  Completed the Layfield/Messick Project
  Received MISO approval to construct the $48.0 million Terrebonne to Bayou Vista Transmission Project
- Constructive Regulatory Outcomes
  Filed a letter seeking guidance on the appropriate treatment and timing of recovering revenue associated with the Coughlin Pipeline Project
  Successfully completed fuel and environmental audits

Compensation Philosophy

The Committee has discussed the following key compensation principles and philosophy:

- Executives should be rewarded on performance, and incentives should align interests between management and the Committee;
- Total remuneration (the sum of base salary, annual incentives, long-term incentives, and retirement benefits) should be aligned with the market median;
- Newly hired and/or promoted executives should be transitioned to median over time as they become more proficient in their roles;
- The mix of fixed compensation (base salary and retirement benefits) and variable/at-risk compensation (annual incentive and long-term incentive) should align with market by emphasizing variable/at-risk compensation; and
- The competitive market for an executive's compensation will be based on comparable utilities and will not be adjusted for Cleco's privately held status or location.

Compensation Program Elements

The Committee targets total compensation (made up of the elements described below) to be competitive with the median of the Comparator Group, but individual positioning may vary above or below the median depending on each executive's experience, performance, and contribution to the Company. For 2016, we believe that we accomplished our philosophy through the following compensation and benefit components:

2016 Pay Element	Description
Base Salary	• Fixed pay element • Delivered in cash
Annual Cash Incentive (PFP Plan)	• Performance-based annual incentive plan that pays out in cash • EBITDA is primary measure for the named executive officers • Additional metrics include safety, system reliability, and generation fleet availability
Retention Bonus	• Performance-based annual incentive plan that pays out in cash in the two years following the close of the Merger • Metrics are consistent with those included in the PFP Plan
Long-Term Incentives	• Prior to the completion of the Merger, there was an annual equity grant delivered in the form of performance shares • This LTIP was awarded according to the Plan and then terminated at the close of the Merger. The Committee is currently in the process of designing and implementing a new cash-based LTIP for key senior leaders in 2017
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 on or after August 1, 2007; same as those provided to all employees
Executive Benefits	• Supplemental Executive Retirement Plan (closed to new participants in 2014) • Nonqualified Deferred Compensation Plan
Perquisites	• Limited to executive physicals, spousal/companion travel, and relocation assistance

Roles and Responsibilities

Leadership Development and Compensation Committee
The Committee, which consists of one Louisiana independent Board Manager and three investor Board Managers, is responsible for developing and overseeing the Company's executive compensation program. The Committee met five times during 2016, including three telephone meetings. The CEO and Chief Administrative Officer attend the Committee's meetings on behalf of management but do not participate in the Committee's executive sessions.
The Committee's responsibilities, which are more fully described in the Committee's charter, include:

- establishing and overseeing the Company's executive compensation philosophy and goals and the programs which align with those;
- engaging and evaluating an independent compensation consultant;
- 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 or recommending for approval by the Board the overall design of the Company's executive compensation and benefit programs;
- annually evaluating the performance of the CEO and recommending to the Board adjustments in the CEO's compensation and benefits;
- annually reporting and recommending to the Board pay adjustments for the non-CEO executive officers (including new hires), which includes base salary and incentive plan targets;

- overseeing the administrative committees and periodically reviewing the Company's benefit plans, including retirement plans;
- annually reviewing the Committee's charter and revising as necessary; and
- annually ensuring there is a process for talent and succession management for executives.

The Compensation Consultant

After the Merger, the Committee engaged Pay Governance to consult on matters concerning executive officers' compensation and benefits. All executive compensation adjustments and award calculations for 2016 were reviewed by Pay Governance on behalf of the Committee. Pay Governance acted at the direction of the Committee and was independent of management. Pay Governance was responsible for:

- recommending a group of peer companies to use for market comparisons;
- reviewing the Company's executive compensation program, including compensation levels in relation to Company performance, pay opportunities relative to those at comparable companies, short- and long-term incentive targets and metrics, executive retirement benefits, and other executive benefits;
- reviewing the Company's Board Manager compensation program;
- reporting on emerging trends and best practices in the area of executive and Board Manager compensation; and
- attending the Committee meetings.

Before engaging Pay Governance, the Committee reviewed the firm's qualifications as well as its independence and the potential for conflicts of interest. The Committee concluded that Pay Governance is independent and its services to the Committee do not create any conflicts of interest. The Committee has the sole authority to approve Pay Governance's compensation, determine the nature and scope of its services, and determine the agreement. Pay Governance does not perform any other services for or receive any other fees from the Company.

President and CEO

The President and CEO makes recommendations to the Committee regarding base salary adjustments, cash incentives, and long-term incentive awards. The CEO participates in meetings of the Committee to discuss executive compensation, including measures and performance targets but is subsequently excused to allow the independent members of the Committee to meet in executive session.

The Committee has delegated limited authority to the CEO to extend employment offers to officers at the level of vice president or lower. The CEO may make such offers without prior approval of the Board provided no compensation component falls outside the Committee's approved policy limits as described below in "Decisions Made in 2016 with Regard to Each Compensation and Benefit Component." No such employment offers were made under this delegation of authority during 2016.

Evaluation and Design of the Compensation and Benefit Programs

The Committee believes that compensation and benefits for our executive officers who successfully enhance investors' value should be competitive with the compensation and benefits offered by similar companies in our industry to attract and retain the high quality executive talent required by the Company. The Committee examines our executive officers' compensation against comparable positions using publicly available proxy data for a group of 16 industry peers (Peer Group) and utility 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 awards, retirement benefits, and target total compensation. The Peer Group is used to track comparable performance of the long-term incentive plan. The combination of the Peer Group and the utility industry survey data is referred to as the "Comparator Group."

The Peer Group, approved by the Committee in October 2016, had several revisions from our 2015 Peer Group. Companies removed from the Peer Group were Calpine, AGL Resources, Pinnacle West Capital, Alliant Energy, and Vectren. Companies added to the Peer Group were Westar Energy, UIL Holdings, Otter Tail Corporation, Empire District Electric Company, and MGE Energy. The Committee will continue to evaluate the Peer Group annually as companies are often acquired, taken private, or grow at a rate that renders them inappropriate for comparison purposes. The Committee evaluates the Peer Group to ensure that peer companies are of similar scope in relation to revenues, assets, and employee count and have a good operational fit.

2016 Peer Group Companies

ALLETE, Inc.	IDACORP, Inc.	Portland General Electric Company
Avista Corporation	MGE Energy Inc.	TECO Energy, Inc.
Black Hills Corporation	NorthWestern Corporation	UIL Holdings Corporation
El Paso Electric Company	OGE Energy Corp.	Westar Energy, Inc.
The Empire District Electric Company	Otter Tail Corporation	
Great Plains Energy Incorporated	PNM Resources, Inc.	

In setting executive compensation levels in 2016, the Committee also used utility industry survey data from the most recent Willis Towers Watson Energy Services Executive Compensation Database. Survey data provides a broader energy industry perspective. This survey data is used in conjunction with the Peer Group data as a competitive market reference point for the Committee to consider in determining pay levels.

Decisions Made in 2016 with Regard to Each Compensation and Benefit Component

Base Salary

We strive to set base salary levels for the executive officers as a group, including the named executive officers, at a level approximating +/-10% of the Comparator Group market median for base pay.

In 2016, base salary increases for the post-merger named executive officers averaged 18.1% due to promotions and pay adjustments. Due to the departure of several named executive officers, overall 2016 base salaries for post-merger named executive officers decreased compared to pre-merger named executive officers. For more information, see Summary Compensation Table below.

Base salaries for the named executive officers in 2016 are shown in the table below:

Name	2016 Base Salary	2016 % Change	
Mr. Olagues	$550,000	36.9	%
Ms. Taylor	$230,000	17.5	%
Mr. Bunting	$230,000	6.3	%
Mr. Fontenot	$290,000	12.6	%
Mr. Crump	$257,500	0	%
Average % Change		18.1	%

Annual Cash Incentive

We maintain the PFP Plan, an annual, performance-based cash 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 100% of their PFP Plan targets weighted on corporate goals, since they have more influence over corporate-level results. As mentioned, the Committee targets PFP Plan award opportunities for executive officers to approximate the median of the annual cash incentive target award of the Comparator Group. Payouts are capped at 200% of target.

The table below presents the target PFP Plan opportunities for the named executive officers in 2016:

Name	Target as % of Base Salary
Mr. Olagues	80%
Ms. Taylor	50%
Mr. Bunting	50%
Mr. Fontenot	50%
Mr. Crump	50%

The 2016 PFP Plan award for the named executive officers was based entirely on the corporate performance measures described below. The 2016 PFP Plan corporate performance measures consisted of the four metrics listed below (weighting):

- EBITDA (70%)
- System Average Interruption Duration Index or SAIDI (7.5%)
- Equivalent Availability Factor or EAF (7.5%)
- Safety (15%)

In establishing the 2016 PFP Plan corporate metrics, the Committee believed it was most important to reward senior executives for the overall financial performance of the

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Company, and therefore weighted EBITDA most heavily at 70%. In addition, to continually focus the executives and the entire organization on the importance of safety, system reliability, and generation fleet availability, 30% of the bonus opportunity attributable to the corporate measures was contingent on safety and operational performance. The Quality Performance Factor in the 2015 PFP Plan was removed.
The CEO recommended the PFP Plan financial performance and other measures to the Committee following the close of the Merger. Based on the historical performance relative to target and the relative historical performance versus the Comparator Group, the Committee reviews, revises as appropriate, and approves the PFP Plan measures for the upcoming year.

Details Related to Corporate Performance Metrics Established to Determine 2016 PFP Plan Award Levels

Metric # 1: EBITDA — For 2016, the following EBITDA matrix was developed to determine performance and payout ranges related to EBITDA performance. This measure represents 70% of the overall PFP Plan award for the corporate measures. The final percentage of the financial target award is interpolated based on the performance level.

EBITDA MATRIX (70%)

Performance Level	% of Financial Target Award Paid	
At or below $410.4 million	0	%
$443.7 million	100	%
At or above $477.0 million	200	%
2016 Result - $442.9 million	98	%

Metric # 2: SAIDI — The average amount of time a customer's service is interrupted during the year. SAIDI is measured in hours per customer per year and based on a ten-year rolling average of Cleco Power's performance. This metric represents 7.5% of the overall PFP Plan award for the corporate measures.

SAIDI MATRIX (7.5%)

Performance Level	Hours Per Customer Per Year	% of SAIDI Target Award Paid
	>2.66	0%
Threshold	2.66 to 2.59	50%
Target	2.58 to 2.51	100%
	2.50 to 2.43	150%
Maximum	<2.43	200%
2016 Result	2.58 Hours	100%

Metric # 3: EAF — Measures the percentage of time that a generation unit is available to generate electricity after all types of outages are taken into account. EAF is measured as a percentage based on a three-year MISO equivalent forced outage rate, demand, and Cleco Power's planned maintenance for the year. This metric represents 7.5% of the overall PFP Plan award for the corporate measures.

EAF MATRIX (7.5%)

Performance Level	% Generation	% of EAF

	Fleet Availability	Target Award Paid
	<79.95%	0%
Threshold	79.95% to 81.99%	50%
Target	82.00% to 84.08%	100%
	84.09% to 86.18%	150%
Maximum	>86.18%	200%
2016 Result	82.85 %	100%

Metric # 4: Safety Injury Incident Rate (IIR) — For 2016, the Company changed the safety measure from the number of injuries and the number of vehicle accidents to a single injury incident rate. It is a measure of the relative level of injuries and illnesses according to the hours worked and the number of employees. The target for this measure represents a 10% improvement over the three-year average of the Company's injury incident rate.

SAFETY - INJURY INCIDENT RATE (15%)

Performance Level	Performance Relative to 2014	% of Safety - Injuries Target Award Paid
	>0.663	0%
Threshold	0.663 to 0.598	50%
Target	0.597 to 0.565	100%
	0.564 to 0.531	150%
Maximum	<0.531	200%
2016 Result	0.941	0%

Total Payout: The Committee determined that a total PFP Plan payout at 83.6% of target for the corporate measures was reasonable based on the Company's performance in 2016. The resulting total PFP Plan corporate payout for 2016 was calculated as follows:

	% of Target	x	Award Level	=	% of Payout
EBITDA	70.0 %		98 %		68.6 %
SAIDI	7.5 %		100 %		7.5 %
EAF	7.5 %		100 %		7.5 %
Safety IIR	15.0 %		0 %		0 %
Total	100.0 %				83.6 %

The 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 the CEO. Adjustments for PFP Plan participants, except for the named executive officers, may be made by the CEO at his discretion. Adjustments are based on the annual performance review process. No adjustments were made to the 2016 PFP Plan awards for the named executive officers.

Retention Bonus

For those executives who were participants in the previous equity-based LTIP, the Board approved a cash award, a portion of which will be paid in 2017 and a portion of which will be paid in 2018, that is designed to fill the gap created by the missed earning opportunity on the outstanding LTIP cycles at the time of the Merger. These cash awards are intended to be paid out in the same proportion as the payout on the short-term incentive for 2016 and 2017, respectively; however, the Committee retains the ability to modify the payouts to ensure alignment with investor expectations. For performance results of the Retention Bonus metrics, see “Details Related to Corporate Performance Metrics Established to Determine 2016 PFP Plan Award Level.”

Long-Term Compensation
The Committee has designed a new cash-based LTIP which is expected to be adopted in 2017.

Retirement Plans -Nonqualified Deferred Compensation Plan
The Company maintains a Deferred Compensation Plan so that Board Managers, executive officers, and certain key employees may defer receipt and taxation of certain forms of compensation. Board Managers 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. The use of deferred compensation plans is prevalent within our industry and within the companies in the Peer Group. The Company 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 the 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. No changes were made to the plan during 2016.

Retirement Plans - SERP
The Company maintains a SERP for the benefit of the executive officers who are designated as participants by the Committee. SERP was 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.
Benefits under SERP vest after ten years of service or upon death or disability while a participant is employed by the Company. The Committee may reduce the vesting period, 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.
Generally, 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 the 401(k) Savings Plan and payments paid or payable from prior and subsequent employers’ defined benefit retirement or similar supplemental plans reduce or offset 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 lists the present value of accumulated SERP benefits for the named executive officers as of December 31, 2016.
In 2011, the Committee amended SERP to eliminate the business transaction benefit previously included in SERP, as well as the requirement that a SERP participant be a party to an employment agreement to receive change in control benefits.
In July 2014, the Cleco Corporation Board of Directors voted to close SERP to new participants. With regard to current SERP participants, two participants have agreed to fix the base compensation portion of the calculation as of December 31, 2017. Additionally, they have agreed to use target rather

than actual awards under the annual incentive plan for years 2016 and 2017 for the average incentive award portion of the SERP calculation.
In the event a SERP participant’s employment is involuntarily terminated by the Company without cause, or the participant terminates his or her employment on account of good reason, occurring within the 36-month period following the Merger for all participants who commenced participation in SERP prior to October 28, 2011, or the 24-month period following the Merger for all participants who commenced participation in SERP on or after October 28, 2011, such participant’s benefit shall: (i) become fully vested; (ii) be increased by adding three years to an affected

participant's age, subject to a minimum benefit of 50% of final compensation; and (iii) be subject to a modified reduction determined by increasing the executive's age by three years. For additional details regarding the effect of the Merger on SERP, see "Interests of Our Directors and Executive Officers in the Merger" beginning on page 52 of the definitive proxy statement dated January 13, 2015.

