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High Dividend Makes FPL Shine

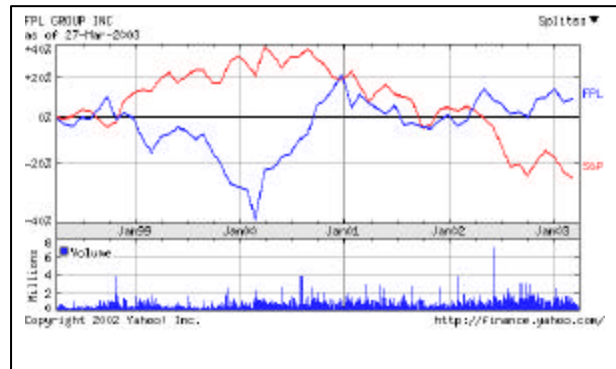
Company Profile

For a Florida company without any oranges, FPL Group produces a lot of juice. The holding company has operations across the US focused on independent power production, but with a small interest in telecommunications. Florida Power & Light (FPL) core energy business has a growing presence in 21 states including both nuclear and fossil-fueled power plants. FPL Group also includes a small subsidiary called FPL Energy Marketing and Trading, which buys and sells power, natural gas, and other energy commodities.
Source: Multex Investor

Highlights

- High annual dividend of \$2.40 with a yield of 4.10% is a guaranteed source of returns for the Endowment. Their March 17th dividend marked the “225th consecutive quarterly dividend paid over the past 57 years.” -CNBC
- FPL Group, Inc. has a current P/E of 14.60 vs. the industry average of 33.32 makes FPL a “cheap” utility acquisition. Their 2003/04 price targets are \$71.10 and \$74.90 respectively, which corresponds with their discount dividend model and DCF, is higher than their current price of \$57.80. On the conservative side, this leaves us with a 2003 profit potential of \$6200.
- Their smaller than average LT growth rate of 5.9% is low, considering the construction of a fuel peaking unit in Queens, NYC as well as a controlling acquisition of the Seabrook nuclear plant in New Hampshire. Both are expected to boost revenues. –Yahoo Finance News (11-1-02 & 1-31-03).
- FPL Group, Inc.’s diversification as an integrated energy generator and provider as well as a fiber optics developer has created a fluid company with a long history of consistent growth and stability.

Selected Financial Data		Industry Averages
Stock Price (2/23/2003)	\$58.70	
Shares Outstanding	183.0 m	
Market Cap (2/23/2003)	\$10,740 m	
Sales	\$8,311.0 m	
Sales per share	\$45.41/share	\$33.06/share
Income	\$473.0 m	
Net profit margin	8.40%	2.02%
EPS	\$4.02	\$0.59
5 year growth rate	5.90%	5.7%
Dividend/Share	\$2.40	\$1.10
52-week low	\$45.00	
52-week high	\$65.31	
P/E	14.60	33.32
P/B	1.72	1.19
36 mo. Div growth	3.7%	(4.7%)
ROE	10.9%	4.00%
ROA	3.50%	0.90%
Leverage Ratio	3.10	4.54
Total Debt/Equity	1.27	1.86
Beta	0.04	(0.10)



The Importance of a High Dividend Return

Utilities have always offered significant dividend returns, which in previous years were unfavored due to irrational exuberance focused on capital gains and growth in stock price. In the current market where there is relatively no reinvestment risk due to low interest rates, stocks with reliably high dividend yields offer immediate access to returns. While in recent history many investors have downplayed or disregarded the “Bird-in-Hand” theory, this is the time to trust in actual returns.

What Does Unfavored Mean?

Unfavored means irrational selling influenced by popular opinion and not based on supporting evidence. The unfavored nature of utilities and FPL in particular is demonstrated by the recent two buys made by insiders with no sells in contrast with the large exodus of institution investors who sold significantly more than they bought over the same time period. This can be attributed to such factors as a backlash against the Enron scandal and a high cost of oil. However, with recent legislation enacted against corporate fraud and a return to OPEC’s control of oil prices these factors are expected to diminish.

