INTERNATIONAL BUSINESS MACHINES CORP
Form 8-K
January 04, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15 (d)

OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report: **December 31, 2010**

(Date of earliest event reported)

INTERNATIONAL BUSINESS MACHINES CORPORATION

(Exact name of registrant as specified in its charter)

New York	**1-2360**	**13-0871985**
(State of Incorporation)	(Commission File Number)	(IRS employer Identification No.)

ARMONK, NEW YORK	**10504**
(Address of principal executive offices)	(Zip Code)

914-499-1900

(Registrant s telephone number)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.03(a) Amendment to Bylaws:

On December 6, 2010, IBM announced that Cathleen Black resigned from the IBM Board of Directors effective December 31, 2010. Article III, Section 2 of IBM s bylaws was amended to decrease the number of directors to twelve effective December 31, 2010. Exhibit 3.2 of this Form 8-K contains IBM s bylaws as amended through December 31, 2010.

IBM s web site (www.ibm.com) contains a significant amount of information about IBM, including financial and other information for investors (www.ibm.com/investor/). IBM encourages investors to visit its various web sites from time to time, as information is updated and new information is posted.

SIGNATURE

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, hereunto duly authorized.

Date: January 4, 2011

By: /s/ Andrew Bonzani
Andrew Bonzani
Vice President,
Assistant General Counsel &
Secretary