Change in Employment Status and Change in Control Events

The Company has no employment agreements but may enter into employment agreements with its executives generally in connection with recruiting efforts. The standard agreement provides for a non-renewing term, generally two years, and does not contain a change in control tax gross-up provision.

The Cleco Corporation Executive Severance Plan

In recognition of the non-renewal of executive employment contracts, the Cleco Corporation Board of Directors adopted the Cleco Corporation Executive Severance Plan (the Executive Severance Plan) on October 28, 2011. The Executive Severance Plan provides the 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.

In October 2014, the Compensation Committee of the Cleco Corporation Board of Directors (the Compensation Committee), with the approval of the full Cleco Corporation Board of Directors, approved an amendment to the Executive Severance Plan to provide that an officer cannot trigger "Good Reason" under the Executive Severance Plan based on the fact Cleco Corporation is no longer publicly traded. In December 2014, the Compensation Committee, with the approval of the full Cleco Corporation Board of Directors, approved additional amendments to the Executive Severance Plan expanding the definition of "Committee," removing the authority of the Compensation Committee to continue making determinations of "Good Reason," and clarifying that a potential acquirer of Cleco Corporation cannot terminate the Executive Severance Plan during a change in control period without the consent of the "Covered Executive." In July 2015, the Compensation Committee, with the approval of the full Cleco Corporation Board of Directors, approved an amendment to the Executive Severance Plan to expand the definition of waiver, release, and covenants to include covenants prohibiting competition and to revise the definition of participants who are eligible to receive benefits to mean those who have satisfied the conditions included in the waiver, release, and covenants agreement.

Perquisites and Other Benefits

The Company may make available the following perquisites to its executive officers:

- Executive officer physicals - as a condition of receiving their PFP Plan award, we require and pay for an annual physical for the executive officers and their spouses;
- Spousal/companion travel - in connection with the various industry, governmental, civic, and entertainment activities of the executive officers, we pay for spousal/companion travel associated with such events;
- Relocation program - in addition to the standard relocation policy available to all employees, we maintain a policy whereby the 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
- Purchase program - under the Executive Severance Plan, a covered executive officer may request the Company to purchase his/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 purchase amount are the same as the relocation program described above.

The Committee approves the perquisites based on what it believes is prevailing market practice, as well as specific Company needs. The Company believes the relocation program is an important element in attracting executive talent. Perquisite expenses related to business and spousal/companion travel for the executive officers are reviewed by internal audit and any exceptions are reported to the Audit Committee.

See the section titled “All Other Compensation” for details of these perquisites and their value for the named executive officers.

The executive officers, including the named executive officers, participate in the 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 (including the annual wellness program); 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 on or after August 1, 2007.

Other Tools and Analyses to Support Compensation Decisions

Tally Sheets

At least annually, the 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 the Comparator Group. The

comparison facilitates discussion with the 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 officer - this includes the rate of change in total cash compensation from year-to-year; the annual periodic cost of providing retirement benefits; and the annual cost of providing other benefits such as health insurance, as well as the status of any deferred compensation.

- Reportable compensation - to further evaluate total compensation; to evaluate total compensation of the CEO compared to the other executive officers; and to otherwise evaluate internal equity among the named officers.
- Post-employment payments - reviewed pursuant to the potential separation events discussed in "Potential Payments at Termination or Change in Control."

Trends and Regulatory Updates
As needed, and generally at least annually, the Committee reviews reports related to industry trends, legislative and regulatory developments, and compliance requirements based on management's analysis and guidance provided by Pay Governance, as applicable. Plan revisions and compensation program design changes are implemented as needed.

Risk Assessment
The Committee also seeks to structure compensation that will provide sufficient incentives for the executive officers to drive results while avoiding unnecessary or excessive risk taking that could harm the long-term value of the Company. The Committee believes that the following actions and/or measures help achieve this goal:

- the Committee reviews the design of the executive compensation program to ensure an appropriate balance between business risk and resulting compensation;
- the Committee allocates pay mix between base salary and performance-based pay to provide a balance of incentives;
- the design of the incentive measures is structured to align management's actions with the interests of the investors;
- incentive payments are dependent on the Company's performance measured against pre-established targets and goals and/or compared to the performance of companies in the Peer Group;
- the range and sensitivity of potential payouts relative to target performance are reasonable;
- the Committee imposes checks and balances on the payment of compensation discussed herein;
- detailed processes establish the Company's financial performance measures under its incentive plans; and
- incentive targets are designed to be challenging, yet achievable, to mitigate the potential for excessive risk-taking behaviors.

Board Compensation
The Governance and Public Affairs Committee may engage the Committee's independent consultant from time to time to conduct market competitive reviews of the Board Manager's compensation program. Details of Board Manager compensation are shown in the "Board Manager Compensation" table.

IRC Section 409A
Internal Revenue Code (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. The plans, agreements and incentives subject to IRC Section 409A have been operated pursuant to and are in compliance with IRC Section 409A.

Pre-Merger Compensation Discussion and Analysis

Compensation and Governance Practices
The Compensation Committee regularly reviewed the Company's compensation practices and policies to ensure that they promoted the interests of the Company's investors and customers. The Company's pre-Merger governance practices included:

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

- Stock Ownership Guidelines: The officer stock executive ownership requirements strengthened the alignment of the financial interests of the executive officers with those of shareholders and provided an additional basis for sharing in the Company's success or failure as measured by overall shareholder returns. For 2016, 10 out of 11 of our executive officers had achieved their established ownership levels based on the requirements, and the other executive officer was on track to meet the required ownership level.

- Performance-based Incentive Programs: The Company's total compensation program did not provide for guaranteed bonuses and had multiple performance measures. Annual cash incentive components focused on both the actual results and the quality of those results. The annual cash incentive plan for employees and executives contained both economic and qualitative components. The incentive plan also focused on system reliability, generation fleet availability, safety results, and individual performance through the PFP Plan.

- Anti-hedging Policy: The "anti-hedging" policy in the Company's insider trading policy stated that all directors, officers, and employees were prohibited from hedging the economic interest in the Cleco Corporation shares they held.

- No Excise Tax Gross-ups: No change in control arrangement included an IRC Section 280G excise tax gross-up provision.

- Use of Independent Consultants: The Compensation Committee had a formalized process to ensure the

independence of the executive compensation consultant plus other advisors and reviewed and affirmed the independence of advisors annually.

The Executive Compensation Process

The Compensation Committee

The Compensation Committee of the Board of Directors of Cleco Corporation met twice prior to the close of the Merger. The CEO and Senior Vice President of Corporate Services and IT attended the Compensation Committee's meetings on behalf of management but did not participate in the Committee's executive sessions. The Compensation Committee's responsibilities, which were more fully described in the Compensation Committee's charter, included:

- establishing and overseeing the Company's executive compensation and benefit programs;
- determining if the Company's executive compensation and benefit programs were 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 or recommending for approval by the Board 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 pay adjustments for the non-CEO executive officers (including new hires), which include base salary and incentive plan targets; and
- annually reviewing the Compensation Committee's charter and revising as necessary.

The Compensation Consultant and Role of the CEO

In 2010, the Compensation Committee engaged Frederic W. Cook & Co., Inc. (Cook & Co.) to consult on matters concerning executive officers' compensation and benefits. Cook & Co. acted at the direction of the Compensation Committee and was independent of management. The Compensation Committee determined Cook & Co.'s ongoing engagement activities, and Cook & Co. endeavored to keep the Compensation Committee informed of executive officers' compensation trends and regulatory compliance developments. The Compensation Committee 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 the Compensation Committee.

The CEO participated in meetings of the Compensation Committee to discuss executive compensation, including measures and performance targets, but was subsequently excused to allow the independent members of the Compensation Committee to meet in executive session.

Shareholder Advisory Vote

At the Company's last annual meeting held in 2014, shareholders strongly supported (approximately 97% of votes cast at the annual meeting voted for) our "say-on-pay" proposal. This "say-on-pay" vote was not binding on the Company, the Compensation Committee or the Board;

however, the Directors and the Compensation Committee reviewed the voting results and considered them, along with any specific insight gained from the Cleco Corporation shareholders, when they made decisions regarding executive compensation.

Evaluation and Design of Our Compensation and Benefit Programs

Market Data and Comparator Group

The Compensation Committee examined the named executive officers' compensation against comparable positions using publicly available proxy data for a group of 16 industry peers and utility industry survey data to help design and benchmark the named executive officer compensation. The Proxy Peer Group, approved by the Compensation Committee in July 2014, was used to track comparable performance of our long-term incentive plan.

The general criteria examined in developing the Proxy Peer Group include:

- 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 was measured on a number of criteria relevant to this industry (e.g., market capitalization, enterprise value, assets, and revenues). Most of the peer companies were within one to three times the size of Cleco Corporation's market capitalization, which was the principle measure of scale in this industry. Revenues, used most frequently in general industry, may have not lent 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 have required the inclusion of one or more companies that were outside of this range if they were a direct competitor for business or talent. Cleco Corporation's market capitalization was positioned at or near the median against the Proxy Peer Group;
- Competitors for talent: companies with whom the Company competed for executive talent or those that employed similar labor or talent pools; and
- Competitors for investor capital.

2016 Pre-Merger Peer Group Companies

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

Decisions Made in 2016 with Regard to Each Compensation and Benefit Component

Base Salary

The Compensation Committee worked to set base salary levels for the executive officers as a group, including the named executive officers, at a level approximating +/-15% of our Comparator Group market median for base pay. In 2016 prior to the Merger, there were no base salary increases for our named executive officers.

Name	2016 Base Salary Pre-Merger
Mr. Olagues	$ 401,700

Ms. Taylor	$ 195,700
Mr. Bunting	$ 216,300
Mr. Fontenot	$ 257,500
Mr. Crump	$ 257,500
Mr. Williamson	$ 745,000
Mr. Miller	$ 309,000
Ms. Miller	$ 298,700
Mr. Hoefling	$ 298,700

Annual Cash Incentive

In anticipation of the Merger, the Compensation Committee did not establish 2016 PFP Plan targets. Named executive officers who left following the Merger were not granted awards under the 2016 PFP Plan.

Equity Incentives

Upon closing of the Merger on April 13, 2016, unvested performance-based equity grants for the three-year performance cycle beginning January 1, 2014, vested at

target based on a price per share equal to $55.37. For the three-year performance period beginning January 1, 2015, unvested performance-based equity grants vested at target based on a price per share equal to $55.37, and the equity grant target shares were prorated based upon the number of days lapsed in the 2015 cycle.

Outstanding time-based equity awards also vested based on a price per share equal to $55.37 upon closing of the Merger. The Compensation Committee did not approve performance-based restricted stock, time-based restricted stock, or stock options to named executive officers during 2016. The Company has not granted any stock appreciation rights under the terms of the LTIP since its adoption.

For additional details regarding the effect of the Merger on equity incentives, see “Interests of Our Directors and Executive Officers in the Merger” beginning on page 52 of the definitive proxy statement dated January 13, 2015.

LTIP Award

In anticipation of the Merger’s closing, no equity grants were made by the Compensation Committee for the three-year performance cycle beginning January 1, 2016, and the LTIP terminated at the close of the Merger.

Retirement Plans - Nonqualified Deferred Compensation Plan and SERP

The Deferred Compensation Plan and SERP were part of the executive retirement benefits prior to the Merger and are explained in detail in the sections titled “Retirement Plans - Nonqualified Deferred Compensation Plan” and “Retirement Plans - SERP” above.

In connection with the Merger, payment of deferred compensation plan balances that accrued after December 31, 2004, were accelerated by means of an election made pursuant to the terms of the Company's compensation plans triggered by a change in control involving the Cleco Corporation. One former director, Mr. William H. Walker, made such an election and an accelerated payment of any deferred compensation plan balance accrued after December 31, 2004 was made in the form of a single lump sum payment following the effective date of the Merger.

Change in Employment Status and Change in Control Event Benefits
During 2011, in conjunction with his being hired as CEO, Cleco Corporation entered into an employment agreement with Mr. Bruce A. Williamson. That agreement was fulfilled at the close of the Merger. The Change in Control benefits are described in the section "The Cleco Corporation Executive Severance Plan."

Perquisites and Other Benefits
The perquisites and other benefits made available to named executive officers prior to the Merger are consistent with those offered currently. See the section titled "Perquisites and Other Benefits" for a more detailed explanation.

IRC Section 162(m)
IRC Section 162(m) limits to $1,000,000 the amount Cleco Corporation could deduct in a tax year for compensation paid to the CEO and each of the three other most highly compensated executive officers (other than the CFO). Performance-based compensation paid under a plan approved by Cleco Corporation shareholders that satisfied certain other conditions may have been excluded from the calculation of the limit.

The Compensation Committee took actions considered appropriate to preserve the deductibility of compensation paid to executive officers, but the Compensation Committee did not adopt a formal policy that required all compensation to be fully deductible. As a result, the Compensation Committee may have paid or awarded compensation that it deemed necessary or appropriate to achieve our business goals and to align the interests of our executives with those of Cleco Corporation shareholders, whether or not the compensation was performance-based within the meaning of IRC Section 162(m) or otherwise fully deductible. The LTIP was approved by Cleco Corporation 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 were intended to satisfy the performance-based requirements of IRC Section 162(m) and were intended to be fully deductible. Amounts paid under the PFP Plan counted toward the $1,000,000 limit.

The Compensation Committee
The individuals listed below were the members of Cleco Corporation's Compensation Committee throughout 2015 and up until the effective date of the Merger on April 13, 2016.