FPL Group, Inc: Some Background Information

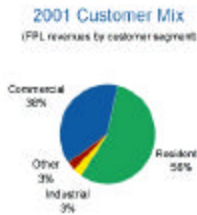
Florida Power and Light Group, Incorporated is the main energy provider for the state of Florida, one of the largest utilities in the nation, with a diversified operations structure that spans across electricity generation through oil, gas, coal, wind, solar, hydroelectric, and nuclear sources. They have annual revenues in excess of \$8 billion dollars serving approximately 4 million customers in Florida through utilities as well as providing service in 21 other states, namely the New York metropolitan area with nuclear power generating stations.

FPL Group continues to expand capacity within Florida; 1200 megawatts of new generation were added to existing plants on top of 19,000 megawatts in purchased power in 2001. More new generation will come from the completion of two "repowering" projects in Fort Myers and Sanford, Florida, which will increase the number of homes and businesses supplied with power by the two plants by 350,000. Repowering is a process which converts existing oil-burning plants to state-of-the-art natural gas operations; "it not only increases plant output, but reduces emissions as well" (FPLGroup.com). In addition, the plants received one of the nation's highest ratings from the World Association of Nuclear Operators.

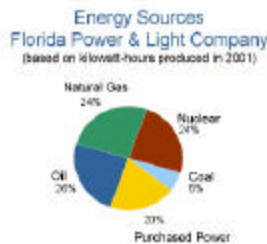
Cost conservation is key to the success of any utility company. FPL Group, Inc. has lowered its "operations and maintenance costs per kilowatt hour by 40% since 1990, from 1.82 cents to 1.09 cents" (FPLGroup.com). This efficiency effort has allowed them to maintain base rates for their customers that approximately 12 percent below the national average.

FPL Group's Three Subsidiaries and their Function/Contribution to the Whole

Florida Power and Light is a large utility company serving about half the state of Florida with energy. They have recently initiated a direct pass-through price increase in base rates for their customers due to the steep climb in fuel prices. However, customers have been provided with means to keep energy bills low through a "Time-of-Use" economical pricing program for 2003 which discourages use during peak hours. . On average, the fuel portion of individual customers' energy bills increased by 7.3%, while industrial bills increased 11.6%. These strategic moves were received positively, as they fairly and efficiently pass on drastic increases in costs to the customer, which would otherwise drive down profits for shareholders.



FPL Energy, LLC is an energy trader and investor in nuclear, solar, wind and hydroelectric power plants. "It is the leading U.S. generator of wind energy and operates the two largest solar fields in the world" (FPLGroup.com). They have acquired a "controlling interest" in the Seabrook Nuclear Generation Station in New Hampshire. In January of 2003, they began construction on a 54-megawatt dual fuel peaking unit to supply electricity to the Long Island Power Authority (LIPA) for the Rockaway Peninsula in Queens County, New York City. FPL Energy, LLC contributes largely to the 5.7% expected 5 year growth for FPL Group, Inc. and is a leader in producing energy from clean and renewable fuels.



FPL FiberNet, LLC started in 2000 and provides fiber optic services all over the state of Florida. It is used by telephone companies, ISP's, and ASP's and connects major carrier hotels, central offices, international cable heads, and Network Access Points (providing TI internet connection to islands in the Caribbean and South America).

Source of graphs: FPLGroup.com

Comparative Analysis:

- ❖ Currently, FPL Group, Inc. offers a high dividend coupled with a high potential for capital gains. Market realization is expected to come as FPL increases capacity through a new controlling interest in the Seabrook Nuclear Generating Station in New Hampshire and the commencement of construction for a 54 megawatt dual fuel peaking unit to supply electricity to the Long Island Power Authority (LIPA).
- ❖ FPL Group, Inc. has a lower debt-to-equity than comparables, which has allowed them to grow through new acquisitions as prices have tumbled due to the economic downturn. While TECO, Progress and Southern Company had higher income growth in 2002, FPL's higher dividend and potential for capital appreciation is considerably stronger.
- ❖ Also note FPL's significantly higher Return on Equity and Return on Assets compared to industry averages and close to "in-line" with their top competitors. Recent news showed that FPL actually exceeded Florida state-authorized levels of 10-12%, but in response to this, FPL initiated a revenue sharing program which passes on the extra profits to customers.