---

mmon Stock and $166,583 in cash) in long term incentive compensation. Mr. Hay was awarded options for 150,000 shares of Common Stock and 22,500 shares of restricted stock, all of which vest 50% on February 12, 2002 and the balance one year later, in accordance with the terms of his Employment Agreement. In addition, subsequent to his election as chief executive officer of FPL Group, and in light of his increased responsibilities in that office, the Committee awarded him options for an additional 50,000 shares of Common Stock, and 10,000 shares of restricted stock, which vest one-third each year over the period ending June 16, 2004. The base salaries of Messrs. Broadhead and Hay as chief executive officer of FPL Group reflect the Committee's assessment of Mr. Broadhead's and Mr. Hay's overall performance and an analysis of the salaries of the chief executive officers in the comparator group. Mr. Broadhead's and Mr. Hay's annual incentive compensation for 2001 was based on the achievement of the Corporation's net income goals and the following performance measures for Florida Power & Light Company ("FPL") (weighted 75%) and the non-utility and/or new businesses (weighted 25%) and upon certain qualitative factors. For FPL, the incentive performance measures were financial indicators (weighted 50%) and operating indicators (weighted 50%). The financial indicators were operations and maintenance costs, capital expenditure levels, net income, regulatory return on equity, and operating cash flow. The operating indicators were service reliability as measured by the frequency and duration of service interruptions and service unavailability; system performance as measured by availability factors for the fossil power plants and an industry index for the nuclear power plants; employee safety; number of significant environmental violations; customer satisfaction survey results; load management installed capability; and conservation programs' annual installed capacity. For the non-utility and/or new businesses, the performance measures included total combined return on equity; non-utility net income and return on equity; corporate and other net income; creation of an asset optimization organization; employee safety; and number of significant environmental violations. The qualitative factors included measures to position the Corporation for increased competition and initiating other actions that significantly strengthen the Corporation and enhance shareholder value. The long-term compensation payouts to Messrs. Broadhead and Hay were based on an average level of achievement of better than 100% of target with respect to the annual incentive plan for the year ended December 31, 2001. Respectfully submitted, J. Hyatt Brown, Chairman H. Jesse Arnelle Robert M. Beall, II Armando M. Codina Paul R. Tregurtha 13 EXECUTIVE COMPENSATION The following table sets forth compensation paid during the past three years to FPL Group's chief executive officers and the other four most highly-compensated persons who served as executive officers of FPL Group, Florida Power & Light Company ("FPL"), or FPL Energy, LLC at December 31, 2001. SUMMARY COMPENSATION TABLE ANNUAL COMPENSATION LONG-TERM COMPENSATION --- -------------------------------------- OTHER RESTRICTED SECURITIES NAME AND PRINCIPAL ANNUAL STOCK UNDERLYING LTIP POSITION YEAR SALARY BONUS(A) COMPENSATION AWARD(S)(B) OPTIONS(#) PAYOUTS(C) ---------------------- -------- ---------- ---------- ------------- ----------- ----------- ----------- James L. Broadhead (e) 2001 $1,100,000 $3,476,133 $21,895 $3,086,000 250,000 $ -- Chairman of FPL Group 2000 1,050,000 1,220,625 22,233 22,686,674 and Chairman and CEO of 1999 1,000,000 950,000 19,946 2,557,800 250,000 1,148,751 FPL Lewis Hay III (f) 2001 607,550 1,053,932 15,376 1,942,200 200,000 -- President and CEO of 2000 423,000 449,300 14,099 6,696,320 FPL Group 1999 153,846 225,200 6,523 1,359,375 150,000 65,400 Paul J. Evanson 2001 693,000 1,652,207 11,113 1,157,250 150,000 -- President of FPL 2000 660,000 660,700 11,105 10,395,654 1999 628,500 616,900 8,656 1,278,900 150,000 458,985 Dennis P. Coyle 2001 463,700 855,736 12,485 925,800 100,000 -- General Counsel and 2000 442,500 334,100 9,146 6,349,587 Secretary of FPL Group 1999 424,000 275,600 8,445 1,023,120 100,000 251,095 Lawrence J. Kelleher 2001 358,300 665,767 11,268 1,543,000 100,000 -- Vice President Human 2000 341,250 259,400 12,879 6,204,490 Resources of FPL Group 1999 325,000 234,000 10,830 1,023,120 100,000 188,066 Armando J. Olivera 2001 272,000 378,706 11,575 987,520 50,000 -- Senior Vice President 2000 260,000 164,300 11,848 3,151,518 Power Systems of FPL 1999 232,820 152,800 8,796 511,560 50,000 84,979 NAME AND PRINCIPAL ALL OTHER POSITION COMPENSATION(D) ---------------------- ---------------- James L. Broadhead (e) $ 8,587 Chairman of FPL Group 14,616,061 and Chairman and CEO of 13,423 FPL Lewis Hay III (f) 16,869 President and CEO of 15,661 FPL Group 3,047 Paul J. Evanson 11,174 President of FPL 8,544 13,539 Dennis P. Coyle 9,277 General Counsel and 8,512 Secretary of FPL Group 10,879 Lawrence J. Kelleher 11,646 Vice President Human 8,207 Resources of FPL Group 11,305 Armando J. Olivera 11,463 Senior Vice President 8,163 Power Systems of FPL 9,876 ------------ (a) For 2001, represents annual incentive award payouts for each of the officers as follows: Mr. Broadhead $1,229,200, Mr. Hay $637,500, Mr. Evanson $707,200, Mr. Coyle $343,100, Mr. Kelleher $270,500, and Mr. Olivera $173,000. In addition, for 2001, represents performance share award payouts under FPL Group's Long Term Incentive Plan 1994 for the performance period beginning January 1, 2001 and ending December 31, 2001. See note (c) below. The payout related to performance share awards for each of the officers was as follows: Mr. Broadhead $2,246,933, Mr. Hay $416,432, Mr. Evanson $945,007, Mr. Coyle $512,636, Mr. Kelleher $395,267, and Mr. Olivera $205,706. Payouts were made in a combination of cash (for payment of income taxes) and shares of Common Stock, valued at the closing price on the last business day preceding payout. Messrs. Evanson and Olivera deferred their performance share award payouts under FPL Group's Deferred Compensation Plan. (b) At December 31, 2001, Mr. Broadhead held 50,000 shares of restricted Common Stock with a value of $2,820,000 that vest on January 2, 2002; Mr. Hay held 32,500 shares of restricted Common Stock with a value of $1,833,000 that vest as to 14,584 shares in 2002, 14,583 shares in 2003, and 3,333 shares in 2004; Mr. Evanson held 18,750 shares of restricted Common Stock with a value of $1,057,500 that vest as to 9,375 shares in each of years 2002 and 2003; Mr. Coyle held 15,000 shares of Restricted Common Stock with a value of $846,000 that vest as to 7,500 shares in each of years 2002 and 2003; Mr. Kelleher held 25,000 shares of restricted Common Stock with a value of $1,410,000 that vest as to 12,500 shares in each of years 2002 and 2003; Mr. Olivera held 16,000 shares of restricted Common Stock with a value of $902,400 that vest as to 8,000 shares in each of years 2002 and 2003. Dividends at normal rates are paid on restricted Common Stock. 