Compensation Committee of
Cleco Corporation
(2015 through April 13, 2016)
Logan W. Kruger, Chair
Peter M. Scott III
William H. Walker
William L. Marks

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Executive Officers' Compensation

Summary Compensation Table

Name and Principal Position	Year	Salary($)	Bonus($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)[3]	All Other Compensation ($)	Total ($)
A	B	C	D	E	F	G	H	I	J
Darren J. Olagues,[1] President and CEO	2016	$502,658	$ 0	$0	$ 0	$ 0	$ 829,173	$ 790,256	$ 2,122,087
	2015	$400,800	$ 0	$368,904	$ 0	$ 222,745	$ 14,921	$ 39,223	$ 1,046,593
	2014	$389,423	$ 0	$509,068	$ 0	$ 278,850	$ 1,205,650	$ 42,809	$ 2,425,800
Terry L. Taylor,[2] Chief Financial Officer	2016	$219,051	$ 0	$0	$ 0	$ 129,353	$ 202,970	$ 219,872	$ 771,246
Anthony L. Bunting,[2] Chief Administrative Officer	2016	$225,627	$ 0	$0	$ 0	$ 137,127	$ 698,496	$ 240,627	$ 1,301,877
William G. Fontenot,[2] Chief Operating Officer	2016	$279,625	$ 0	$0	$ 0	$ 186,907	$ 308,118	$ 351,738	$ 1,126,388
Keith D. Crump,[2] Chief Commercial Officer	2016	$257,500	$ 0	$0	$ 0	$ 213,827	$ 160,794	$ 355,395	$ 987,516
FORMER EXECUTIVE OFFICERS:									
Bruce A. Williamson, Former President & CEO	2016	$240,692	$ 0	$0	$ 0	$ 0	$ 3,275,840	$ 7,618,463	$ 11,134,995
	2015	$745,000	$ 0	$1,461,526	$ 0	$ 636,975	$ 0	$ 256,805	$ 3,100,306
	2014	$743,846	$ 0	$2,077,315	$ 0	$ 819,500	$ 2,709,379	$ 260,481	$ 6,610,521
Thomas R. Miller, Former SVP - CFO & Treasurer	2016	$99,831	$ 0	$0	$ 0	$ 44,324	$ 0	$ 1,111,716	$ 1,255,871
	2015	$308,308	$ 0	$193,481	$ 0	$ 131,802	$ 117,859	$ 16,730	$ 768,180
	2014	$299,231	$ 0	$267,005	$ 0	$ 165,000	$ 1,372,794	$ 11,872	$ 2,115,902
July P. Miller, Former SVP - Corporate	2016	$109,140	$ 0	$0	$ 0	$ 42,846	$ 792,422	$ 833,644	$ 1,778,052
Services & Information Technology	2015	$298,301	$ 0	$187,051	$ 0	$ 127,409	$ 36,402	$ 34,145	$ 683,308
	2014	$289,423	$ 0	$258,109	$ 0	$ 159,500	$ 859,654	$ 26,209	$ 1,592,895
Wade A. Hoefling,	2016	$96,503	$ 0	$0	$ 0	$ 42,846	$ 187,861	$ 1,023,959	$ 1,351,169
	2015	$298,301	$ 0	$187,051	$ 0	$ 127,409	$ 53,154	$ 33,821	$ 699,736

Former SVP - General Counsel & Director Regulatory Compliance									
	2014	$289,615	$ 0	$258,109	$ 0	$ 159,500	$ 887,456	$ 35,432	$ 1,630,112

(1) Mr. Olagues resigned from the Company effective February 8, 2017. As of the date of this report, no severance arrangements have been entered into in connection with his departure. Any severance arrangement, which could include payment of a non-equity incentive plan bonus for 2016, will be disclosed in a subsequent filing.

(2) Ms. Taylor, Mr. Bunting, Mr. Crump, and Mr. Fontenot were promoted to Chief officer positions following the merger and were not classified as named executives previously.

(3) Amounts in this column include the change in pension value year over year. For 2016, this amount includes the change in pension value from 2015 to 2016. Negative changes in the pension value year over year are reported as $0.

General

The Summary Compensation Table sets forth individual compensation information for the CEO, the CFO, and 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, 2016, December 31, 2015 and December 31, 2014 (the “named executives” or “named executive officers”). The table also includes former officers, who would have been named executives had they not left the Company in connection with the Merger. Compensation components represent both payments made to the named executive officers 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 2016, 2015 or 2014.

- 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 2016, 2015 and 2014 under the Pension Plan and SERP. Actuarial value computations are based on assumptions discussed in Part II, Item 8, “Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 9 — Pension Plan and Employee Benefits.” The 2016 changes shown in Column H are due to the actuarial impact from a decrease in the discount rate used to calculate future benefits under the Pension Plan and SERP. Negative changes, if any, are reported as zero. This compensation will be payable to the

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named executive in future years, generally as post-employment retirement payments.

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 under "Decisions Made in 2016 with Regard to Each Compensation and Benefit Component — Base Salary" in the CD&A. 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 2016, 2015 and 2014 base pay made by Ms. Miller pursuant to the Deferred Compensation Plan also is included in the salary column and is further detailed in the "Nonqualified Deferred Compensation" table. Adjustments to base pay are recommended to the Leadership Development and Compensation Committee typically on an annual basis, and if approved, usually are implemented in January. Base salary changes made in 2016 for our named executives and the reasons for those changes are discussed in "Decisions Made in 2016 with Regard to Each Compensation and Benefit Component — Base Salary" in the CD&A.

Bonus
Column D, "Bonus" includes non-plan-based, discretionary incentives earned during 2016, 2015, or 2014. No such awards were earned in 2016, 2015, or 2014 by the named executive officers.

Stock Awards
Column E reflects grants and awards of Cleco Corporation common stock made to the named executive officers. Such grants and awards include annual performance-based restricted stock, as well as time-based service award grants. There were no stock grants or awards made in 2016. For 2015, Column E includes the grant date fair value calculated under GAAP for the three-year performance cycle beginning January 1, 2015 and ending December 31, 2017. For 2014, 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, 2014 and ending December 31, 2016.
The dollar value of the LTIP grants in Column E is based on the grant date fair value as required by FASB, and does not represent cash compensation received by the named executives during 2015 or 2014. The value was determined by the Company's actuary (Willis Towers Watson) and reflected a "fair value" estimate using a Monte Carlo simulation over the requisite performance cycle based on Cleco Corporation's historical stock price volatility and dividend yield data compared to each company in the Proxy Peer Group. For the three performance-based cycles applicable to Column E, the grant date fair value of Cleco common stock was $45.60 for the 2015 to 2017 cycle and $54.58 for the 2014 to 2016 cycle.

Option Awards
Column F, "Option Awards" reflects the grant date fair value for grants made to executive officers in 2016. No stock options were granted to our named executive officers during 2016, 2015 or 2014.

Non-Equity Incentive Plan Compensation
Column G, "Non-Equity Incentive Plan Compensation" contains cash awards earned during 2016 and paid in March 2017; earned during 2015 and paid in December 2015 and/or March 2016; and earned during 2014 and paid in December 2014 and/or March 2015 under the PFP Plan. Deferral of annual cash incentive payments made by Mr. Fontenot and Mr. Hoefling pursuant to the Deferred Compensation Plan also is included in Column G and is further detailed in the "Nonqualified Deferred Compensation" table.

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 2016, 2015 and 2014 under the Pension Plan and SERP, including SERP's supplemental death benefit provision. These values do not represent cash received by the named executives in 2016, 2015, and 2014; 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 SERP benefits from December 31, 2015 to December 31, 2016; from December 31, 2014 to December 31, 2015; and from December 31, 2013 to December 31, 2014 result from an additional year of earned service, compensation changes and the increase (or decrease) in value caused by the change 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 the present value.) If the discount rate increases by a large enough amount, it can cause the accrued pension and SERP liability to decline versus the prior year. When this occurs, the values reported for Column H are zero.
The present value of the accumulated benefit obligation for each named executive officer is included in the table, "Pension Benefits." These values are reviewed by the Leadership Development and Compensation Committee in conjunction with their annual tally sheet analysis. An explanation of why the Company uses SERP and its relationship to other compensation elements can be found in SERP.
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 2016, 2015 and 2014.

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;
- For 2016, the cash payout of restricted shares settled at the closing in accordance with the terms of the Merger agreement;
- For 2016, 2015, and 2014, accumulated dividends paid for the LTIP three-year performance cycles ended December 31, 2015, December 31, 2014, and December 31, 2013, respectively, as well as dividends paid on restricted shares settled at the closing of the Merger;

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- For 2016, for former executives, cash payout of vacation and floating holiday balances upon termination;
- For Mr. Williamson, the purchase of his secondary home in accordance with his employment agreement following the close of the Merger;
- For Messrs. Miller and Hoefling, the purchase of their primary homes in accordance with the Executive Severance Plan;
- For 2016, for former executives, cash severance payments; and
- Federal Insurance Contributions Act ("FICA") tax due currently and paid by the Company on the annual increase in the named executive officers' future SERP benefits.

The value of the Column I items for 2016 for each named executive officers is as follows:

	Mr. Olagues	Ms. Taylor	Mr. Bunting	Mr. Fontenot	Mr. Crump	Mr. Williamson	Mr. Miller	Ms. Miller	Mr. Hoefling
Cleco Contributions to 401(k) Savings Plan	$ 9,233	$ 8,748	$ 9,762	$ 10,600	$ 8,451	$ 15,900	$ 7,587	$ 5,280	$ 4,890
Taxable Group Term Life Insurance	158	1,382	830	350	830	277	277	277	0
Merger Payout of Restricted Shares	708,127	188,258	208,025	309,574	309,574	3,697,387	371,422	359,074	359,074
Accumulated Dividends Paid on LTIP	72,738	18,582	20,801	30,287	36,540	363,784	30,721	41,269	35,732
Vacation Payout at Termination	0	0	0	0	0	55,402	19,812	19,915	16,854
Home Purchase	0	0	0	0	0	374,668	276,413	0	147,146
Severance Pay	0	0	0	0	0	2,970,000	357,676	389,506	391,340
FICA Tax on SERP	0	2,902	1,209	927	0	141,045	47,808	18,323	68,923
Total Other Compensation	$ 790,256	$ 219,872	$ 240,627	$ 351,738	$ 355,395	$ 7,618,463	$ 1,111,716	$ 833,644	$ 1,023,959

Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payments Under Non-Equity Incentive Plan Awards (PFP Plan)(2)			Estimated Future Payments Under Equity Incentive Plan Awards (LTIP)			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)
		Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)		
A	B	C	D	E	F	G	H	I	J
Mr. Olagues(1)		$ 0	$ 621,105	$ 1,242,210	$ 0	$ 0	$ 0	$ 0	$ 0

Ms. Taylor(1)	$0	$166,424	$332,848	$0	$ 0	$ 0	$ 0	$ 0
Mr. Bunting(1)	$0	$172,622	$345,244	$0	$ 0	$ 0	$ 0	$ 0
Mr. Fontenot(1)	$0	$228,761	$457,522	$0	$ 0	$ 0	$ 0	$ 0
Mr. Crump(1)	$0	$213,827	$427,654	$0	$ 0	$ 0	$ 0	$ 0
Mr. Williamson	$0	$745,000	$1,490,000	$0	$ 0	$ 0	$ 0	$ 0
Mr. Miller	$0	$154,500	$309,000	$0	$ 0	$ 0	$ 0	$ 0
Ms. Miller	$0	$149,350	$298,700	$0	$ 0	$ 0	$ 0	$ 0
Mr. Hoefling	$0	$149,350	$298,700	$0	$ 0	$ 0	$ 0	$ 0

(1) Targets based on salary following mid-year promotions related to the Merger.
(2) For current named executives, includes target awards for the Retention Bonus Plan.

General

The target values for each of the Company's incentive plans — PFP Plan and LTIP — are determined as part of the Leadership Development and Compensation Committee's review of executive officer compensation. The Leadership Development and Compensation Committee's review supported by data prepared by Pay Governance, includes comparisons of base salary and annual and long-term incentive levels of Cleco executive officers versus the Comparator Group as detailed in "The Executive Compensation Process" in the CD&A. Targets for both the PFP Plan and the LTIP are set as a percentage of

base salary and stated in their dollar equivalent in the table above.

Estimated Future Payments under Non-Equity Incentive Plan Awards (PFP Plan)

See "Decisions Made in 2016 with Regard to Each Compensation and Benefit Component — Annual Cash Incentive" in the CD&A for a discussion of our 2016 PFP Plan award calculations.

Estimated Future Payments under Equity Incentive Plan Awards (LTIP)

There were no awards made under the LTIP in 2016.

Pension Benefits

Name	Plan Name(s)	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit ($)	Payments During Last Fiscal Year ($)
Mr. Olagues	Cleco Corporation Pension Plan	9	$ 294,930	$ 0
	Cleco Corporation SERP	9	$ 3,362,775	$ 0
Ms. Taylor	Cleco Corporation Pension Plan	16	$ 1,029,315	$ 0
	Cleco Corporation SERP	16	$ 1,804,179	$ 0
Mr. Bunting	Cleco Corporation Pension Plan	24	$ 1,280,677	$ 0
	Cleco Corporation SERP	24	$ 1,865,252	$ 0
Mr. Fontenot	Cleco Corporation Pension Plan	30	$ 1,346,143	$ 0
	Cleco Corporation SERP	30	$ 1,617,632	$ 0
Mr. Crump	Cleco Corporation Pension Plan	27	$ 1,292,427	$ 0
	Cleco Corporation SERP	27	$ 1,702,314	$ 0
Mr. Williamson	Cleco Corporation Pension Plan	4	$ 0	$ 0
	Cleco Corporation SERP	4	$ 14,373,547	$ 545,052
Mr. Miller	Cleco Corporation Pension Plan	3	$ 0	$ 0
	Cleco Corporation SERP	3	$ 2,508,964	$ 105,455
Ms. Miller	Cleco Corporation Pension Plan	31	$ 1,766,209	$ 68,758
	Cleco Corporation SERP	31	$ 2,801,716	$ 108,954
Mr. Hoefling	Cleco Corporation Pension Plan	9	$ 520,148	$ 23,997
	Cleco Corporation SERP	9	$ 3,760,159	$ 173,474

General

The Company provides executive officers who meet certain tenure requirements benefits from the Pension Plan and SERP. Vesting in the Pension Plan requires five years of service with the Company. With the exception of Mr. Williamson and Mr. Miller, each of the named executive officers is fully vested in the Pension Plan.

Mr. Williamson and Mr. Miller, both having been hired after August 1, 2007, were not eligible to participate in the Pension Plan and were included in an enhanced 401(k) Savings Plan for those employees hired on or after August 1, 2007.

Vesting in SERP requires ten years of service. As a condition of his employment, Mr. Williamson was subject to a shorter vesting period in SERP, vesting in four years. Under the terms of SERP, automatic vesting occurs upon a Change in Control if a participating executive is involuntarily terminated from the Company. Mr. Miller and Mr. Hoefling received accelerated vesting upon their separation from the Company. Mr. Williamson and Ms. Miller were fully vested in SERP at the time of their separations. Mr. Olagues is the only named executive officer who is not fully vested in SERP.

The present value of each of the named executive officer’s accumulated benefit values was actuarially calculated and represents the values as of December 31, 2016. These calculations were made using the projected unit credit method for valuation purposes and a discount rate of 4.27%. Other material assumptions relating to the valuation include use of the RP-2006 Employee and Healthy Annuitant gender distinct mortality tables projected generationally using Scale MP-2016, assumed retirement at age 65 and retirement payments in the form of joint and 100% survivor with 10 years certain payment, with the exception of Mr. Miller and Mr. Hoefling whose benefits are payable as a 10-year certain and life annuity.

The sum of the change in actuarial value of the Pension Plan during 2016 and the change in value of SERP is included in Column H, “Change in Pension Value and Nonqualified Deferred Compensation Earnings,” in the Summary

Compensation Table. Negative changes, if any, are reported as zero.

Pension Plan

The Cleco Corporation Pension Plan, restated effective August 1, 2015, is a defined benefit plan funded entirely by employer contributions. Effective August 1, 2007, the Pension Plan was closed to new participants. Employees hired on or after August 1, 2007 are eligible to participate in an enhanced 401(k) Savings Plan. With the exception of Mr. Williamson and Mr. Miller, each of our named executives was hired prior to August 1, 2007.

Benefits under the Pension Plan are determined by years of service, age at retirement, and highest total average compensation for any consecutive five calendar years during the last ten years of employment. Earnings include base pay, cash incentives, merit lump sums, imputed income with respect to life insurance premiums paid by the Company, pre-tax contributions to the 401(k) Savings Plan, salary and bonus deferrals to the Deferred Compensation Plan, and any other form of payment taxable under IRC Section 3401(a). Earnings exclude reimbursement of expenses, gifts, severance pay, moving expenses, outplacement assistance, relocation allowances, welfare benefits, benefits accrued (other than salary and bonus deferrals) or paid pursuant to the Deferred Compensation Plan, the value of benefits accrued or paid (including dividends) under the LTIP, income from the exercise of stock options and income from disqualifying stock dispositions. For 2016, the amount of earnings was further limited to $265,000 as prescribed by the IRS.