Competitive Landscape

As of Mar 31 2003

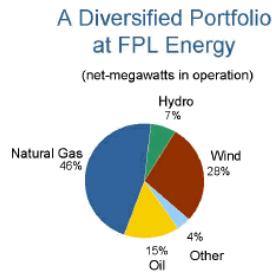
Key Numbers		Top Competitors					
	FPL	Progress Energy	Southern Company	TECO Energy			
Annual Sales (\$mil.)	8,311.0	7,945.1	10,549.0	2,675.8			
Employees	9,757	15,300	26,178	6,319			
Market Value (\$mil.)	10,786.6	9,363.6	20,363.0	1,871.4			
Profitability		FPL	Progress Energy	Southern Company	TECO Energy	Industry ²	Market ³
Gross Profit Margin	36.87%	35.92%	40.72%	32.87%	25.91%	47.62%	
Pre-Tax Profit Margin	11.48%	4.96%	19.32%	9.71%	6.30%	5.13%	
Net Profit Margin	8.36%	6.65%	12.49%	12.34%	2.02%	2.32%	
Return on Equity	10.9%	7.9%	15.1%	12.6%	4.0%	4.6%	
Return on Assets	3.5%	2.5%	4.1%	3.8%	0.9%	0.8%	
Return on Invested Capital	5.6%	3.2%	7.6%	5.0%	1.6%	2.1%	

Valuation		FPL	Progress Energy	Southern Company	TECO Energy	Industry ²	Market ³
Price/Sales Ratio		1.30	1.18	1.93	0.70	0.59	1.04
Price/Earnings Ratio		14.70	16.18	15.37	4.94	33.32	45.61
Price/Book Ratio		1.69	1.40	2.34	0.72	1.19	2.06
Price/Cash Flow Ratio		6.73	5.76	8.22	2.89	6.24	12.54
Financial		FPL	Progress Energy	Southern Company	TECO Energy	Industry ²	Market ³
Current Ratio		0.49	1.04	0.59	1.19	0.81	1.37
Quick Ratio		0.3	0.4	0.4	1.0	0.4	1.0
Leverage Ratio		3.10	3.20	3.65	3.31	4.54	5.91
Total Debt/Equity		1.27	1.61	1.30	1.46	1.86	1.50
Interest Coverage		4.0	1.6	4.9	2.7	1.9	1.8
Per Share Data (\$)		FPL	Progress Energy	Southern Company	TECO Energy	Industry ²	Market ³
Revenue Per Share		45.41	33.22	14.73	15.20	33.06	19.22
Fully Diluted Earnings Per Share from Total Operations		4.01	2.42	1.85	2.15	0.59	0.44
Dividends Per Share		2.32	2.18	1.36	1.41	1.10	0.41
Cash Flow Per Share		8.76	6.80	3.46	3.68	3.15	1.60
Growth		FPL	Progress Energy	Southern Company	TECO Energy	Industry ²	Market ³
12-Month Revenue Growth		(1.9%)	(6.1%)	3.9%	1.0%	(30.3%)	(0.4%)
12-Month Net Income Growth		(11.0%)	(2.4%)	4.5%	8.7%	(64.9%)	24.0%

12-Month EPS Growth	(13.2%)	(8.3%)	2.2%	(4.0%)	(69.3%)	33.3%
12-Month Dividend Growth	3.6%	2.8%	1.5%	2.9%	6.8%	0.0%
36-Month Revenue Growth	9.9%	39.2%	(2.7%)	11.0%	18.8%	6.5%
36-Month Net Income Growth	0.9%	11.6%	0.6%	18.7%	(22.3%)	(27.7%)
36-Month EPS Growth	0.6%	(2.9%)	(1.2%)	12.6%	–	(37.7%)
36-Month Dividend Growth	3.7%	2.9%	0.3%	3.0%	(4.7%)	(12.7%)