14 (c) For 2001, LTIP payouts were based on a performance period of one fiscal year and, in accordance with SEC rules, are reported under the "Bonus" column of this table. For 2000, upon a change of control as defined in the FPL Group, Inc. Long Term Incentive Plan 1994, on December 15, 2000, all performance criteria of performance-based awards, restricted stock and other stock-based awards held by executive officers were deemed fully achieved, and all such awards were deemed fully earned and vested. The performance criteria of performance-based awards were waived and the awards were paid out using an assumption of maximum performance for the named officers. (d) For 2001, represents employer matching contributions of $8,075 to employee thrift plans for each of the named officers, and employer contributions for life insurance as follows: Mr. Broadhead $512, Mr. Hay $8,794, Mr. Evanson $3,099, Mr. Coyle $1,202, Mr. Kelleher $3,571, and Mr. Olivera $3,388. (e) Mr. Broadhead resigned as President and CEO of FPL Group on June 11, 2001, and resigned as Chairman of the Board of FPL Group and FPL and as CEO of FPL on December 31, 2001. (f) Mr. Hay joined FPL Group in July 1999 as Vice President, Finance and Chief Financial Officer of FPL Group and Senior Vice President, Finance and Chief Financial Officer of FPL. He served as President of FPL Energy from March 2000 to December 2001 and was elected President and CEO of FPL Group in June 2001. He was elected Chairman of the Board of FPL Group and FPL and Chief Executive Officer of FPL as of January 1, 2002. LONG TERM INCENTIVE PLAN AWARDS In 2001, performance share awards, shareholder value awards, and non-qualified stock option awards under FPL Group's Long Term Incentive Plan were made to the executive officers named in the Summary Compensation Table as set forth in the following tables. PERFORMANCE SHARE AWARDS NUMBER OF SHARES FOR PERFORMANCE PERIOD UNTIL PAYOUT ESTIMATED FUTURE PAYOUTS UNDER --- NON-STOCK PRICE-BASED PLANS 1/1/01 - 1/1/01 - 1/1/01- 1/1/01 - ------------------------------ NAME 12/31/01 12/31/02 12/31/03 12/31/04 TARGET # MAXIMUM # ---- -------- -------- -------- -------- --------- ------------- James L. Broadhead...................... 29,140 29,140 29,140 19,453 106,873 170,997 Lewis Hay III.......................... 5,294 5,294 5,294 4,511 20,393 32,629 Paul J. Evanson......................... 11,631 11,631 11,630 7,799 42,691 68,306 Dennis P. Coyle......................... 6,693 6,693 6,692 4,473 24,551 39,282 Lawrence J. Kelleher.................... 5,058 5,058 5,058 3,456 18,630 29,808 Armando J. Olivera...................... 2,500 2,500 2,500 1,968 9,468 15,149 The performance share awards in the preceding table are payable, under normal circumstances, at the end of the performance period indicated. The amount of the payout is determined by multiplying the participant's target number of shares by his average level of attainment, expressed as a percentage, which may not exceed 160%, of his targeted awards under the Annual Incentive Plans for the year or each of the years encompassed by the award period. A description of the 2001 Annual Incentive Plan performance indicators is included in the Compensation Committee Report herein. The performance share award payouts for the performance period ended December 31, 2001 are included in the Summary Compensation Table herein in the column entitled "Bonus." 15 SHAREHOLDER VALUE AWARDS NUMBER OF SHARES FOR PERFORMANCE PERIOD UNTIL PAYOUT ESTIMATED FUTURE PAYOUTS UNDER --------------------------------- NON-STOCK PRICE-BASED PLANS 1/1/01 - 1/1/01 - 1/1/01 - ------------------------------ NAME 12/31/01 12/31/02 12/31/03 TARGET # MAXIMUM # ---- --------- --------- --------- --------- ------------- James L. Broadhead................................ 22,197 22,196 13,264 57,657 92,251 Lewis Hay III..................................... 4,996 4,996 3,383 13,375 21,400 Paul J. Evanson.................................. 11,139 11,138 6,685 28,962 46,339 Dennis P. Coyle.................................. 5,622 5,622 3,355 14,599 23,358 Lawrence J. Kelleher.............................. 4,296 4,296 2,592 11,184 17,894 Armando J. Olivera............................... 1,320 1,319 1,312 3,951 6,322 The shareholder value awards in the preceding table are payable, under normal circumstances, at the end of the performance period indicated. The amount of the payout is determined by multiplying the participant's target number of shares by a factor derived by comparing the annual total shareholder return of FPL Group (price appreciation of FPL Group Common Stock plus dividends) to the total shareholder return of the Dow Jones Electric Utilities Index companies over the performance period. The payout may not exceed 160% of targeted awards. No payout was made with respect to the shareholder value awards for the performance period ended December 31, 2001. OPTION GRANTS IN LAST FISCAL YEAR INDIVIDUAL GRANTS --- NUMBER OF PERCENT OF SECURITIES TOTAL OPTIONS UNDERLYING GRANTED TO EXERCISE OR OPTIONS EMPLOYEES IN BASE PRICE EXPIRATION GRANT DATE NAME GRANTED (A) FISCAL YEAR ($/SHARE) DATE PRESENT VALUE ($)(B) ---- ----------- ------------ ---------- --------- ------------------- James L. Broadhead........ 250,000 12.4% 61.72 2/12/2011 2,557,500 Lewis Hay III............. 150,000 7.5% 61.72 2/12/2011 1,534,500 Lewis Hay III............. 50,000 2.5% 55.35 9/17/2011 445,000 Paul J. Evanson........... 150,000 7.5% 61.72 2/12/2011 1,534,500 Dennis P. Coyle........... 100,000 5.0% 61.72 2/12/2011 1,023,000 Lawrence J. Kelleher...... 100,000 5.0% 61.72 2/12/2011 1,023,000 Armando J. Olivera........ 50,000 2.5% 61.72 2/12/2011 511,500 ------------ (a) Options granted are non-qualified stock options. Mr. Hay's option grant of 50,000 options will be exercisable 33.3% per year and be fully exercisable after three years. Mr. Broadhead's options became fully exercisable on January 2, 2002. All other stock options will become exercisable 50% per year and be fully exercisable after two years. All options were granted at an exercise price per share of 100% of the fair market value of FPL Group Common Stock on the date of grant. (b) The hypothetical values shown were calculated using the Black-Scholes option pricing model, based on the following assumptions. For Mr. Hay's option grant of 50,000 options, the volatility rate is equal to 19.17% and the dividend yield (representing the current per share annualized dividends divided by the fair market value of the common stock on the date of grant) is equal to 4.08%. For all other options, the volatility rate is equal to 18.98% and the dividend yield is equal to 4.26%. The risk-free interest rate is equal to the interest rate on a U.S. Treasury zero-coupon bond on the date of grant with a maturity corresponding to the estimated time until exercise of seven years (for Mr. Hay's grant of 50,000 options, 5.00%, and for all other options, 5.12%). The values do not take into account risk factors such as non-transferability or risk of forfeiture. 