The formula for calculating the defined benefit under the Pension Plan is as follows:

1. Defined Benefit = Annual Benefit + Supplement Benefit
2. Annual Benefit = Final Average Earnings × Years of Service × Pension Factor
3. Supplement Benefit = (Final Average Earnings - Social Security Covered Compensation) × Years of Service × .0065

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The pension factor varies with the retirement year. For 2016, the applicable factor was 1.25%. Social Security-covered income is prescribed by the IRS based on the year of birth.
Benefits from the Pension Plan are generally paid at normal, late or early retirement dates and are subject to a limit prescribed by the IRS, generally $210,000 in 2016. Normal retirement at age 65 entitles the participant to a full pension. A participant may elect to delay retirement past age 65 as long as he/she is actively employed. Years of service continue to accumulate (up to a maximum of 35) and earnings continue to count toward the final earnings calculation. If a participant chooses to retire after age 55 but before normal retirement age, the amount of the annual pension benefit is reduced by 3% per year between ages 55 and 62. For example, the normal pension benefit at age 55 is reduced by 21%.

SERP
SERP is designed to provide retirement income of 65% of an executive officer's final compensation at normal retirement, age 65. Final compensation under SERP is based on the sum of the highest annual salary paid during the five years prior to termination of employment and the average of the three highest PFP Plan awards paid to the participant during the preceding 60 months. Final compensation also is determined without regard to the IRS limit on compensation. SERP benefit rate at normal retirement is reduced by 2% per year for each year a participant retires prior to age 65, with a minimum benefit rate of 45% at age 55. The final benefit rate also may be reduced further if a participant separates from service prior to age 55. This actuarially determined reduction factor is equivalent to that used in our Pension Plan, which is 3% for each year from age 55 to 62. For example, if a SERP participant were to terminate service at age 50 and start receiving his or her SERP benefit at age 55, his or her SERP benefit rate would be 35.6%. This is the product of the minimum SERP benefit of 45% reduced by another 21% for early commencement. The actual SERP benefit payments are

reduced if a participant is to receive benefit payments from our Pension Plan, has received certain employer contributions related to our 401(k) Savings Plan and/or is eligible to receive retirement-type payments from former employers and subsequent employers, if applicable. Messrs. Olagues, Williamson, Miller, and Hoefling will receive reduced payments from SERP because of retirement-type payments to be received from former employers.
SERP provides survivor benefits, which are payable to a participant's surviving spouse or other beneficiary. SERP also contains a supplemental death benefit that was added in 1999 to reflect market practice. If a SERP participant dies while actively employed, the amount of the supplemental death benefit is equal to the sum of two times the participant's annual base salary as of the date of death and the participant's target bonus payable under the PFP Plan for the year in which death occurs. If a participant dies after termination of employment, the supplemental benefit is equal to the sum of the participant's final annual base salary and target bonus payable under the PFP Plan for the year in which the participant retired or otherwise terminated employment. The supplemental death benefit is not dependent on years of service.
In July 2014, Cleco Corporation's Board of Directors closed SERP to new participants. In August 2016, the Company's Board of Managers voted to freeze salary and bonus components used in the final compensation calculation as of December 31, 2017 for three current participants including Mr. Olagues. With regard to other current SERP participants, including former employees or their beneficiaries, all terms of SERP will continue.

Estimated Annual Payments
The following table shows the estimated annual payments at age 55 (or actual attained age if greater than 55) to each of the named executives under the Pension Plan and SERP as of December 31, 2016. Amounts shown for former executives reflect actual payments.

	Estimated Payments at Age 55 (or actual attained age if greater than 55)		
	Pension	SERP	Total
Mr. Olagues	$27,120	$217,200	$244,320
Ms. Taylor	$59,448	$118,044	$177,492
Mr. Bunting	$76,884	$88,776	$165,660
Mr. Fontenot	$90,084	$60,012	$150,096
Mr. Crump[1]	$78,935	$132,677	$211,612
Mr. Williamson[2]	$0	$817,577	$817,577
Mr. Miller[2]	$0	$158,183	$158,183
Ms. Miller[2]	$103,137	$163,432	$266,569
Mr. Hoefling[2]	$35,995	$260,211	$296,206

(1) Mr. Crump retired from the Company on December 31, 2016. The amounts reflected in the table represent actual payments to him beginning January 1, 2017.
(2) Payments for former executive named executive officers represent actual payments beginning May 1, 2016.

Nonqualified Deferred Compensation

Name	Executive officer contributions in 2016 ($)[1]	Company contributions in 2016 ($)	Aggregate earnings in 2016 ($) [2]	Aggregate withdrawals/ distributions in 2016 ($)	Aggregate balance at December 31, 2016 ($)[3]
A	B	C	D	E	F
Mr. Olagues	$ 0	$ 0	$ 0	$ 0	$ 0
Ms. Taylor	$ 0	$ 0	$ 0	$ 0	$ 0
Mr. Bunting	$ 0	$ 0	$ 0	$ 0	$ 0
Mr. Fontenot	$ 9,151	$ 9,151	$ 72,766	$ 0	$ 807,525
Mr. Crump	$ 0	$ 0	$ 0	$ 0	$ 0
Mr. Williamson	$ 0	$ 0	$ 0	$ 0	$ 0
Mr. Miller	$ 0	$ 0	$ 0	$ 0	$ 0
Ms. Miller	$ 1,731	$ 1,731	$ 6,676	$ 12,391	$ 115,713
Mr. Hoefling	$ 41,450	$ 41,450	$ 109,644	$ 0	$ 1,337,997

(1) The amounts in Column B represent deferrals of salary and non-equity incentive compensation payments made to the named executive officers during 2016 and are included in the amounts shown in Columns C and G, respectively, of the Summary Compensation Table.
(2) The aggregate earnings shown in Column D are not included in the Summary Compensation Table. Negative returns are reflected as zero.
(3) The aggregate balances shown in Column F include amounts reported as salary and non-equity incentive compensation payments in the Summary Compensation Table for the current fiscal year, as well as previous years and the earnings on those amounts.

Deferred Compensation

Named executives and other key employees are eligible to participate in the Company's Deferred Compensation Plan. Participants are allowed to defer up to 50% of their base salary and up to 100% of their annual cash incentive, as reported in Columns C and G in the Summary Compensation Table. Consequently, the executive officer contributions listed in Column B above are made by the participant and not by Cleco. Mr. Fontenot and Ms. Miller elected to participate in the Deferred Compensation Plan during 2016. Deferrals made by Mr. Hoefling relate to a 2015 election to defer receipt of his 2015 PFP bonus which was partially paid in 2015 and partially paid in 2016. All deferral elections for 2016 were made prior to the beginning of 2016 as required by the regulations under IRC Section 409A. There are no matching contributions made by the Company.

Deferrals become general funds for use by the Company to be repaid to the participant at a pre-specified date. Short-term deferrals may be paid out as early as five years following the end of the plan year (i.e., the year in which compensation was earned). Retirement deferrals are paid at the later of termination of service or the attainment of an age specified by the participant. A bookkeeping account is maintained for each participant that records deferred salary and/or bonus, as well as earnings on deferred amounts. Earnings are determined by the performance of notional investment alternatives, which are similar to the investments available under the 401(k) Savings Plan. Participants select which of these alternatives will be used to determine the earnings on their own accounts. The Deferred Compensation Plan is not intended to provide for the payment of above-market or preferential earnings (as these terms are defined under the SEC regulations) on compensation deferred under the plan. As such, the Deferred Compensation Plan does not provide a guaranteed rate of return.

Potential Payments at Termination or Change in Control

The following tables "Potential Payments at Termination or Change in Control" detail the estimated value of payments and benefits provided to each of our named executive officers assuming the following separation events occurred as of December 31, 2016: termination by the executive; disability; death; retirement; constructive termination; termination by the Company for cause; and termination in connection with a change in control. The Company has selected these events

based on long-standing provisions in our employee benefit plans such as the Pension Plan and 401(k) Savings Plan, or because their use is common within the industry and Comparator Group. Some of the potential severance payments are governed by the separate documents establishing the PFP Plan, LTIP, and SERP.

At its October 2011 meeting, the Compensation Committee approved the Executive Severance Plan to provide severance benefits to executive officers. In October and December 2014 and July 2015, the Compensation Committee approved amendments to the Executive Severance Plan. At December 31, 2016, all of the named executive officers, other than the former executive officers, were covered by the Executive Severance Plan,

The following narrative describes the type and form of payments and benefits for each separation event. The tables under "Potential Payments at Termination or Change in Control" provide an estimate of potential payments and benefits to each named executive officer under each separation event. Throughout this section, reference to "executive officers" is inclusive of named executive officers.

Termination by the Executive

If an executive officer resigns voluntarily, no payments are made or benefits provided other than those required by law.

Disability

Annual disability benefits are payable when a total and permanent disability occurs and are paid until the executive officer's normal retirement age, which is age 65. This benefit is provided under SERP and is paid regardless of whether the executive was vested in SERP at the time of disability. At age 65, a disabled executive is eligible to receive annual retirement benefits under the Pension Plan, for those who are participants, and SERP as outlined under the headings "Pension Plan" and "SERP," respectively. The executive officer also is eligible to receive a one-time, prorated share of the current year's PFP Plan award and a prorated award for each LTIP performance cycle in which he/she participates to the extent those performance cycles award at their completion.

Death

A prorated share of the current year's PFP Plan award and a supplemental death benefit provided from SERP are paid to an executive officer's designated beneficiary in the event of death

in service. Both are one-time payments. The executive officer's designated beneficiary also is eligible to receive a prorated award for each LTIP performance cycle in which the executive officer participates to the extent those performance cycles award at their completion.
Annual survivor benefits are payable to an executive officer's surviving spouse for his/her life, or if there is no surviving spouse, to the executive officer's designated beneficiary for a period of ten years or, if no designated beneficiary is named, to the executive officer's estate for a period of ten years. Amounts are calculated under the provisions of the Pension Plan and SERP. Please see the discussion under the headings "Pension Plan" and "SERP," respectively, as well as SERP provisions relating to death while in service. Survivor benefits are paid from SERP regardless of vested status in SERP at the time of death. The SERP supplemental death benefit is paid only to executives who were employed by the Company on or after December 17, 1999. All of our named executives are eligible for the death benefit.

Retirement
In the event of early or normal retirement, the executive officer is eligible to receive a prorated share of the current year's PFP Plan award and a prorated award for each LTIP performance cycle in which he/she participates to the extent those performance cycles award at their completion. Retirement benefits are provided pursuant to the Pension Plan and SERP. Payments are made monthly and are calculated using the assumptions described in the discussion following the "Pension Benefits" table.

Constructive Termination
Payments made and benefits provided upon a constructive termination are ordinarily greater than payments made on account of an executive officer's retirement, death or disability because separation effectively is initiated by the Company. Certain payments are made contingent upon the execution of a waiver, release and covenants agreement in favor of the Company. Constructive termination also may be initiated by an executive officer if there has been (i) a material reduction in his/her base compensation, other than a reduction uniformly applicable to all executive officers; and (ii) a contemporaneous, material reduction in his/her authority, job duties, or responsibilities.
Under the terms of the Executive Severance Plan, an executive would receive constructive termination payments including up to 52 weeks of base compensation, up to $50,000 in lieu of outplacement services and reimbursement of premiums paid to maintain coverage under our medical plan for up to 18 months. The executive also would be eligible for a prorated portion of the current year's payout under the PFP Plan and a prorated award for the LTIP performance cycles in which he/she participates to the extent those performance cycles award at their completion.
If the executive officer has vested retirement benefits and has attained eligible retirement age, he/she would receive retirement benefits as described under "Pension Benefits."

Termination for Cause
"Cause" is defined as an executive's (i) intentional act of fraud, embezzlement or theft in the course of employment or other intentional misconduct that is materially injurious to the Company's financial condition or business reputation;

(ii) intentional damage to Company property, including the wrongful disclosure of its confidential information; (iii) intentional refusal to perform the essential duties of his/her position; (iv) failure to fully cooperate with government or independent agency investigations; (v) conviction of a felony or crime involving moral turpitude; (vi) willful or reckless violation of the material provisions of Cleco's Code of Conduct; or (vii) willful or reckless violation of rules related to the Sarbanes-Oxley Act or rules adopted by the SEC. No payments, other than those required by law, are made or benefits provided under the terms of the Williamson Agreement or under the Executive Severance Plan if an executive officer is terminated for cause. If an executive officer is vested in SERP, that benefit is forfeited. The value of that forfeiture is shown as a negative number in the separation payments tables.

Change in Control

The term “Change in Control” was defined in the LTIP. One or more of the following triggering events constitute a Change in Control:

- An event involving the Company of a nature that the Company would be required to report in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Exchange Act;
- Any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than the Company or any “person” who is a director or officer of the Company or an employee stock ownership plan (within the meaning of IRC Section 4975(e)(7)) sponsored by the Company or an affiliate, is or becomes the “beneficial owner” (as determined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company’s then outstanding securities;
- During any period of 24 consecutive months, individuals who at the beginning of such period constitute the board of directors cease for any reason to constitute at least a majority thereof, unless the election of each director who was not a director at the beginning of such period shall have been approved in advance by directors representing at least 80% of the directors then in office who were directors at the beginning of such period;
- The Company shall be party to a merger or consolidation with another corporation and, as a result of such transaction, less than 80% of the then outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former shareholders of the Company other than “affiliates” (as such term is defined in Rule 405 promulgated under the Securities Act of 1933, as amended) of any party to such transaction, as the same shall have existed immediately before such transaction;
- The Company sells, leases or otherwise disposes of, in one transaction or in a series of related transactions, all or substantially all of its assets;
- The shareholders of the Company approve a plan of dissolution or liquidation; or
- All or substantially all of the assets or the issued and outstanding membership interests of Cleco Power are sold, leased or otherwise disposed of in one or a series of related transactions to a person, other than the Company or another affiliate.