Source: Hoovers Online

SOME COMPARATIVE CHARTS ON FPL GROUP, INC. PERFORMANCE



DRP	1.49%		2003 (end of)	2004	2005	Terminal Growth @ 1.5%	0.01		
Kd	2.99%	Growth 5.9%	552.00	584.57	619.06	Terminal Value (P0@2005)			
Ke	3.450%		Discounted at WACCAT						
Beta	0.30		2003	536.95					
MRP	0.065		2004	553.13					
Rf	0.015		2005	569.80					
Debt	8092.00		TV 2005	31923.37					
Equity	10742.10		PV of all UFCF	33583.25					
Stk P. 1/27/03	58.70		Stk Price	139.30					
# shares	183.00								
Mkt. Cap.	10742.10								
Effect. Tax Rt.	35%								
Wd	0.43								
We	0.57								
WACC	2.803%								
	2002								
Rev	8311	Sensitivity analysis			Terminal Growth				
(minus) OE	6986			0.90%	1.00%	1.50%	1.75%	Ke	WACC
Taxable Inc.	1325		0	375.64	435.56	1678.63		0.015	1.691%
(minus) Taxes	463.75		0.2	172.22	186.92	307.70	434.51	0.028	2.432%
Pseudo NI	861.25	Stock Beta	0.4	101.49	107.92	151.61	184.96	0.041	3.173%
(plus) Dep.	952		0.6	65.55	69.12	91.37	106.35	0.054	3.915%
Oper. CF Aftr Tax	1813.25		0.8	43.80	46.05	59.43	67.85	0.067	4.656%
(minus) CAPEX	1277								
(minus) Change in NWC	15								
UFCF	521.25								

Key assumptions:

Net income was adjusted for "unusual expenses (UE)" that appeared on the company's income statement. We averaged the last five years of UE to gain a normalized operating expense of 6,986 million, which is their total operating expense (7,093) minus current year UE (207), minus the 5 yr average of UE (110).

The beta of 0.3 was used as an average between historical utility beta of 0.6 and a current beta for FPL of 0.04. Terminal Growth is set at 1.00% (approximate to current inflation) which is found by subtracting the real interest rate (0.5%) from the risk free rate. This was done because Utilities, on average, grow at the rate of inflation plus the population growth. We left the population growth factor out of this calculation.

GORDON DIVIDEND GROWTH MODEL VALUATION

Our dividend discount valuation is based on the premises that the risk free rate is effectively the rate of inflation plus the real interest rate (Rf = real rate + inflation). Historically, the arithmetic mean for U.S. inflation since 1926 has been 3.2 percent. The average U.S. T-bill arithmetic mean has been 3.8 percent for the equal time period. Since the spread between the historical risk free rate and inflation rate is 0.6 percent, we have applied this same spread to FPL Group, Inc. to come up with an effective current inflation of 0.90% (1.5% = 0.6% + 0.90%).

The reason this is important is because Utility companies, so heavily regulated by the state legislatures so as not to overprice customers, have actually grown by the rate of inflation over the long term.

For this reason, we are using a 0.90% terminal

growth rate for FPL in calculating its intrinsic stock value. The initial value at time 0 is \$79.43. This should be considered the stock's true value today. However, after growing the dividend for 3 years at 5.9% and then taking the present value of those calculations, we get a true value of FPL Group, Inc.'s stock at \$87.12. Keep in mind, this is a conservative estimate. Any gains from inflation in excess of 1% in the long-run (something we think most of you can imagine), would be extra value added to the stock price.

The \$87.12 present value of the stock is within "earshot" of the cash flow sensitivity analysis, taking a 1.00% terminal growth and a Beta of 0.4. You will notice on the cash flow page, we employed a Beta of 0.3 to calculate the CAPM. We opted for a "middle-of-the-road" approach, taking an average of historical utility betas of 0.6 and a current beta for FPL of 0.0 roughly. On the sensitivity analysis, the stock price using beta of 0.4 and 1% terminal growth was closest to our conclusions using the Dividend Discount Model.

It is important to realize that these two models do not equally translate when employing a market stated cost of debt, such as 2.99%. To make the Gordon Model and Discounted Cash Flow Analysis truly comparable, you would calculate an "actual interest rate" by dividing the interest expense of FPL over the book value of the debt. However, we feel the calculations, as they are, are persuasive enough to convey that the stock is currently undervalued and will likely rise in the near future.