16 The preceding table sets forth information concerning individual grants of common stock options during fiscal year 2001 to the executive officers named in the Summary Compensation Table. Such awards are also listed in the Summary Compensation Table of this Proxy Statement in the column entitled "Securities Underlying Options." AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES NUMBER OF SECURITIES VALUE OF UNEXERCISED NUMBER OF UNDERLYING UNEXERCISED IN-THE-MONEY SHARES OPTIONS AT FISCAL YEAR-END OPTIONS AT FISCAL YEAR-END ACQUIRED VALUE -------------------------- -------------------------- NAME ON EXERCISE REALIZED EXERCISABLE UNEXERCISABLE EXERCISABLE UNEXERCISABLE ---- ------------- -------- ----------- ------------- ----------- ------------- James L. Broadhead.............. 0 $0 0 250,000 $0 $ 0 Lewis Hay III................... 0 0 0 200,000 0 52,500 Paul J. Evanson................. 0 0 0 150,000 0 0 Dennis P. Coyle................. 0 0 0 100,000 0 0 Lawrence J. Kelleher............ 0 0 0 100,000 0 0 Armando J. Olivera.............. 0 0 0 50,000 0 0 The preceding table sets forth information, with respect to the named officers, concerning the exercise of stock options during the fiscal year and unexercised options held at the end of the fiscal year. The named officers did not exercise any stock options during 2001 and held no exercisable options at the end of the year. All the unexercisable options shown in the preceding table were granted in 2001. At December 31, 2001, the fair market value of the underlying securities (based on the closing share price of FPL Group Common Stock reported on the NYSE of $56.4000 per share) did not exceed the exercise price of the options, except for 50,000 unexercisable options held by Mr. Hay. 17 RETIREMENT PLANS FPL Group maintains a non-contributory defined benefit pension plan and a supplemental executive retirement plan (SERP). The FPL Group Employee Pension Plan and SERP were amended to a cash balance style plan effective April 1, 1997. Employees who were SERP participants on that date were not affected by the change, however. The following table shows the estimated annual benefits to employees not affected by the change, which includes all of the executive officers named in the Summary Compensation table except Mr. Hay. Benefits are calculated on a straight-line annuity basis, payable on retirement in 2001 at age 65 after the indicated years of service. PENSION PLAN TABLE YEARS OF SERVICE ELIGIBLE AVERAGE -- ANNUAL COMPENSATION 10 20 30 40 50 ------------------- ------------ ------------ ------------ ------------ ------------ 300,$000....... $ 58,588 $ 117,165 $ 145,753 $ 154,137 $ 156,525 400,000....... 78,588 157,165 195,753 206,637 209,025 500,000....... 98,588 197,165 245,753 259,137 261,525 600,000....... 118,588 237,165 295,753 311,637 314,025 700,000....... 138,588 277,165 345,753 364,137 366,525 800,000....... 158,588 317,165 395,753 416,637 419,025 900,000....... 178,588 357,165 445,753 469,137 471,525 1,000,000..... 198,588 397,165 495,753 521,637 524,025 1,100,000..... 218,588 437,165 545,753 574,137 576,525 1,200,000..... 238,588 477,165 595,753 626,637 629,025 1,300,000..... 258,588 517,165 645,753 679,137 681,525 1,400,000..... 278,588 557,165 695,753 731,637 734,025 1,500,000..... 298,588 597,165 745,753 784,137 786,525 1,600,000..... 318,588 637,165 795,753 836,637 839,025 1,700,000..... 338,588 677,165 845,753 889,137 891,525 1,800,000..... 358,588 717,165 895,753 941,637 944,025 1,900,000..... 378,588 757,165 945,753 994,137 996,525 2,000,000..... 398,588 797,165 995,753 1,046,637 1,049,025 2,100,000..... 418,588 837,165 1,045,753 1,099,137 1,101,525 2,200,000..... 438,588 877,165 1,095,753 1,151,637 1,154,025 2,300,000..... 458,588 917,165 1,145,753 1,204,137 1,206,525 2,400,000..... 478,588 957,165 1,195,753 1,256,637 1,259,025 2,500,000..... 498,588 997,165 1,245,753 1,309,137 1,311,525 2,600,000..... 518,588 1,037,165 1,295,753 1,361,637 1,364,025 2,700,000..... 538,588 1,077,165 1,345,753 1,414,137 1,416,525 2,800,000..... 558,588 1,117,165 1,395,753 1,466,637 1,469,025 The compensation covered by the plans includes the annual salaries of all of the executive officers named in the Summary Compensation Table and the annual incentive awards of all such executive officers except Mr. Olivera. No other amounts shown in that table are covered. Estimated credited years of service for five of the executive officers named in the Summary Compensation Table are: Mr. Broadhead, 13 years; Mr. Evanson, 9 years; Mr. Coyle, 12 years; Mr. Kelleher, 34 years; and Mr. Olivera, 29 years. Amounts shown in the table reflect deductions to partially cover employer contributions to social security. Under the cash balance benefit formula, credits are accumulated in an employee's account and are determined as a percentage of the employee's monthly recognized earnings in accordance with the following formula: PERCENT OF YEARS OF SERVICE COMPENSATION ---------------- ------------ 0-5 4.5% 5 or more 6.0% 18 In addition, the employee's account is credited monthly with interest at an annual rate that is based upon the yield on one-year Treasury Constant Maturities. A higher rate can be provided at the Corporation's discretion. Mr. Hay is the only named executive officer covered by the cash balance plan. His estimated age 65 annual retirement benefit payable under that plan (expressed as a joint and 50% survivor benefit) is $391,894. This estimate assumes his 2001 pensionable earnings (which includes annual salary and annual incentive award as shown in the Summary Compensation Table) increase annually (salary by 3.5% per year, and annual incentive awards equal to 112% of salary) until the year 2020 (age 65) and a cash balance interest crediting rate of 6.0%. The estimated age 65 cash balance account was converted to an annuity based on a 5.48% discount rate and 1983 GAM Unisex mortality. A supplemental retirement plan for Mr. Hay provides a benefit equal to 65% of Mr. Hay's highest average annual compensation (annual salary plus annual incentive award) for the three consecutive calendar year periods out of the four consecutive calendar year period ending with the calendar year in which he retires (final average pay), reduced by the then annual amount of a joint and 50% survivor benefit (which is the actuarial equivalent of the benefits to which he is entitled under the non-contributory defined benefit pension plan and the SERP). If Mr. Hay terminates his employment prior to age 65, the benefit will be reduced on a pro rata basis if he fails to complete at least fifteen years of service with FPL Group, and it will be further reduced on an actuarial basis as a result of its early distribution. The plan provides a minimum annual joint and 50% survivor benefit (50% of final average pay) payable to Mr. Hay and his surviving spouse upon his termination of employment with FPL