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Except as described below, payments are made and benefits provided only if an executive's employment is terminated during the 60-day period preceding or the 24-month period following the Change in Control (commonly referred to as a "double-trigger" design).
Termination must be involuntary and by the Company without cause or initiated by the executive on account of "Good Reason." The term "Good Reason" means that the named executive officer (i) suffers a significant reduction in base compensation or a significant reduction in other benefits; (ii) experiences a significant reduction in authority, job duties and responsibilities; (iii) is required to be away from his/her office significantly more in order to perform his/her job duties; or (iv) experiences a change in job location of more than 60 miles. "Good Reason" may not be initiated by the executive based on the fact that the Company is no longer publicly traded. No event or condition will constitute "Good Reason" unless (a) the named executive officer gives the Company written notice of his/her objection to such event or condition within 60 days after he/she first learns of it, (b) such event or condition is not promptly corrected by the Company, but in no event later than 30 days after receipt of such notice, and (c) the executive resigns his/her employment with the Company not more than 60 days following the expiration of the 30-day period described in subparagraph (b). The executive also must satisfy the conditions included in the waiver, release and covenants agreement defined in the Executive Severance Plan.
Under the Executive Severance Plan, an executive would receive an amount up to two times the sum of annualized base salary and the average non-equity incentive plan bonus over the last three fiscal years and reimbursement of COBRA premiums for up to 24 months. Payments may also include the purchase of the executive officer's primary residence and reimbursement of relocation expenses, but only if the executive

relocates his/her primary residence more than 100 miles. No excise tax payments or gross-ups are made; instead, benefits will be reduced to avoid the imposition of the tax. The numbers shown below do not give effect to this reduction.
Subject to the "double-trigger" conditions described above, upon a Change in Control, SERP benefits are: (i) fully vested; (ii) increased by adding three years to an affected executive's age, subject to a minimum benefit of 50% of compensation; and (iii) subject to a modified actuarial reduction determined by increasing the executive's age by three years.
If an executive officer is vested and of eligible retirement age, he or she may become eligible to begin to receive the annual retirement benefit described above upon a Change in Control.
The following tables set forth the value of post-employment payments and benefits that are not generally made available to all employees. Each separation event is assumed to occur on December 31, 2016. Retirement is assumed to occur at age 55 or the named executive officer's actual attained age if greater than 55. Estimated payments under our PFP Plan and LTIP for disability, death, retirement and constructive termination are uncertain until the completion of the performance period/cycle. In the case of the PFP Plan, the performance period is the current fiscal year. The estimated payment for the home purchase and relocation is a projection of the expense to sell the named executive officer's principal residence including any loss avoided by the named executive officer by having the right to sell the residence to the Company, plus the projected cost to relocate the named executive officer.
Pursuant to Item 401(j) of Regulation S-K, the separation events disclosed in this Form 10-K are assumed to occur in the past, as of December 31, 2016.

Mr. Olagues

Value of Payment/Benefit	Termination by Executive	Disability	Death	Retirement	Constructive Termination	Termination for Cause	Change in Control
Cash Severance	$ 0	$0	$0	$0	$550,000	$ 0	$1,605,086

Annual Cash Bonus	0	467,631	467,631	467,631	467,631	0	0
Cash Payment in Lieu of Outplacement Services	0	0	0	0	50,000	0	0
Present Value of Incremental SERP Payments	0	6,548,700	4,336,163	0	0	0	3,380,296
SERP Supplemental Death Benefit	0	0	1,332,044	0	0	0	0
Purchase of Principal Residence/Relocation	0	0	0	0	0	0	83,500
COBRA Medical Coverage	0	0	0	0	18,213	0	24,285
Total Incremental Value	$ 0	$7,016,331	$6,135,838	$467,631	$1,085,844	$ 0	$5,093,167

Ms. Taylor

Value of Payment/Benefit	Termination by Executive	Disability	Death	Retirement	Constructive Termination	Termination for Cause	Change in Control
Cash Severance	$ 0	$0	$0	$0	$ 230,000	$0	$610,722
Annual Cash Bonus	0	122,603	122,603	122,603	122,603	0	0
Cash Payment in Lieu of Outplacement Services	0	0	0	0	25,000	0	0
Present Value of Incremental SERP Payments(1)	0	199,551	779,097	0	0	(1,962,417)	415,070
SERP Supplemental Death Benefit	0	0	525,722	0	0	0	0
Purchase of Principal Residence/Relocation Expenses	0	0	0	0	0	0	83,500
COBRA Medical Coverage	0	0	0	0	12,031	0	16,042
Total Incremental Value	$ 0	$322,154	$1,427,422	$122,603	$ 389,634	$(1,962,417)	$1,125,334

(1) As of December 31, 2016, Ms. Taylor was vested in SERP payments, which would be forfeited upon termination for cause.

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Mr. Bunting

Value of Payment/Benefit	Termination by Executive	Disability	Death	Retirement	Constructive Termination	Termination for Cause	Change in Control
Cash Severance	$ 0	$0	$0	$0	$ 230,000	$0	$637,398
Annual Cash Bonus	0	136,194	136,194	136,194	136,194	0	0
Cash Payment in Lieu of Outplacement Services	0	0	0	0	25,000	0	0
Present Value of Incremental SERP Payments(1)	0	425,990	1,036,506	0	0	(1,660,563)	484,251
SERP Supplemental Death Benefit	0	0	541,505	0	0	0	0
Purchase of Principal Residence/Relocation Expenses	0	0	0	0	0	0	83,500
COBRA Medical Coverage	0	0	0	0	15,255	0	20,340
Total Incremental Value	$ 0	$562,184	$1,714,205	$136,194	$ 406,449	$(1,660,563)	$1,225,489

(1) As of December 31, 2016, Mr. Bunting was vested in SERP payments, which would be forfeited upon termination for cause.

Mr. Fontenot

Value of Payment/Benefit	Termination by Executive	Disability	Death	Retirement	Constructive Termination	Termination for Cause	Change in Control
Cash Severance	$ 0	$0	$0	$0	$ 290,000	$0	$826,744
Annual Cash Bonus	0	184,884	184,884	184,884	184,884	0	0
Cash Payment in Lieu of Outplacement Services	0	0	0	0	25,000	0	0
Present Value of Incremental SERP Payments(1)	0	1,462,257	1,508,060	0	0	(1,061,426)	1,211,219
SERP Supplemental Death Benefit	0	0	699,063	0	0	0	0
Purchase of Principal Residence/Relocation Expenses	0	0	0	0	0	0	83,500
COBRA Medical Coverage	0	0	0	0	13,341	0	17,788
Total Incremental Value	$ 0	$1,647,141	$2,392,007	$184,884	$ 513,225	$(1,061,426)	$2,139,251

(1) As of December 31, 2016, Mr. Fontenot was vested in SERP payments, which would be forfeited upon termination for cause.

Mr. Crump

Value of Payment/Benefit	Termination by Executive	Disability	Death	Retirement	Constructive Termination	Termination for Cause	Change in Control
Cash Severance	$ 0	$0	$0	$0	$ 257,500	$0	$764,624
Annual Cash Bonus	0	213,827	213,827	213,827	213,827	0	0
Cash Payment in Lieu of Outplacement Services	0	0	0	0	25,000	0	0
Present Value of Incremental SERP Payments(1)	0	510,120	1,130,931	0	0	(2,049,675)	592,903
SERP Supplemental Death Benefit	0	0	643,750	0	0	0	0
Purchase of Principal Residence/Relocation Expenses	0	0	0	0	0	0	83,500

COBRA Medical Coverage	0	0	0	0	18,213	0	24,285
Total Incremental Value	$ 0	$723,947	$1,988,508	$213,827	$ 514,540	$(2,049,675)	$1,465,312

(1) As of December 31, 2016, Mr. Crump was vested in SERP payments, which would be forfeited upon termination for cause.

DIRECTOR COMPENSATION

2016 Director Compensation

Name(1)	Fees Earned or Paid in Cash and/ or Stock ($)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
A	B	C	D	E	F	G	H
Vicky A. Bailey	$ 96,429	$ 0	$ 0	$ 0	$ 0	$ 0	$96,429
Rick Gallot	$ 92,857	$ 0	$ 0	$ 0	$ 0	$ 0	$92,857
Randy Gilchrist	$ 92,857	$ 0	$ 0	$ 0	$ 0	$ 0	$92,857
Elton R. King	$ 99,286	$ 0	$ 0	$ 0	$ 0	$ 2,084	$101,370
Logan W. Kruger	$ 99,286	$ 0	$ 0	$ 0	$ 0	$ 2,084	$101,370
William L. Marks	$ 102,143	$ 0	$ 0	$ 0	$ 0	$ 2,084	$104,227
Peggy Scott	$ 135,307	$ 0	$ 0	$ 0	$ 0	$ 0	$135,307
Peter M. Scott III	$ 100,000	$ 0	$ 0	$ 0	$ 0	$ 2,084	$102,084
Melissa Stark	$ 3,750	$ 0	$ 0	$ 0	$ 0	$ 0	$3,750
Shelley Stewart, Jr.	$ 99,286	$ 0	$ 0	$ 0	$ 0	$ 2,084	$101,370
Bruce Wainer	$ 92,857	$ 0	$ 0	$ 0	$ 0	$ 0	$92,857
William H. Walker, Jr.	$ 96,429	$ 0	$ 0	$ 0	$ 0	$ 2,241	$98,670

(1) Mr. Olagues was also a named executive officer and his compensation is included in the Compensation-Summary Compensation Table. He did not receive any additional compensation for his service on the boards. Messrs. Agnew, Chapman, Dinneny, Fay, Kendircioglu, Leslie, Turner and Webb were appointed to the boards by the Owner Group and do not receive additional compensation for their service on the boards.
(2) There were no stock awards in 2016. There were no shares of Cleco Corporation common stock awarded under the LTIP that were restricted as of December 31, 2016.
(3) No stock options were granted to directors in 2016. There were no option awards held by directors and outstanding as of December 31, 2016.

General

Column B, “Fees Earned or Paid in Cash and/or Stock;” Column E, “Non-Equity Incentive Plan Compensation;” and Column G, “All Other Compensation” represent cash compensation earned and/or received in 2016.

A non-management director may elect to participate in the Company’s Deferred Compensation Plan and defer the receipt of all or part of his or her fees. 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 the 401(k) Savings Plan. Funds may be reallocated between investments at the discretion of the director. Accounts, which may be designated separately by deferral year, 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 of directors or attains a specified age.

Fees Earned or Paid in Cash and/or Stock

Directors who are Cleco employees or who are appointed to Cleco’s board by the Owner Group receive no additional compensation for serving as a director. In 2016, compensation for non-management and for non-Owner Group appointed directors included annual retainer fees and insurance benefits under a group accidental death and dismemberment plan.

Prior to the Merger date, each non-management director received an annual cash retainer of $75,000 and an additional annual cash fee of $10,000 if the director was a chair of a committee other than the Audit Committee. The chair of the Audit Committee received an additional fee of $12,500. The lead director received an additional cash retainer in the amount of $20,000. As explained under “Stock Awards,” prior to 2016, each non-management director also received an annual award of Cleco Corporation common stock valued at $75,000. Pursuant to the terms of the Merger Agreement, this award was not made in 2016 and, instead, each non-management director received an additional cash payment of $75,000.

After the Merger date, each manager who is not a Cleco employee or appointed by the Owner Group, except Ms. Stark, receives an annual cash retainer of $130,000. Ms. Stark receives an annual cash retainer of $3,750. Each committee chair who is not a Cleco employee or appointed by the Owner Group receives an additional annual retainer of $20,000, and the non-management chair of the boards receives an additional annual retainer of $50,000.

Directors are permitted to defer receipt of their fees under the Company’s Deferred Compensation Plan. Prior to 2014, Mr. Walker made elections to defer his fees. The amounts of dividends credited to his deferred fees account balance in 2016, with respect to Cleco common stock held in the Company’s Deferred Compensation Plan, was $8,420. Messrs. Gallot and Gilchrist elected to defer all or a portion of their fees in 2016.

Cleco reimburses directors for travel and related expenses incurred for attending meetings of Cleco’s board of directors and board committees, including travel costs for spouses/companions.

Stock Awards

Prior to 2016, each non-management director received an annual stock award of Cleco Corporation common stock valued at $75,000, not to exceed 10,000 shares of stock. The grant date of the annual stock award was the date of the January board meeting each year, and the valuation date of the stock was the first trading day of the year. Directors were not required to provide any consideration in exchange for the annual stock award. Pursuant to the terms of the Merger Agreement, this stock award was not made to directors in 2016.

Option Awards

Amounts in Column D, “Option Awards,” would reflect grants made to the Company’s directors, providing them the opportunity to purchase shares of Cleco Corporation 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 directors in 2016, and Cleco's common stock was eliminated when the Merged closed in April 2016.

Non-Equity Incentive Plan Compensation

There were no non-equity incentive plan awards to the Company's directors in 2016.

Change in Pension Value and Nonqualified Deferred Compensation Earnings

Column F 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 2015. Cleco does not provide its directors with a pension plan.

All Other Compensation

Column G, "All Other Compensation," includes the following:

- Dividends paid on any restricted stock awards granted under the LTIP and not yet vested. Prior to the Merger date, dividends on restricted stock were paid quarterly and at the same rate as dividends on shares of Cleco Corporation common stock. Dividends were paid in cash or reinvested in additional shares, at the election of each director. This column also includes dividends paid on deferred restricted stock awards. Dividends on deferred restricted shares of Cleco Corporation common stock were not paid in cash, but instead were credited as units to the director's deferred compensation account. The value of dividends credited in 2016 is reflected in the "Deferred Units on Deferred Restricted Stock" column below.
- Expenses incurred for spousal/companion travel on Cleco business.

The values of the two "All Other Compensation" items are summarized in the chart that follows:

Name	Dividends on Restricted Stock	Deferred Units on Deferred Restricted Stock	Spousal/ Companion Travel	Total Other Compensation
Mr. King	$ 2,084	$ 0	$ 0	$ 2,084
Mr. Kruger	$ 2,084	$ 0	$ 0	$ 2,084
Mr. Marks	$ 2,084	$ 0	$ 0	$ 2,084
Mr. Scott	$ 2,084	$ 0	$ 0	$ 2,084
Mr. Stewart	$ 2,084	$ 0	$ 0	$ 2,084
Mr. Walker	$ 0	$ 2,084	$ 157	$ 2,241

Cleco also provides its directors who are not employed by Cleco or appointed by the Owner Group with $200,000 of life insurance and permanent total disability coverage under a group accidental death and dismemberment plan maintained

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by Cleco Power. The total 2016 premium for all coverage (exempt employees, officers and directors) under this plan was $16,573.

Vesting of Cleco Common Stock
Under the terms of the Merger Agreement, each unvested share of restricted stock granted pursuant to any equity incentive plan or arrangement of Cleco Corporation became vested in full and was converted into the right to receive a payment in cash equal to $55.37 per share upon closing of the Merger. As a result of the Merger, the following unvested shares of restricted stock granted to members of Cleco Corporation's board of directors prior to the Merger date became vested in full: Mr. King: 5,211; Mr. Kruger: 5,211; Mr. Marks: 5,211; Mr. Scott: 5,211; and Mr. Stewart: 5,211. Mr. Walker deferred his restricted stock awards, and restrictions on 10,027 deferred restricted units owned by him lapsed as a result of the Merger.

Interests of the Board of Directors
In 2016, 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.

Report of the Leadership Development and Compensation Committee
The Leadership Development and Compensation Committee of the boards of managers (see "Boards of Managers of Cleco" above and "Director Independence and Related Party Transactions" below), includes five managers, one of whom meet the additional requirements for independence which were adopted by the Board. The Leadership Development and Compensation Committee operates under a written charter last revised in August 2016, a copy of which is posted on Cleco's web site at www.cleco.com; About Us; Leadership; Board Committees. A copy of this charter also is available free of charge by request sent to: Public Relations, Cleco, P.O. Box 5000, Pineville, LA 71361-5000.
The Leadership Development and Compensation Committee was constituted following the closing of the Merger in April 2016. The Committee is directly responsible for (i) evaluating and establishing Cleco's compensation and

benefits philosophy as it relates to officers and other key employees; (ii) establishing associated compensation and benefit plans and compensation and benefits levels of Cleco's officers and other key employees; (iii) retaining an independent consultant to advise the Leadership Development and Compensation Committee on executive officers' compensation and benefit practices in Cleco's industry and peer group comparisons; (iv) annually evaluating the performance of the CEO in light of Cleco's goals and objectives; (v) reviewing the CD&A with management and approving its content; and (vi) annually evaluating its own performance.
The Leadership Development and Compensation Committee held five meetings following the closing of the Merger, three of which were telephonic meetings, at which the above listed responsibilities were addressed. During each of its meetings, the Leadership Development and Compensation Committee also met with its third-party consultant independent of management.
Based on the review and discussions referred to above, the Leadership Development and Compensation Committee recommended to the Company's Boards of Managers that the CD&A (including the "Pre-Merger Compensation Discussion and Analysis") and related required compensation disclosure tables be included in the Company's 2016 Form 10-K and filed with the SEC.