Dividend Growth Model				
Using the Gordon Growth Model, which divides the dividend by the cost of equity minus the growth rate, gave FPL a stock price of \$77.42.				
This value is not far from their estimated \$72 stock value.				
growth rate=	0.90%			
Cost of Equity=	4.10%	3 years of growth at 5.9%		
Dividend Value (t-0)=	2.5416	2.691554	2.850356	2.876009
Stk Value=	79.43			
This 1% growth rate is conservative and consistent with our expected risk free rate of 1.5%				
as well as with our long term growth rate of 1%.				
PV of first 3 yrs of growth at 5.9%	87.12065			
plus terminal growth at inflation.				

Recent News that Supports our Positive Views of FPL Group, Inc.

Purely Positive Announcements:

- ❖ On March 31, 2003 FPL Group, Inc. sold \$500 million of 31-year bonds to retire short-term debt and raise cash for expansion of its electricity network. They are set to yield 80 basis points more than a Treasury bond of approximate maturity. "The utility will use the proceeds to pay off commercial paper, or debt maturing in nine months or less, and for expansion," spokeswoman Mary Lou Kromer said. Bank of America and Wachovia managed the sale. A \$0.23 gain in the stock price for the day was testimony to the issuance being well-received by the market.
- ❖ On February 14, 2003 FPL Group, Inc. raised its common stock dividend from \$0.58/share to \$0.60/share. This increase is activated March 17 to stockholders and "marks the 225th consecutive quarterly dividend paid to common stockholders over the past 57 years." –Yahoo Finance
- ❖ On the same day FPL Group, Inc. increased its dividend, Goldman Sachs analyst upgraded FPL from "in-line" to "outperform."

Pre-emptive action taken by FPL Group, Inc. towards accounting, regulatory, and safety issues which negatively affect earnings:

- ❖ On January 23, 2003 FPL Group announce that it would return \$11 million to customers this year in response to returns on equity that exceeded the authorized 10%-12% range, as set by the Florida state legislature. This is part of the ongoing "Revenue-Sharing" rate reduction plan that was initiated last April by the Public Service Commission of Florida. Since FPL is Florida's largest utility provider, these actions fall suit with Governor Jeb Bush's 2020 deregulation goal outlined in the Energy 2020 Study Commission, in which companies must adjust to open competition and lower market rates.
- ❖ FPL Group, Inc. agrees to pay a settlement of \$38 million in response to anti-trust violations in which the Florida Municipal Power Agency was overpriced. In addition to the settlement they will sell power to FMP A at a reduced, fixed rate until October of 2007.
- ❖ FPL Group, Inc. is the nation's largest investor/operator in wind energy. Wind field projects that required structural changes in order to fulfill legal requirements by the Federal Aviation Administration cause net income to fall \$10 million during the year of the charges. This spurred a restructuring of the entire wind energy division and created \$127 million in restructuring and impairment charges. Looking closely at news and announcements, we concluded that FPL's willingness to comply with regulation and do things "the right way", even though it cost them, was a positive indicator of the company's conservatism.