Group on his normal retirement age (age 65), reduced on an actuarial basis if he terminates before that age. Under the supplemental plan, Mr. Hay's estimated age 65 annual retirement benefit (expressed as a joint and 50% survivor benefit, and calculated based on the same assumed increases in pensionable earnings as described in the preceding paragraph) would be increased, over the estimate described above for pension and SERP benefits, by approximately $1,605,120. A supplemental retirement plan for Mr. Coyle provides for benefits based on two times his credited years of service. A supplemental retirement plan for Mr. Evanson provides for benefits based on two times his credited years of service up to age 65 and one times his credited years of service thereafter. The Corporation sponsors a split-dollar life insurance plan for certain of its senior officers, including the executive officers named in the Summary Compensation Table. Benefits under the split-dollar plan are provided by universal life insurance policies purchased by the Corporation. If the officer dies prior to retirement (defined to include age plus years of service), or for Messrs. Kelleher and Olivera during employment or after retirement but prior to age 65, the officer's beneficiaries generally receive two and one-half times the officer's annual salary at the time of death. If the officer dies after retirement, or for Messrs. Kelleher and Olivera on or after 65, but before termination of his split-dollar agreement, the officer's beneficiaries receive between 50% to 100% (100% to 180% depending upon age at time of death for Messrs. Kelleher and Olivera) of the officer's final annual salary. Upon termination of the agreement after 10 years, at age 65 or termination of employment which qualifies as retirement, whichever is later, the life insurance policies will be assigned to the officer or his beneficiary. Each officer is taxable on the insurance carrier's one-year term rate for his life insurance coverage. EMPLOYMENT AGREEMENTS 2000 AGREEMENTS--On December 15, 2000, when the Corporation's shareholders approved a proposed merger with Entergy Corporation, previously-existing employment agreements between the Corporation and the individuals named in the Summary Compensation Table (collectively, the "named executive officers") became effective (the "2000 Agreements"). The 2000 Agreements provide that each named executive officer shall be employed by the Corporation or its affiliates for a period of four years (five years in the case of Mr. Broadhead) in a position at least commensurate with his position with the Corporation and/or its affiliates in December 2000. During the employment period, each named executive officer shall 19 be (i) paid an annual base salary at least equal to his annual base salary for 2000, with annual increases consistent with those awarded to other peer officers of the Corporation, but not less than the increases in the consumer price index; (ii) paid an annual bonus at least equal to the highest bonus paid to him for any of the three years immediately preceding 2000; (iii) given the opportunity to earn long-term incentive compensation at least as favorable as such opportunities given to other peer officers of the Corporation during 2000 or thereafter; and (iv) entitled to participate in employee benefit plans providing benefits at least as favorable as those provided to other peer officers of the Corporation during 2000 or thereafter. In the event that during the employment period, a named executive officer's employment is terminated by the Corporation (except for death, disability, or cause) or if the named executive officer terminates his employment for good reason, as defined in the 2000 Agreement, the named executive officer is entitled to severance benefits in the form of a lump-sum payment equal to the compensation due for the remainder of the employment period or for two years, whichever is longer. Such benefits would be based on his then base salary plus an annual bonus at least equal to the bonus for the year 2000. Each named executive officer is also entitled to, among other things, the maximum amount payable under all long-term incentive compensation grants outstanding, continued coverage under all employee benefit plans, supplemental retirement benefits, and a full gross-up in respect of any excise tax incurred as a result of the benefits received pursuant to the 2000 Agreement. AMENDMENTS TO 2000 AGREEMENTS--In February 2002, each executive officer named in the Summary Compensation Table (other than Mr. Broadhead who retired December 31, 2001) agreed to amend his 2000 Agreement, and, at the same time, enter into a new executive retention employment agreement with the Corporation (the "2002 Agreements"). The definition of good reason contained in each 2000 Agreement was amended to provide the Corporation with greater flexibility to assign different duties and responsibilities to the named executive officers without triggering the officer's rights to terminate employment and be entitled to severance and other benefits. In order to avoid duplication of benefits, each 2000 Agreement was also amended to provide that if a change of control, as defined in the named executive officer's 2002 Agreement, occurs prior to the expiration of the 2000 Agreement, the 2000 Agreement will terminate and the 2002 Agreement will become effective. 2002 AGREEMENTS--If a change of control does not occur prior to the expiration of a named executive officer's 2000 Agreement, his 2002 Agreement will not become effective until the expiration of his 2000 Agreement and the subsequent occurrence of a potential change of control or a change of control, each as defined in the 2002 Agreement. Change of control is defined in the 2002 Agreement as (i) the acquisition by any individual, entity, or group of 20% or more of either the Common Stock or the combined voting power of the Corporation other than directly from the Corporation or pursuant to a merger or other business combination which does not itself constitute a change of control, (ii) the incumbent directors of the Corporation ceasing, for any reason, to constitute a majority of the Board of Directors, unless each director who was not an incumbent director was elected, or nominated for election, by a majority of the incumbent directors and directors subsequently so elected or appointed (excluding those elected as a result of an election contest), (iii) approval by shareholders or, if specified by the Board of Directors in the exercise of its discretion, consummation of a merger, sale of assets or other business combination as a result of which (x) the voting securities of the Corporation outstanding immediately prior to the transaction do not immediately following the transaction represent more than 60% of the common stock and the voting power of all voting securities of the resulting ultimate parent entity or (y) members of the Board of Directors of the Corporation constitute less than a majority of the members of the board