The Leadership Development and Compensation Committee of the Boards of Managers of Cleco Group, Cleco Holdings and Cleco Power

Christopher Leslie, Chair
Andrew Chapman

Rick Gallot
Lincoln Webb

Compensation Committee Interlocks and Insider Participation
The members of the Leadership Development and Compensation Committee are set forth above. There are no matters relating to interlocks or insider participation of the Leadership Development and Compensation Committee members that Cleco is required to report.

ITEM 12.
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Security Ownership of Directors and Management and Certain Beneficial Owners
Upon the closing of the Merger on April 13, 2016, all shares of Cleco Corporation common stock were exchanged for consideration of $55.37 per share. Following the closing of the Merger, there are no longer any outstanding shares of Cleco Corporation common stock.

Equity Compensation Plan Information
As a result of the completion of the Merger on April 13, 2016, all compensation plans under which equity securities of Cleco

Corporation were authorized for issuance were terminated. For more information on compensation plans using equity securities, see Part II, Item 8, “Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 8 — Common Stock.” For more information about the Merger, see Part II, Item 8, “Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 3 — Business Combinations.” This information should be read in conjunction with the Consolidated Financial Statements and related Notes thereto.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Director Independence and Related Party Transactions
Cleco's boards of managers have adopted categorical standards to assist them in making determinations of managers' independence. These categorical standards are posted on Cleco's web site at www.cleco.com; Leadership-Governance Guidelines. A copy of the standards is also available free of charge by request sent to: Public Relations, Cleco, P.O. Box 5000, Pineville, LA 71361-5000. The boards of managers have determined that Rick Gallot (member of the

boards of Cleco Group, Cleco Holdings and Cleco Power), Randy Gilchrist (member of the boards of Cleco Group, Cleco Corporate and Cleco Power), Peggy Scott (member of the boards of Cleco Group, Cleco Corporate and Cleco Power), Melissa Stark (member of the board of Cleco Power), and Bruce Wainer (member of the boards of Cleco Group, Cleco Holdings and Cleco Power) are independent within the meaning of the categorical standards adopted by the boards.
Cleco has no relationships to report under Item 407(a)(3)4.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Deloitte & Touche LLP (Deloitte) served as the principal accountant from January 1, 2016, until May 12, 2016. On July 22, 2016, Cleco engaged PricewaterhouseCoopers LLP (PwC) as its principal accountant. Aggregate fees for professional services rendered by PwC and Deloitte for the years ended December 31, 2016, and 2015, respectively, were as follows:

	2016	2015
Audit fees	$1,593,855	$1,557,675
Audit related fees	—	43,425
Tax fees	248,548	—
Other fees	951,242	15,720
Total	$2,793,645	$1,616,820

The Audit fees for the year ended December 31, 2016, were for professional fees rendered by PwC for the audits of Cleco's consolidated financial statements and the review of regulatory documents and other documents filed with the SEC.
The Audit fees for the year ended December 31, 2015, were for professional services rendered by Deloitte for the audits of Cleco's consolidated financial statements; the audit of the financial statements of certain Cleco subsidiaries; the audit of Cleco's internal controls in compliance with Section 404 of the Sarbanes-Oxley Act of 2002; consents and the issuance of comfort letters; and the review of regulatory documents and other documents filed with the SEC. The Audit fees for 2015 include $0.4 million associated with the 2014 audit of Cleco's financial statements.

The Audit related fees for the year ended December 31, 2015, were for professional services rendered in connection with state-mandated obligations and procedures associated with the framework issued in 2013 by the Committee of Sponsoring Organizations for the Treadway Commission.
The Tax fees for the year ended December 31, 2016, were for professional services rendered by PwC for tax compliance reviews, tax planning, and tax advice, including assistance with and representation in tax audits. The majority of the Tax fees were incurred prior to PwC being engaged as Cleco's principal accountant.
The Other fees for the year ended December 31, 2016, were for professional services rendered by PwC for consulting services related to various projects. All Other fees were incurred prior to PwC being engaged as Cleco's principal accountant.

Audit Committee Pre-Approval Policies and Procedures

The Audit Committee has established a policy requiring its pre-approval of all audit and non-audit services provided by the independent registered public accounting firm. The policy requires the general pre-approval of annual audit services and specific pre-approval of all other permitted services. In determining whether to pre-approve permitted services, the Audit Committee considers whether such services are consistent with SEC rules and regulations. Furthermore, requests for pre-approval for services that are eligible for general pre-approval must be detailed as to the services to be provided. The independent registered public accounting firm and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in
accordance with this pre-approval and the fees for the services performed to date. During 2016, all of the audit fees were pre-approved by the Audit Committee in accordance with the policy described above and pursuant to applicable rules of the SEC. One percent of the non-audit services were pre-approved by the Audit Committee, as the majority of these services were performed by PwC prior to its engagement on July 22, 2016, as Cleco's principal accountant. During 2015, all of the audit and non-audit services described above were pre-approved by the Audit Committee in accordance with the policy described above and pursuant to applicable rules of the SEC.
For the fiscal years ended December 31, 2016, and 2015, professional services provided for Cleco Power that were directly billed to Cleco Holdings, were allocated to Cleco Power though not billed directly to Cleco Power.

PART IV
ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The Exhibits designated by an asterisk are filed herewith, except for Exhibits 32.1, 32.2, 32.3, 32.4, which are furnished herewith (and not filed for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liability of that section). The Exhibits not so designated previously have been filed with the SEC and are incorporated herein by reference. The Exhibits designated by two asterisks are management contracts and compensatory plans and arrangements required to be filed as Exhibits to this Report.

CLECO
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EXHIBITS

Cleco		SEC FILE OR REGISTRATION NUMBER	REGISTRATION STATEMENT OR REPORT	EXHIBIT NUMBER
2(a)	Agreement and Plan of Merger, dated as of October 17, 2014, by and among the Company, Como 1 L.P. and Como 3 Inc.	1-15759	8-K(10/20/14)	2.1
3(a)	Articles of Entity Conversion of Cleco Corporate Holdings LLC, dated as of April 13, 2016	1-15759	8-K(4/19/16)	3.1
3(b)	Limited Liability Company Agreement of Cleco Corporate Holdings LLC, dated as of April 13, 2016	1-15759	8-K(4/19/16)	3.2
4(a)(1)	Indenture of Mortgage dated as of July 1, 1950, between Cleco Power (as successor) and First National Bank of New Orleans, as Trustee	1-05663	10-K(1997)	4(a)(1)
4(a)(2)	Eighteenth Supplemental Indenture dated as of December 1, 1982, to Exhibit 4(a)(1)	1-05663	10-K(1993)	4(a)(8)
4(a)(3)	Nineteenth Supplemental Indenture dated as of January 1, 1983, to Exhibit 4(a)(1)	1-05663	10-K(1993)	4(a)(9)
4(a)(4)	Twenty-Sixth Supplemental Indenture dated as of March 15, 1990, to Exhibit 4(a)(1)	1-05663	8-K(3/15/90)	4(a)(27)
4(b)(1)	Indenture between Cleco Power (as successor) and Bankers Trust Company, as Trustee, dated as of October 1, 1988	33-24896	S-3(10/11/88)	4(b)
4(b)(2)	Agreement Appointing Successor Trustee dated as of April 1, 1996, by and among Central Louisiana Electric Company, Inc., Bankers Trust Company, and The Bank of New York	333-02895	S-3(4/29/96)	4(a)(2)
4(b)(3)	First Supplemental Indenture, dated as of December 1, 2000, between Cleco Utility Group Inc. and the Bank of New York	333-52540	S-3/A(1/26/01)	4(a)(2)
4(b)(4)	Second Supplemental Indenture, dated as of January 1, 2001, between Cleco Power LLC and The Bank of New York	333-52540	S-3/A(1/26/01)	4(a)(3)
4(b)(5)	Seventh Supplemental Indenture, dated as of July 6, 2005, between Cleco Power LLC and the Bank of New York Trust Company, N.A.	1-05663	8-K(7/6/05)	4.1
4(b)(6)	Eighth Supplemental Indenture, dated as of November 30, 2005, between Cleco Power LLC and the Bank of New York Trust Company, N.A.	1-05663	8-K(11/28/05)	4.1
4(b)(7)	Ninth Supplemental Indenture, dated as of June 3, 2008, between Cleco Power LLC and The Bank of New York Trust Company, N.A.	1-05663	8-K(6/2/08)	4.1
4(b)(8)	Tenth Supplemental Indenture, dated as of November 13, 2009, between Cleco Power LLC and The Bank of New York Mellon Trust Company, N.A. (as successor trustee)	1-05663	8-K(11/12/09)	4.1

4(b)(9)	Eleventh Supplemental Indenture, dated as of November 15, 2010, between Cleco Power LLC and The Bank of New York Mellon Trust Company, N.A. (as successor trustee)	1-05663	8-K(11/15/10)	4.1
4(c)(1)	Indenture of Mortgage dated May 17, 2016 between Cleco Corporate Holdings LLC and Wells Fargo Bank, N.A.	1-15759	8-K(5/17/16)	4.1
4(c)(2)	First Supplemental Indenture dated May 17, 2016 between Cleco Corporate Holdings LLC and Wells Fargo Bank, N.A	1-15759	8-K(5/17/16)	4.2
4(c)(3)	Second Supplemental Indenture dated May 17, 2016 between Cleco Corporate Holdings LLC and Wells Fargo Bank, N.A	1-15759	8-K(5/17/16)	4.3
4(c)(4)	Third Supplemental Indenture dated May 24, 2016 between Cleco Corporate Holdings LLC and Wells Fargo Bank, N.A	1-15759	8-K(5/24/16)	4.2
4(d)	Registration Rights Agreement dated May 17, 2016 between Cleco Corporate Holdings LLC and Mizuho Securities USA Inc., Scotia Capital (USA) Inc., SMBC Nikko Securities America, Inc. and Other Initial Purchasers	1-15759	8-K(5/17/16)	4.4
4(e)	Agreement Under Regulation S-K Item 601(b)(4)(iii)(A)	1-05663	10-Q(9/99)	4(c)
** 10(a)(1)	Supplemental Executive Retirement Plan Amended and Restated January 1, 2009	1-15759	10-K(2008)	10(f)(4)
** 10(a)(2)	Supplemental Executive Retirement Plan (Amended and Restated January 1, 2009), Amendment No. 1	1-15759	8-K(12/9/08)	10.3
** 10(a)(3)	Cleco Corporation Supplemental Executive Retirement Plan Amendment, effective October 28, 2011	1-15759	10-Q(9/11)	10.2
** 10(a)(4)	Cleco Corporation Supplemental Executive Retirement Plan Amended and Restated effective January 1, 2009, Amendment No. 3	1-15759	10-K(2014)	10(c)(10)
** 10(a)(5)	Supplemental Executive Retirement Trust dated December 13, 2000	1-15759	10-K(2003)	10(e)(1)(c)
** 10(a)(6)	Supplemental Executive Retirement Plan Participation Agreement between Cleco Corporation and Dilek Samil	1-15759	10-K(2002)	10(z)(1)
** 10(a)(7)	Supplemental Executive Retirement Plan Participation Agreement between Cleco Corporation and Michael H. Madison	1-15759	10-K(2004)	10(v)(3)
** 10(b)(1)	Cleco Corporation Executive Severance Plan, effective October 28, 2011	1-15759	10-Q(9/11)	10.1
** 10(b)(2)	Cleco Corporation Executive Severance Plan (As amended and restated) Amendment No. 1	1-15759	8-K(10/24/14)	10.1
** 10(b)(3)	Cleco Corporation Executive Severance Plan (As amended and restated) Amendment No. 2	1-15759	8-K(12/23/14)	10.1
** 10(b)(4)	Cleco Corporation Executive Severance Plan (As amended and restated) Amendment No. 3	1-15759	10-Q(6/15)	10.1
** 10(b)(5)	Executive Employment Agreement, dated April 21, 2011, by and between Cleco Corporation and Bruce A. Williamson	1-15759	8-K(4/27/11)	10.1
** 10(b)(6)	Cleco Corporation Executive Severance Plan Adjustment to Severance Benefits Agreement between Cleco Corporation and Thomas R. Miller dated March 29, 2016	1-15759	8-K(4/1/16)	10.1

**	10(b)(7)	Cleco Corporation Executive Severance Plan Adjustment to Severance Benefits Agreement between Cleco Corporation and Wade A. Hoefling dated March 29, 2016	1-15759	8-K(4/1/16)	10.2
**	10(b)(8)	Cleco Corporation Executive Severance Plan Adjustment to Severance Benefits Agreement between Cleco Corporation and Judy P. Miller dated March 29, 2016	1-15759	8-K(4/1/16)	10.4
**	10(b)(9)	Letter Agreement, dated March 29, 2016, between Bruce A. Williamson and Cleco Corporation	1-15759	8-K(4/1/16)	10.3
	10(c)	401(k) Savings and Investment Plan Trust Agreement dated as of August 1, 1997, between UMB Bank, N.A. and Cleco	1-05663	10-K(1997)	10(m)
	10(d)(1)	Cleco Corporation Pay for Performance Plan	1-15759	10-K(2011)	10(g)(4)
	10(d)(2)	Cleco Corporation Pay for Performance Plan, As Amended and Restated December 3, 2012	1-15759	10-K(2012)	10(f)(5)
**	10(e)(1)	Cleco Corporation Deferred Compensation Plan	333-59696	S-8(4/27/01)	4.3
**	10(e)(2)	First Amendment to Cleco Corporation Deferred Compensation Plan	1-15759	10-K(2008)	10(n)(5)
**	10(e)(3)	Cleco Corporation Deferred Compensation Plan, Corrective Section 409A Amendment	1-15759	8-K(12/9/08)	10.2
	10(e)(4)	Deferred Compensation Trust dated January 2001	1-15759	10-K(2003)	10(u)
	10(e)(5)	Cleco Corporation Deferred Compensation Plan Amendment, effective October 28, 2011	1-15759	10-Q(9/11)	10.5
	10(e)(6)	Form of Cleco Corporate Holdings LLC Retention Bonus Plan for calendar years 2016 and 2017	1-15759	8-K(7/5/16)	10.1
	10(f)(1)	Note Purchase Agreement dated May 8, 2012 by and among Cleco Power LLC and the Purchasers listed on the signature pages thereto	1-05663	8-K(05/09/12)	10.1

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CLECO		SEC FILE OR REGISTRATION NUMBER	REGISTRATION STATEMENT OR REPORT	EXHIBIT NUMBER
10(f)(2)	Term Loan Agreement dated March 20, 2013, by and among Cleco Power LLC, as borrower, the lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent	1-15759	8-K(3/26/13)	10.1
10(f)(3)	Amended and Restated Credit Agreement dated as of October 16, 2013, among Cleco Corporation, various financial institutions, and JPMorgan Chase Bank, N.A., as administrative agent	1-15759	8-K(10/17/13)	10.1
10(f)(4)	Note Purchase Agreement dated November 13, 2015 by and among Cleco Power LLC and the Purchasers listed on the signature pages thereto	1-15759	8-K(11/13/15)	10.1
10(f)(5)	Note Purchase Agreement dated December 20, 2016 by and among Cleco Power LLC and the Purchasers listed on the signature pages thereto	1-05663	8-K(12/21/16)	10.1
10(f)(6)	Credit Agreement, dated as of April 13, 2016, by and among Cleco Corporation Holdings LLC, Mizuho Bank, Ltd., as administrative agent, and the lenders from time to time party thereto	1-15759	8-K(4/19/16)	10.1
10(f)(7)	Term Loan Credit Agreement, dated as of June 28, 2016, by and among Cleco Corporate Holdings LLC, Mizuho Bank, Ltd., as administrative agent, and the lenders from time to time party thereto	1-15759	8-K(7/1/16)	10.1
10(g)	Acadia Power Partners, LLC – Third Amended and Restated Limited Liability Company Agreement dated February 23, 2010	1-15759	10-K(2010)	10(j)
10(h)	Form of the Cleco Corporation 2014 Recovery Agreement Pay for Performance Plan, effective December 22, 2014	1-15759	8-K(12/23/14)	10.2
10(i)(1)	Form of Board of Managers Services Agreement, dated as of April 13, 2016	1-15759	8-K(4/19/16)	10.3
10(i)(2)	Form of Consulting Agreement, by and between Cleco Corporation and each of Thomas R. Miller, Wade A. Hoefling, and Judy P. Miller, dated as of April 13, 2016	1-15759	10-Q(3/16)	10.9
* 10(j)	Cleco Corporate Holdings LLC Separation Agreement by and between Cleco Power LLC, including its parent, Cleco Corporate Holdings LLC, and each of their respective subsidiaries and affiliates and Keith D. Crump			
* 10(k)	Interim Executive Employment Agreement, effective February 8, 2017, by and between Peggy Scott and Cleco Group LLC			
* 12(a)	Computation of Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Stock Dividends			

*21	Subsidiaries of the Registrant
*24(a)	Power of Attorney from each Manager of Cleco Corporate Holdings LLC whose signature is affixed to this Form 10-K for the fiscal year ended December 31, 2016
*31.1	CEO Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002
*31.2	CFO Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002
*32.1	CEO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002
*32.2	CFO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002
*95	Mine Safety Disclosures
*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase
*101.DEF	XBRL Taxonomy Extension Definition Linkbase
*101.LAB	XBRL Taxonomy Extension Label Linkbase
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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CLECO POWER		SEC FILE OR REGISTRATION NUMBER	REGISTRATION STATEMENT OR REPORT	EXHIBIT NUMBER
3(a)	First Amended and Restated Articles of Organization of Cleco Power LLC, dated April 30, 2010	1-05663	10-Q(3/10)	3.2
3(b)	First Amended and Restated Operating Agreement of Cleco Power LLC, dated April 30, 2010	1-05663	10-Q(3/10)	3.3
3(c)	Second Amended and Restated Articles of Organization of Cleco Power LLC, dated as of April 13, 2016	1-05663	8-K(4/19/16)	3.3
3(d)	Second Amended and Restated Articles Operating Agreement of Cleco Power LLC, dated as of April 13, 2016	1-05663	8-K(4/19/16)	3.4
4(a)(1)	Indenture of Mortgage dated as of July 1, 1950, between the Company and First National Bank of New Orleans, as Trustee	1-05663	10-K(1997)	4(a)(1)
4(a)(2)	Eighteenth Supplemental Indenture dated as of December 1, 1982, to Exhibit 4(a)(1)	1-05663	10-K(1993)	4(a)(8)
4(a)(3)	Nineteenth Supplemental Indenture dated as of January 1, 1983, to Exhibit 4(a)(1)	1-05663	10-K(1993)	4(a)(9)
4(a)(4)	Twenty-Sixth Supplemental Indenture dated as of March 15, 1990, to Exhibit 4(a)(1)	1-05663	8-K(3/15/90)	4(a)(27)
4(b)(1)	Indenture between the Company and Bankers Trust Company, as Trustee, dated as of October 1, 1988	33-24896	S-3(10/11/88)	4(b)
4(b)(2)	Agreement Appointing Successor Trustee dated as of April 1, 1996, by and among Central Louisiana Electric Company, Inc., Bankers Trust Company, and The Bank of New York	333-02895	S-3(4/29/96)	4(a)(2)
4(b)(3)	First Supplemental Indenture, dated as of December 1, 2000, between Cleco Utility Group Inc. and the Bank of New York	333-52540	S-3/A(1/26/01)	4(a)(2)
4(b)(4)	Second Supplemental Indenture, dated as of January 1, 2001, between Cleco Power LLC and The Bank of New York	333-52540	S-3/A(1/26/01)	4(a)(3)
4(b)(5)	Seventh Supplemental Indenture, dated as of July 6, 2005, between Cleco Power LLC and the Bank of New York Trust Company, N.A.	1-05663	8-K(7/6/05)	4.1
4(b)(6)	Eighth Supplemental Indenture, dated as of November 30, 2005, between Cleco Power LLC and the Bank of New York Trust Company, N.A.	1-05663	8-K(11/28/05)	4.1
4(b)(7)	Ninth Supplemental Indenture, dated as of June 3, 2008, between Cleco Power LLC and The Bank of New York Trust Company, N.A.	1-05663	8-K(6/2/08)	4.1
4(b)(8)	Tenth Supplemental Indenture, dated as of November 13, 2009, between Cleco Power LLC and The Bank of New York Mellon Trust Company, N.A. (as successor trustee)	1-05663	8-K(11/12/09)	4.1

	4(b)(9)	Eleventh Supplemental Indenture, dated as of November 15, 2010, between Cleco Power LLC and The Bank of New York Mellon Trust Company, N.A. (as successor trustee)	1-05663	8-K(11/15/10)	4.1
	4(c)	Agreement Under Regulation S-K Item 601(b)(4)(iii)(A)	333-71643-01	10-Q(9/99)	4(c)
	4(d)	Loan Agreement, dated as of November 1, 2006, between Cleco Power LLC and the Rapides Finance Authority	1-05663	8-K(11/27/06)	4.1
	4(e)	Loan Agreement, dated as of November 1, 2007, between Cleco Power LLC and the Rapides Finance Authority	1-05663	8-K(11/20/07)	4.1
	4(f)	Loan Agreement, dated as of October 1, 2008, between Cleco Power LLC and the Rapides Finance Authority	1-05663	10-Q(3/10)	4.1
	4(g)	Loan Agreement, dated as of December 1, 2008, between Cleco Power LLC and the Louisiana Public Facilities Authority	1-05663	10-Q(3/10)	4.2
**	10(a)	Supplemental Executive Retirement Plan	1-05663	10-K(1992)	10(o)(1)
	10(b)(1)	401(k) Savings and Investment Plan Trust Agreement dated as of August 1, 1997, between UMB Bank, N.A. and the Company	1-05663	10-K(1997)	10(m)
	10(b)(2)	401(k) Savings and Investment Plan, Stock Trust Agreement, Amendment Number 1, Effective January 1, 1999	1-05663	10-K(2009)	10(b)(3)
	10(b)(3)	401(k) Savings and Investment Plan, Stock Trust Agreement, Amendment Number 2, Effective January 1, 2004	1-05663	10-Q(6/04)	10(b)
	10(b)(4)	401(k) Savings and Investment Plan, Stock Trust Agreement, Amendment Number 3, Effective October 1, 2005	1-05663	10-Q(9/05)	10(e)
	10(b)(5)	401(k) Savings and Investment Plan, Stock Trust Agreement, Amendment Number 4 (designated as Amendment Number 3 in exhibit 10(b), Effective January 1, 2007	1-05663	10-Q(3/07)	10(b)
	10(b)(6)	401(k) Savings and Investment Plan, As Amended and Restated Generally Effective December 1, 2015	1-05663	10-K(2015)	10(b)6)
	10(b)(7)	401(k) Savings and Investment Plan, As Amended and Restated Generally Effective April 13, 2016	1-05663	10-Q(6/16)	10.2
	10(c)(1)	Notes Purchase Agreement dated as of December 16, 2011 among Cleco Power LLC, various financial institutions and Credit Agricole Securities (USA) Inc., JPMorgan Securities Inc. and KeyBanc Capital Markets Inc., as agents.	1-05663	8-K(12/19/11)	10.1
	10(c)(2)	Note Purchase Agreement dated May 8, 2012 by and among Cleco Power LLC and the Purchasers listed on the signature pages thereto	1-05663	8-K(05/09/12)	10.1
	10(c)(3)	Note Purchase Agreement dated November 13, 2015 by and among Cleco Power LLC and the Purchasers listed on the signature pages thereto	1-05663	8-K(11/13/15)	10.1
	10(c)(4)	Note Purchase Agreement dated December 20, 2016 by and among Cleco Power LLC and the Purchasers listed on the signature pages therto	1-05663	8-K(12/21/16)	10.1
	10(c)(5)	Term Loan Agreement dated March 20, 2013, by and among Cleco Power LLC, as borrower, the lenders party	1-05663	8-K(3/26/13)	10.1

		thereto, and JPMorgan Chase Bank, N.A., as administrative agent			
	10(c)(6)	Amended and Restated Credit Agreement dated as of October 16, 2013, among Cleco Power LLC, various financial institutions, and JPMorgan Chase Bank, N.A., as administrative agent	1-05663	8-K(10/17/13)	10.2
	10(c)(7)	Credit Agreement, dated as of April 13, 2016, by and among Cleco Power LLC, Mizuho Bank, Ltd., as administrative agent, and the lenders from time to time party thereto	1-05663	8-K(4/19/16)	10.2
	10(d)(1)	Storm Recovery Property Sale Agreement between Cleco Katrina/Rita Hurricane Recovery Funding LLC and Cleco Power LLC, dated March 6, 2008	1-05663	8-K(3/6/08)	10.1
	10(d)(2)	Storm Recovery Property Servicing Agreement between Cleco Katrina/Rita Hurricane Recovery Funding LLC and Cleco Power LLC, dated March 6, 2008	1-05663	8-K(3/6/08)	10.2
	10(d)(3)	Administration Agreement between Cleco Katrina/Rita Hurricane Recovery Funding LLC and Cleco Power LLC, dated March 6, 2008	1-05663	8-K(3/6/08)	10.3
	10(e)	Staffing Agreement, dated as of April 13, 2016, by and between Cleco Power LLC and Co Issuer Corporate Staffing, LLC	1-05663	8-K(4/19/16)	10.4
*	10(j)	Cleco Corporate Holdings LLC Separation Agreement by and between Cleco Power LLC, including its parent, Cleco Corporate Holdings LLC, and each of their respective subsidiaries and affiliates and Keith D. Crump			
*	12(b)	Computation of Ratios of Earnings to Fixed Charges			
*	31.3	CEO Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002			
*	31.4	CFO Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002			
*	32.3	CEO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002			

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CLECO POWER		SEC FILE OR REGISTRATION NUMBER	REGISTRATION STATEMENT OR REPORT	EXHIBIT NUMBER
*32.4	CFO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002			
*95	Mine Safety Disclosures			
*101.INS	XBRL Instance Document			
*101.SCH	XBRL Taxonomy Extension Schema			
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase			
*101.DEF	XBRL Taxonomy Extension Definition Linkbase			
*101.LAB	XBRL Taxonomy Extension Label Linkbase			
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase			

ITEM 16. FORM 10-K SUMMARY

None.

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CLECO HOLDINGS (Parent Company Only) SCHEDULE I
Condensed Statements of Income

	SUCCESSOR	PREDECESSOR		
(THOUSANDS)	APR. 13, 2016 - DEC. 31, 2016	JAN. 1, 2016 - APR. 12, 2016	FOR THE YEAR ENDED DEC. 31, 2015	FOR THE YEAR ENDED DEC. 31, 2014
Operating expenses				
Administrative and general	$ 375	$ 319	$ 1,891	$ 1,534
Merger transaction costs	23,211	34,912	4,591	17,848
Other operating expense	(382)	624	490	178
Total operating expenses	23,204	35,855	6,972	19,560
Operating loss	(23,204)	(35,855)	(6,972)	(19,560)
Equity income from subsidiaries, net of tax	9,357	21,789	141,636	162,331
Interest, net	(35,151)	(286)	(1,731)	(303)
Other income	1,948	702	17	2,457
Other expense	—	—	(1,142)	(158)
(Loss) income before income taxes	(47,050)	(13,650)	131,808	144,767
Federal and state income tax benefit	(22,937)	(9,690)	(1,861)	(9,972)
Net (loss) income	$ (24,113)	$ (3,960)	$ 133,669	$ 154,739

The accompanying notes are an integral part of the Condensed Financial Statements.

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CLECO HOLDINGS (Parent Company Only) SCHEDULE I
Condensed Statements of Comprehensive Income

	SUCCESSOR	PREDECESSOR		
(THOUSANDS)	APR. 13, 2016 - DEC. 31, 2016	JAN. 1, 2016 - APR. 12, 2016	FOR THE YEAR ENDED DEC. 31, 2015	FOR THE YEAR ENDED DEC. 31, 2014
Net (loss) income	$ (24,113)	$ (3,960)	$ 133,669	$ 154,739
Other comprehensive income (loss), net of tax				
Postretirement benefits gain (loss) (net of tax expense of $938, $367, and $3,670 and tax benefit of $4,378, respectively)	1,500	587	5,869	(7,001)
Net gain on cash flow hedges (net of tax expense of $0, $37, $132, and $132, respectively)	—	60	211	212
Total other comprehensive income (loss), net of tax	1,500	647	6,080	(6,789)
Comprehensive (loss) income, net of tax	$ (22,613)	$ (3,313)	$ 139,749	$ 147,950

The accompanying notes are an integral part of the Condensed Financial Statements.

CLECO HOLDINGS (Parent Company Only) SCHEDULE I
Condensed Balance Sheets

(THOUSANDS)	SUCCESSOR AT DEC. 31, 2016	PREDECESSOR AT DEC. 31, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 1,377	$ 2,236
Accounts receivable - affiliate	7,070	7,669
Other accounts receivable	395	—
Taxes receivable, net	—	14,746
Cash surrender value of trust-owned life insurance policies	57,207	53,821
Total current assets	66,049	78,472
Equity investment in subsidiaries	3,223,920	1,516,310
Tax credit fund investment, net	11,888	13,741
Accumulated deferred federal and state income taxes, net	140,577	123,690
Other deferred charges	1,351	—
Total assets	$ 3,443,785	$ 1,732,213
Liabilities and member's equity/shareholders’ equity		
Liabilities		
Current liabilities		
Accounts payable	$ 3,424	$ 908
Accounts payable - affiliate	14,521	5,389
Taxes payable, net	13,998	—
Other current liabilities	19,566	10,975
Total current liabilities	51,509	17,272
Postretirement benefit obligations	4,280	5,848
Other deferred credits	1,100	587
Long-term debt	1,340,133	33,665
Total liabilities	1,397,022	57,372
Commitments and contingencies (Note 5)		
Member's equity/Shareholders’ equity		
Member's equity/Common shareholders’ equity		
Membership interest/Common stock[1]	2,069,376	456,412
(Accumulated deficit)/Retained earnings	(24,113)	1,245,014
Accumulated other comprehensive income (loss)	1,500	(26,585)
Total member's equity/common shareholders’ equity	2,046,763	1,674,841
Total liabilities and member's equity/shareholders’ equity	$ 3,443,785	$ 1,732,213

[1]At December 31, 2015, shareholders’ equity included $418.5 million of premium on common stock, $61.1 million of common stock, and $23.2 million of treasury stock. At December 31, 2015, Cleco Holdings had 100,000,000 shares of common stock authorized, 61,058,918 shares of common stock issued, and 60,482,468 shares of common stock outstanding, par value $1 per share. At December 31, 2015, Cleco Holdings had 576,450 shares of treasury stock.
The accompanying notes are an integral part of the Condensed Financial Statements.