of directors of the resulting ultimate parent entity, or there is no assurance that they, or their nominees, will constitute at least a majority of that board of directors for at least two years, or (iv) the shareholders approve the liquidation or dissolution of the Corporation. A potential change of control is defined as (i) announcement of an intention to take or consider taking actions which, if consummated or approved by shareholders, would constitute a change of control, or (ii) the acquisition by any individual, entity, or group of 15% or more of either the Common Stock or the 20 combined voting power of the Corporation other than directly from the Corporation or pursuant to a merger or other business combination which does not itself constitute a change of control. Once effective, each named executive officer's 2002 Agreement provides that he shall be employed by the Corporation for a period of three years (two years in the case of Mr. Olivera) in a position at least commensurate with his position with the Corporation in the ninety day period immediately preceding the effective date of the 2002 Agreement. During this three year (or two year) employment period, each named executive officer shall be (i) paid an annual base salary at least equal to his annual base salary as in effect on the effective date, with annual increases consistent with those awarded to other peer officers of the Corporation, but not less than the increases in the consumer price index; (ii) paid an annual bonus (expressed as a percentage of his annual base salary) consistent with those of peer executives of the Corporation, but at least equal to the higher of (x) his targeted annual bonus for the then current fiscal year divided by his then current annual base salary or (y) the average percentage of his annual base salary (as in effect for the applicable years) that was paid or payable as an annual bonus for each of the three fiscal years preceding the fiscal year in which the effective date occurs (or, if higher, for each of the three fiscal years immediately preceding the fiscal year in which a change of control occurs, if a change of control occurs after the effective date); (iii) given the opportunity to earn long-term incentive compensation no less favorable than such opportunities given to him at any time during the 90 days preceding the effective date or, if more favorable, those provided at any time after the effective date to peer officers of the Corporation (but without duplication of awards granted in connection with the shareholder approval of the proposed merger with Entergy Corporation); and (iv) entitled to participate in savings, retirement and other employee benefit plans providing benefits no less favorable than those provided to him at any time during the 90 days preceding the effective date or, if more favorable, those provided at any time after the effective date to peer officers of the Corporation. In the event of a change of control, each 2002 Agreement provides that (i) 50% of a named executive officer's outstanding performance stock-based awards (performance share awards and shareholder value awards) shall be vested and earned at an achievement level equal to the higher of (x) the targeted level of performance of each such award or (y) the average level (expressed as a percentage of target) of achievement in respect of similar awards maturing over the three fiscal years immediately prior to the year in which the change of control occurred; (ii) all other outstanding stock-based awards granted to the named executive officer shall be fully vested and earned; (iii) all options and other exercisable rights granted to the named executive officer shall become exercisable and vested; and (iv) the restrictions, deferral limitations and forfeiture conditions applicable to all outstanding awards granted to the named executive officer shall lapse and such awards shall be deemed fully vested. However, no awards which were granted to a named executive officer in connection with the shareholder approval of the proposed merger with Entergy Corporation shall become vested, earned or exercisable under the 2002 Agreement as a result of a change of control. A named executive officer will receive the remaining 50% of the outstanding performance stock-based awards (calculated in the same manner as described above) on the first anniversary of the change of control if he has remained employed by the Corporation or an affiliate through such date or upon an earlier termination of employment by the Corporation (except for death, disability or cause) or by the named executive officer for good reason (defined in the same manner as in the amended 2000 Agreement). Upon such a termination of employment following a change of control and during the employment period, the named executive officer is entitled to, among other things, a lump sum severance payment equal to three times (two times in the case of Mr. Olivera) the sum of his annual base salary plus his annual bonus; a payment in respect of three years (two years in the case of Mr. Olivera) of foregone supplemental retirement benefits; continued coverage under all employee benefit plans, and certain other benefits and perquisites, for three years (two years in the case of Mr. Olivera); and a full gross-up in respect of any excise tax incurred as a result of the benefits received pursuant to the 2002 Agreement. Such amounts and benefits would also be provided if such a termination of a named executive officer occurs 21 following a potential change of control and prior to an actual change of control, and during the employment period, except that 100% of the outstanding performance stock-based awards (calculated as described above) would be vested and earned, excluding any such awards granted in connection with the shareholder approval of the proposed merger with Entergy Corporation. In addition, each named executive officer will also receive a pro rata portion (based upon deemed employment until the end of the three year employment period (two year employment period in the case of Mr. Olivera)) of each long-term incentive compensation award granted to him on or after the date of the change of control; provided, that a named executive officer will not be eligible to receive any payment with respect to any non-vested portion of an award which was granted in connection with the shareholder approval of the proposed merger with Entergy Corporation. CONSULTING AGREEMENT AND CERTAIN RETIREMENT BENEFITS In December 2001, the Corporation entered into a consulting agreement with Mr. Broadhead, pursuant to which Mr. Broadhead agreed to consult with the Chairman of the Board of the Corporation regarding the Corporation's business and its general management and operation during 2002. As compensation to Mr. Broadhead for his services, options to purchase 62,500 shares of FPL Group Common Stock at an exercise price of $61.72 during the period ending February 12, 2011, which otherwise would have expired upon his retirement on December 31, 2001, became vested and exercisable in January 2002 and 12,500 shares of FPL Group Common Stock subject to a restricted stock award, which otherwise would have lapsed upon his retirement, became vested in January 2002. Under the Long Term Incentive Plan 1994, in connection with Mr. Broadhead's retirement he would have been entitled to a prorated portion (based on service) of the performance share awards for the two-, three-and four-year performance periods described in the Performance Share Awards table above, and the two- and three-year performance periods described in the Shareholder Value Awards table above, at the end of such periods. In February 2002, the Compensation Committee accelerated the payment of those prorated amounts, which totaled $2,610,580 (consisting of 20,956 shares of Common Stock and $1,526,107 in cash). Also, the Compensation Committee accelerated to January 2, 2002, the vesting of options to purchase 187,500 shares of Common Stock at a price of $61.72 during the period ending February 12, 2011 and the vesting of 37,500 shares of restricted Common Stock that, absent Mr. Broadhead's retirement, would have vested February 12, 2002. SHAREHOLDER PROPOSALS Proposals on matters appropriate for shareholder consideration consistent with the regulations of the Securities and Exchange Commission submitted by shareholders for inclusion in the proxy statement and form of proxy for the 2003 Annual Meeting of Shareholders must be received at FPL Group's principal executive offices on or before December 19, 2002. After March 4, 2003, notice to FPL Group of a shareholder proposal submitted for consideration at the 2003 Annual Meeting of Shareholders, which is not submitted for inclusion in FPL Group's proxy statement and form of proxy, will be considered untimely and the persons named in the proxies solicited by FPL Group's Board of Directors for the 2003 Annual Meeting of Shareholders may exercise discretionary voting power with respect to any such proposal. Shareholder proposals may be mailed to Dennis P. Coyle, Secretary, FPL Group, Inc., Post Office Box 14000, 700 Universe Boulevard, Juno Beach, Florida 33408-0420. GENERAL The expense of soliciting proxies will be borne by FPL Group. Proxies will be solicited principally by mail, but directors, officers, and regular employees of FPL Group or its subsidiaries may solicit proxies personally, by telephone or other electronic media. FPL Group has retained Georgeson Shareholder Communications, Inc. to assist in the solicitation of proxies, for which services it will be paid a fee of $5,000 22 plus out-of-pocket expenses. FPL Group will reimburse custodians, nominees or other persons for their out-of-pocket expenses in sending proxy materials to beneficial owners. HOUSEHOLDING OF ANNUAL DISCLOSURE DOCUMENTS The Securities and Exchange Commission recently approved a new rule concerning the delivery of annual disclosure documents, called "householding." Under that rule, certain brokers, banks and other intermediaries have arranged that a single set of our annual report and proxy statement is being delivered to multiple shareholders sharing an address unless those brokers, banks and other intermediaries have received contrary instructions from one or more of the shareholders. The rule applies to FPL Group's annual reports, proxy statements or information statements. Each shareholder will continue to receive a separate proxy card or voting instruction card. FPL Group will deliver promptly upon written or oral request a separate copy of this proxy statement or other annual disclosure documents, to a shareholder at a shared address to which a single copy of the document was sent. If you would like to receive your own set of these documents, or would like to receive your own set of FPL Group's annual disclosure documents in future years, contact us in writing at FPL Group, Shareholder Services, 700 Universe Blvd., Juno Beach, Florida, 33408 or by calling 561-694-4694. Two or more shareholders sharing an address can request delivery of a single copy of annual disclosure documents if they are receiving multiple copies by contacting FPL Group in the same manner. If a broker or other nominee holds your FPL Group shares, please contact ADP and inform them of your request by calling them at (888) 603-5847 or writing them at Householding Department, 51 Mercedes Way, Edgewood, NY 11717. Be sure to include your name, the name of your brokerage firm and your account number. ELECTRONIC ACCESS TO PROXY STATEMENT AND ANNUAL REPORT This Proxy Statement and FPL Group's 2001 Annual Report may be viewed online at www.fplgroup.com. If you are a shareholder of record, you can elect to receive future annual reports and proxy statements electronically by going to the web site www.econsent.com/fpl and following the instructions there, or by following the instructions provided if you vote by Internet. If you choose this option your choice will remain in effect until cancelled. If you should choose to cancel this option and resume mail delivery of these documents, return to the web site www.econsent.com/fpl and make the appropriate selection or notify FPL Group's transfer agent, EquiServe Trust Company, N.A. at P.O. Box 43010, Providence, RI, 02940-3010 by mail. If you hold your FPL Group stock through a bank, broker or another holder of record, refer to the information provided by that entity for instructions on how to elect this option. OTHER BUSINESS The Board of Directors does not know of any other business to be presented at the meeting and does not intend to bring before the meeting any matter other than the proposals described herein. However, if any other business should come before the meeting, or any adjournments thereof, the persons named in the accompanying proxy will have discretionary authority to vote all proxies. REGARDLESS OF THE NUMBER OF SHARES YOU OWN, IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE ANNUAL MEETING. ACCORDINGLY, YOU ARE RESPECTFULLY REQUESTED TO MARK, SIGN, DATE, AND RETURN THE ACCOMPANYING PROXY CARD AT YOUR EARLIEST CONVENIENCE. ALTERNATIVELY, YOU MAY CAST YOUR VOTE BY TELEPHONE OR ELECTRONICALLY BY FOLLOWING THE INSTRUCTIONS ON YOUR PROXY CARD. BY ORDER OF THE BOARD OF DIRECTORS. /s/ Dennis P. Coyle DENNIS P. COYLE Secretary April 19, 2002 23 0732-PS-02 FPL GROUP P.O. Box 43068 Providence, RI 02940-3068 ADMISSION TICKET -- You may vote your shares using the Internet or a touch-tone telephone anytime, 24 hours a day, 7 days a week. Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card. IF YOU ARE VOTING BY INTERNET OR TELEPHONE, DO NOT MAIL YOUR PROXY CARD. TO VOTE BY TELEPHONE: ------------------- o Read the accompanying Proxy Statement and Proxy Card. o Locate your VOTER CONTROL NUMBER located on your proxy card above your name. o Using a touch-tone phone, call toll-free 1-877-779-8683. THERE IS NO CHARGE TO YOU FOR THIS CALL. o Follow the recorded instructions. TO VOTE BY INTERNET: ------------------- o Read the accompanying Proxy Statement and Proxy Card. o Locate your