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CLECO
CLECO POWER 2016 FORM 10-K

CLECO HOLDINGS (Parent Company Only) SCHEDULE I
Condensed Statements of Cash Flows

(THOUSANDS)	SUCCESSOR APR. 13, 2016 - DEC. 31, 2016	PREDECESSOR JAN. 1, 2016 - APR. 12, 2016	FOR THE YEAR ENDED DEC. 31, 2015	FOR THE YEAR ENDED DEC. 31, 2014
Operating activities				
Net cash provided by operating activities	$ 36,811	$34,904	$128,909	$108,754
Investing activities				
Contributions to tax credit fund	—	—	(9,966)	(55,315)
Return of equity investment in tax credit fund	901	476	2,128	2,579
Contribution to subsidiary	(50,000)	—	—	—
Premiums paid on trust-owned life insurance	—	—	(3,607)	(2,831)
Net cash (used in) provided by investing activities	(49,099)	476	(11,445)	(55,567)
Financing activities				
Draws on credit facility	—	3,000	57,000	97,000
Payments on credit facility	—	(10,000)	(80,000)	(45,000)
Issuance of long-term debt	1,350,000	—	—	—
Repayment of long-term debt	(1,350,000)	—	—	—
Payment of financing costs	(3,755)	—	—	—
Repurchase of common stock	—	—	—	(12,449)
Dividends paid on common stock	(572)	(24,579)	(97,283)	(95,044)
Contribution from member	100,720	—	—	—
Distributions to member	(88,765)	—	—	—
Other financing	—	—	(14)	—
Net cash provided by (used in) financing activities	7,628	(31,579)	(120,297)	(55,493)
Net (decrease) increase in cash and cash equivalents	(4,660)	3,801	(2,833)	(2,306)
Cash and cash equivalents at beginning of period	6,037	2,236	5,069	7,375
Cash and cash equivalents at end of period	$ 1,377	$6,037	$2,236	$5,069
Supplementary cash flow information				
Interest paid, net of amount capitalized	$ 26,264	$126	$130	$189
Income taxes paid, net	$ 4,263	$1	$1,464	$15,013
Supplementary non-cash investing and financing activity				
Non-cash contribution to subsidiary, net of tax	$ —	$—	$—	$142,880
Non-cash distribution from subsidiary, net of tax	$ —	$—	$33,661	$138,080

The accompanying notes are an integral part of the Condensed Financial Statements.

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CLECO HOLDINGS (Parent Company Only) Notes to the Condensed Financial Statements

Note 1 — Summary of Significant Accounting Policies

The condensed financial statements represent the financial information required by SEC Regulation S-X 5-04 for Cleco Holdings, which requires the inclusion of parent company only financial statements if the restricted net assets of consolidated subsidiaries exceed 25% of total consolidated net assets as of the last day of its most recent fiscal year. As of December 31, 2016, Cleco Holdings' restricted net assets of consolidated subsidiaries were $1.09 billion and exceeded 25% of its total consolidated net assets.

Cleco Holdings' only major, first-tier subsidiary is Cleco Power. Cleco Power contains the LPSC-jurisdictional generation, transmission, and distribution electric utility operations serving Cleco's traditional retail and wholesale customers.

Prior to March 2014, when Evangeline owned and operated Coughlin, Midstream was also considered a first-tier subsidiary of Cleco Corporation. Subsequent to the transfer of Coughlin from Evangeline to Cleco Power in March 2014, Midstream was no longer considered a first-tier subsidiary.

The accompanying financial statements have been prepared to present the results of operations, financial condition, and cash flows of Cleco Holdings on a stand-alone basis as a holding company. Investments in subsidiaries and other investees are presented using the equity method. These financial statements should be read in conjunction with Cleco's consolidated financial statements.

Note 2 — Business Combinations

On April 13, 2016, Cleco Holdings completed its merger with Merger Sub whereby Merger Sub merged with and into Cleco Corporation, with Cleco Corporation surviving the Merger, and Cleco Corporation converting to a limited liability company and changing its name to Cleco Holdings, as a direct, wholly owned subsidiary of Cleco Group and an indirect, wholly owned subsidiary of Cleco Partners. At the effective time of the Merger, each outstanding share of Cleco Corporation common stock, par value $1.00 per share (other than shares that were owned by Cleco Corporation, Cleco Partners, Merger Sub, or any other direct or indirect wholly owned subsidiary of Cleco Partners or Cleco Corporation), were cancelled and converted into the right to receive $55.37 per share in cash, without interest, with all dividends payable before the effective time of the Merger.

For more information regarding the Merger see Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 3 — Business Combinations."

Note 3 — Debt

At December 31, 2016, and 2015, Cleco Holdings had no short-term debt outstanding.
At December 31, 2016, Cleco Holding's long-term debt outstanding was $1.34 billion, of which none was due within one year.
In connection with the completion of the Merger, on April 13, 2016, Cleco Holdings entered into a $1.35 billion Acquisition Loan Facility. The Acquisition Loan Facility had a three-year term and a rate of LIBOR plus 1.75% or ABR plus

0.75%. In May and June 2016, Cleco Holdings refinanced the Acquisition Loan Facility with a series of other long-term financings described below.
On May 17, 2016, Cleco Holdings completed the private sale of $535.0 million of 3.743% senior notes due May 1, 2026, and $350.0 million of 4.973% senior notes due May 1, 2046. On May 24, 2016, Cleco Holdings completed the private sale of $165.0 million of 3.250% senior notes due May 1, 2023. On June 28, 2016, Cleco Holdings entered into a $300.0 million variable rate bank term loan due June 28, 2021. Amounts outstanding under the bank term loan bear interest, at Cleco's option, at a base rate plus 0.625% or LIBOR plus 1.625%. At December 31, 2016, the all-in rate was 2.265%, which was based on the LIBOR rate. The proceeds from the issuance and sale of these notes and term loan were used to repay the $1.35 billion Acquisition Loan Facility. Debt issuance costs of $17.7 million were expensed to merger costs in connection with the repayment of the Acquisition Loan Facility.
The principal amounts payable under long-term debt agreements for each year through 2021 and thereafter are as follows:

(THOUSANDS)	
Amounts payable under long-term debt arrangements	
For the year ending Dec. 31,	
2017	$—
2018	$—
2019	$—
2020	$—
2021	$300,000
Thereafter	$1,050,000

At December 31, 2015, Cleco Holdings had a $250.0 million credit facility. On April 13, 2016, in connection with the completion of the Merger, Cleco Holdings replaced the existing credit facility with a $100.0 million credit facility. The new credit facility has similar terms as the previous facility, including restricted financial covenants, and expires in 2021. At December 31, 2016, Cleco Holdings had no borrowings outstanding under its $100.0 million credit facility. The borrowing costs under the facility are equal to LIBOR plus 1.75% or ABR plus 0.75%, plus commitment fees of 0.275%. At December 31, 2016, Cleco Holdings was in compliance with the covenants in its credit facility.

Note 4 — Cash Distributions and Equity Contributions

Some provisions in Cleco Power's debt instruments restrict the amount of equity available for distribution to Cleco Holdings by Cleco Power by requiring Cleco Power's total indebtedness to be less than or equal to 65% of total capitalization. In addition, the Merger Commitments provide for limitations on the amount of distributions that may be paid from Cleco Power to Cleco Holdings, depending on Cleco Power's common equity ratio and its corporate credit ratings.

The following table summarizes the cash distributions Cleco Holdings received from affiliates during 2016, 2015, and 2014:

	SUCCESSOR	PREDECESSOR		
(THOUSANDS)	APR. 13, 2016 - DEC. 31, 2016	JAN. 1, 2016 - APR. 12, 2016	FOR THE YEAR ENDED DEC. 31, 2015	FOR THE YEAR ENDED DEC. 31, 2014
Cleco Power	$ 85,000	$25,000	$135,000	$115,000
Perryville	150	200	500	975
Attala	100	125	350	750
Total	$ 85,250	$25,325	$135,850	$116,725

During the predecessor period January 1, 2014, through December 31, 2014, Cleco Holdings made a $138.1 million non-cash contribution to Cleco Power related to the transfer of Coughlin from Evangeline to Cleco Power. During the predecessor periods January 1, 2015, through December 31, 2015, and January 1, 2016, through April 12, 2016, Cleco Holdings made no contributions to affiliates. During the successor period April 13, 2016, through December 31, 2016, Cleco Holdings made a contribution of $50.0 million to Cleco Power. During the successor period April 13, 2016, through December 31, 2016, Cleco Holdings received $100.7 million of equity contributions from Cleco Group and made $88.8 million of distribution payments to Cleco Group.

Note 5 — Income Taxes

Cleco Holdings' (Parent Company Only) Condensed Statements of Income reflect income tax expense (benefit) for the following line items:

	SUCCESSOR	PREDECESSOR		
(THOUSANDS)	APR. 13, 2016 - DEC. 31, 2016	JAN. 1, 2016 - APR. 12, 2016	FOR THE YEAR ENDED DEC. 31, 2015	FOR THE YEAR ENDED DEC. 31, 2014
Federal and state income tax benefit	$ (22,937)	$ (9,690)	$ (1,861)	$ (9,972)
Equity income from subsidiaries - Federal and state income tax expense	$ 115	$ 13,158	$ 79,565	$ 77,088

Note 6 — Commitments and Contingencies

For information regarding commitments and contingencies related to Cleco Holdings, see Part II, Item 8, "Financial Statements and Supplementary Data — Notes to the Financial Statements — Note 15 — Litigation, Other Commitments and Contingencies, and Disclosures about Guarantees."

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CLECO
VALUATION AND QUALIFYING ACCOUNTS

SCHEDULE II

(THOUSANDS)	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	UNCOLLECTIBLE ACCOUNT WRITE OFFS LESS RECOVERIES	BALANCE AT END OF PERIOD [1]
Allowance for Uncollectible Accounts				
SUCCESSOR				
Period Apr. 13, 2016 to Dec. 31, 2016	$ 3,336	$ 4,348	$ 485	$ 7,199
PREDECESSOR				
Period Jan. 1, 2016 to Apr. 12, 2016	$ 2,674	$ 1,163	$ 501	$ 3,336
Year Ended Dec. 31, 2015	$ 922	$ 2,986	$ 1,234	$ 2,674
Year Ended Dec. 31, 2014	$ 849	$ 1,980	$ 1,907	$ 922

[1] Deducted in the consolidated balance sheet

(THOUSANDS)	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	DEDUCTIONS	BALANCE AT END OF PERIOD [1]
Unrestricted Storm Reserve				
SUCCESSOR				
Period Apr. 13, 2016 to Dec. 31, 2016	$ 2,536	$ 71	$ —	$ 2,607
PREDECESSOR				
Period Jan. 1, 2016 to Apr. 12, 2016	$ 2,801	$ —	$ 265	$ 2,536
Year Ended Dec. 31, 2015	$ 3,322	$ —	$ 521	$ 2,801
Year Ended Dec. 31, 2014	$ 1,236	$ 4,133	$ 2,047	$ 3,322
Restricted Storm Reserve				
SUCCESSOR				
Period Apr. 13, 2016 to Dec. 31, 2016	$ 16,515	$ 870	$ —	$ 17,385
PREDECESSOR				
Period Jan. 1, 2016 to Apr. 12, 2016	$ 16,177	$ 338	$ —	$ 16,515
Year Ended Dec. 31, 2015	$ 14,916	$ 1,261	$ —	$ 16,177
Year Ended Dec. 31, 2014	$ 17,646	$ 1,414	$ 4,144	$ 14,916

[1] Included in the consolidated balance sheet

CLECO POWER
VALUATION AND QUALIFYING ACCOUNTS

SCHEDULE II

(THOUSANDS)	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	UNCOLLECTIBLE ACCOUNT WRITE-OFFS LESS RECOVERIES	BALANCE AT END OF PERIOD [1]
Allowance for Uncollectible Accounts				
Year Ended Dec. 31, 2016	$ 2,674	$ 5,511	$ 986	$ 7,199

Year Ended Dec. 31, 2015	$ 922	$ 2,986	$ 1,234	$ 2,674
Year Ended Dec. 31, 2014	$ 849	$ 1,980	$ 1,907	$ 922

(1) Deducted in the consolidated balance sheet

(THOUSANDS)	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	DEDUCTIONS	BALANCE AT END OF PERIOD(1)
Unrestricted Storm Reserve				
Year Ended Dec. 31, 2016	$ 2,801	$ 71	$ 265	$ 2,607
Year Ended Dec. 31, 2015	$ 3,322	$ —	$ 521	$ 2,801
Year Ended Dec. 31, 2014	$ 1,236	$ 4,133	$ 2,047	$ 3,322
Restricted Storm Reserve				
Year Ended Dec. 31, 2016	$ 16,177	$ 1,208	$ —	$ 17,385
Year Ended Dec. 31, 2015	$ 14,916	$ 1,261	$ —	$ 16,177
Year Ended Dec. 31, 2014	$ 17,646	$ 1,414	$ 4,144	$ 14,916

(1) Included in the consolidated balance sheet

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CLECO CORPORATE HOLDINGS LLC
(Registrant)

By: /s/ Peggy Scott
(Peggy Scott)
(Chairperson and Interim Chief Executive Officer)

Date: February 22, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Peggy Scott (Peggy Scott)	Chairperson and Interim Chief Executive Officer (Principal Executive Officer)	February 22, 2017
/s/ Terry L. Taylor (Terry L. Taylor)	Chief Financial Officer (Principal Financial Officer)	February 22, 2017
/s/ Tonita Laprarie (Tonita Laprarie)	Controller and Chief Accounting Officer (Principal Accounting Officer)	February 22, 2017

MANAGERS*
David Agnew
Andrew Chapman
Richard Dinneny
Mark Fay
Richard Gallot, Jr.
Christopher Leslie
David R. Gilchrist
Recep Kendircioglu
Steven Turner
Bruce Wainer
Lincoln Webb

*By: /s/ Terry L. Taylor February 22, 2017
(Terry L. Taylor, as Attorney-in-Fact)

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CLECO POWER LLC
(Registrant)

By: /s/ William G. Fontenot
(William G. Fontenot)
(Interim Chief Executive Officer)

Date: February 22, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ William G. Fontentot (William G. Fontenot)	Interim Chief Executive Officer (Principal Executive Officer)	February 22, 2017
/s/ Terry L. Taylor (Terry L. Taylor)	Chief Financial Officer (Principal Financial Officer)	February 22, 2017
/s/ Tonita Laprarie (Tonita Laprarie)	Controller and Chief Accounting Officer (Principal Accounting Officer)	February 22, 2017