VOTER CONTROL NUMBER located on your proxy card above your name. o Go to the Web Address: http://www.eproxyvote.com/fpl o Follow the instructions. TO VOTE BY MAIL: --------------- o Read the accompanying Proxy Statement and Proxy Card. o Mark, sign and date your proxy card and return it in the postage-paid envelope provided. RECEIVE FUTURE MATERIALS VIA THE INTERNET In order to reduce paper and mailing costs we are offering shareholders the opportunity to consent to receive annual meeting materials by e-mail instead of by U.S. mail. If you have an e-mail account and Internet access, please take advantage of this option by voting online and indicating your consent for electronic delivery or accessing http://www.econsent.com/fpl and then following the instructions. DETACH HERE IF MAILING -- /x/ PLEASE MARK VOTES AS IN THIS EXAMPLE. THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSALS 1 AND 2. -- 1. Election of Directors (01) H. Jesse Arnelle, (02) Sherry S. Barrat, (03) Robert M. Beall, II, (04) J. Hyatt Brown, (05) Armando M. Codina, (06) Willard D. Dover, (07) Alexander W. Dreyfoos, Jr., (08) Paul J. Evanson, (09) Lewis Hay III (10) Frederic V. Malek and (11) Paul R. Tregurtha WITHHELD FOR ALL FROM ALL NOMINEES NOMINEES /_/ /_/ -- FOR ALL NOMINEES EXCEPT AS NOTED ABOVE FOR AGAINST ABSTAIN 2. Ratification /_/ /_/ /_/ of Auditors 3. In their discretion such other business as may properly come before the meeting. MARK HERE /_/ MARK HERE /_/ FOR ADDRESS IF YOU PLAN CHANGE AND TO ATTEND NOTE AT LEFT THE MEETING When signing as attorney, executor, trustee, guardian, or corporate offices, please give title. For joint account, each joint owner should sign. Signature:_________________ Date:____2002 Signature:_____________ Date:_____2002 NOTE: Please sign exactly as the name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. FPL FPL GROUP, INC. GROUP ANNUAL MEETING May 24, 2002 10:00 AM PGA National Resort 400 Avenue of the Champions Palm Beach Gardens, Florida ADMISSION TICKET -- FPL Group's 2002 Annual Shareholders' Meeting will be held at 10:00 A.M. Eastern Time on Friday, May 24, 2002 at the PGA National Resort, Palm Beach Gardens, Florida. If you plan to attend the Annual Shareholders' Meeting, please tear off and keep the upper portion of this form as your ticket for admission to the meeting. This ticket, along with a form of personal identification, admits the named Shareholder(s) and one guest. YOUR VOTE IS IMPORTANT. Regardless of whether you plan to attend the meeting, it is important that your shares be voted. Accordingly, we ask that you vote your shares as soon as possible using one of three convenient methods: over the phone, over the Internet or by signing and returning your proxy card in the envelope provided. If you plan to attend the meeting, please mark the appropriate box on the proxy. DETACH HERE IF MAILING -- PROXY/VOTING INSTRUCTIONS FPL GROUP, INC. THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS THE UNDERSIGNED HEREBY APPOINTS DENNIS P. COYLE, LAWRENCE J. KELLEHER, AND MARY LOU KROMER, AND EACH OF THEM, WITH POWER OF SUBSTITUTION, PROXIES OF THE UNDERSIGNED, TO VOTE ALL SHARES OF COMMON STOCK OF FPL GROUP, INC. THAT THE UNDERSIGNED WOULD BE ENTITLED TO VOTE AT THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD MAY 24, 2002, AND ANY ADJOURNMENT OR POSTPONEMENT THEREOF, UPON THE MATTERS REFERRED TO ON THIS PROXY AND, IN THEIR DISCRETION, UPON ANY OTHER BUSINESS THAT MAY PROPERLY COME BEFORE THE MEETING. THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED BY THE UNDERSIGNED SHAREHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSALS 1 AND 2. IF YOU ARE A PARTICIPANT IN ANY OF FPL GROUP, INC.'S EMPLOYEE THRIFT PLANS (THE "PLANS"), THIS PROXY INFORMATION WILL BE FORWARDED TO FIDELITY MANAGEMENT TRUST COMPANY, AS TRUSTEE OF THE THRIFT PLANS, AND WILL TELL THE TRUSTEE HOW TO VOTE THE NUMBER OF SHARES OF COMMON STOCK REFLECTING YOUR PROPORTIONATE INTEREST IN THE FPL GROUP STOCK FUND AND THE FPL GROUP LEVERAGED ESOP FUND. YOUR INSTRUCTIONS WILL ALSO DETERMINE THE VOTE ON A PROPORTIONATE NUMBER OF THE LEVERAGED ESOP SHARES WHICH ARE HELD IN THE THRIFT PLANS BUT NOT YET ALLOCATED TO PARTICIPANTS. IF YOU DO NOT GIVE THE TRUSTEE VOTING INSTRUCTIONS, THE NUMBER OF SHARES REFLECTING YOUR PROPORTIONATE INTEREST WILL NOT BE VOTED, BUT YOUR PROPORTIONATE SHARE OF THE UNALLOCATED LEVERAGED

ESOP SHARES WILL BE VOTED BY THE TRUSTEE IN THE SAME MANNER AS IT VOTES UNALLOCATED SHARES FOR WHICH INSTRUCTIONS ARE RECEIVED. SEE SEE REVERSE CONTINUED, AND TO BE SIGNED AND DATED ON THE REVERSE SIDE REVERSE SIDE SIDE