FINANCIAL STATEMENTS

ANNUAL INCOME STATEMENT					
In Millions of U.S. Dollars (except for per share items)	12 Months Ending 12/31/02	12 Months Ending 12/31/01 Reclass. 12/31/02	12 Months Ending 12/31/00 Reclass. 12/31/02	12 Months Ending 12/31/99	12 Months Ending 12/31/98
Revenue	8,311.0	8,326.0	7,062.0	6,438.0	6,661.0
Other Revenue, Total	-	-	-	-	-
Total Revenue	8,311.0	8,326.0	7,062.0	6,438.0	6,661.0
Cost of Revenue	-	-	-	-	-
Fuel Expense	3,711.0	3,881.0	2,848.0	2,365.0	2,244.0
Operations & Maintenance	1,492.0	1,325.0	1,257.0	1,253.0	1,284.0
Selling/General/Admin. Expenses, Total	-	-	-	-	-
Research & Development	-	-	-	-	-
Depreciation/Amortization	952.0	983.0	1,032.0	1,040.0	1,284.0
Interest Expense(Income) - Net Operating	-	-	-	-	-
Unusual Expense (Income)	207.0	30.0	67.0	245.0	0.0
Other Operating Expenses, Total	721.0	711.0	618.0	615.0	597.0
Total Operating Expense	7,083.0	6,930.0	5,822.0	5,518.0	5,409.0
Operating Income	1,228.0	1,396.0	1,240.0	920.0	1,252.0
Interest Expense, Net: Non-Operating	(311.0)	(324.0)	(278.0)	(222.0)	(322.0)
Interest/Invest Income - Non-Operating	76.0	81.0	45.0	-	-
Interest Income(Exp), Net Non-Operating	(235.0)	(243.0)	(233.0)	(222.0)	(322.0)
Gain (Loss) on Sale of Assets	-	-	0.0	257.0	0.0
Other, Net	(54.0)	7.0	33.0	65.0	13.0
Net Income Before Taxes	939.0	1,160.0	1,040.0	1,020.0	943.0
Provision for Income Taxes	244.0	379.0	336.0	323.0	279.0
Net Income After Taxes	695.0	781.0	704.0	697.0	664.0
Minority Interest	-	-	-	-	-
Equity In Affiliates	-	-	-	-	-
Net Income Before Extra. Items	695.0	781.0	704.0	697.0	664.0
Accounting Change	(222.0)	0.0	0.0	-	-
Discontinued Operations	-	-	-	-	0.0
Extraordinary Item	-	-	-	-	-
Net Income	473.0	781.0	704.0	697.0	664.0

ANNUAL BALANCE SHEET

In Millions of U.S. Dollars (except for per share items)	As of 12/31/02	As of 12/31/01	As of 12/31/00	As of 12/31/99	As of 12/31/98
Cash & Equivalents	266.0	82.0	129.0	361.0	187.0
Cash and Short Term Investments	266.0	82.0	129.0	361.0	187.0
Accounts Receivable - Trade, Net	642.0	636.0	637.0	482.0	559.0
Receivables - Other	223.0	144.0	246.0	61.0	—
Total Receivables, Net	865.0	780.0	883.0	543.0	559.0
Total Inventory	448.0	349.0	370.0	343.0	282.0
Prepaid Expenses	—	—	—	—	—
Other Current Assets, Total	329.0	391.0	399.0	126.0	238.0
Total Current Assets	1,908.0	1,602.0	1,781.0	1,373.0	1,266.0
Property/Plant/Equipment, Total - Net	—	—	—	—	—
Goodwill, Net	—	—	—	—	—
Intangibles, Net	—	—	—	—	—
Utility Plant - Gross	26,505.0	23,388.0	21,022.0	19,554.0	17,952.0
Utility Plant Accumulated Depreciation	(12,201.0)	(11,726.0)	(11,088.0)	(10,290.0)	(9,397.0)
Utility Plant, Net	14,304.0	11,662.0	9,934.0	9,264.0	8,555.0
Accumulated Depletion	—	—	—	—	—
Total Utility Plant - Net	14,304.0	11,662.0	9,934.0	9,264.0	8,555.0
Long Term Investments	697.0	1,035.0	651.0	611.0	391.0
Other Long Term Assets, Total	2,881.0	3,164.0	2,934.0	2,193.0	1,817.0
Total Assets	19,790.0	17,463.0	15,300.0	13,441.0	12,029.0
Accounts Payable	458.0	473.0	564.0	407.0	338.0
Accrued Expenses	169.0	160.0	146.0	182.0	191.0
Notes Payable/Short Term Debt	2,197.0	1,982.0	1,158.0	339.0	110.0
Current Port. of LT Debt/Capital Leases	105.0	32.0	65.0	125.0	359.0
Other Current liabilities, Total	982.0	992.0	830.0	817.0	643.0
Total Current Liabilities	3,911.0	3,639.0	2,763.0	1,870.0	1,641.0
Long Term Debt	5,790.0	4,858.0	3,976.0	3,478.0	2,347.0
Capital Lease Obligations	—	—	—	—	—
Total Long Term Debt	5,790.0	4,858.0	3,976.0	3,478.0	2,347.0
Total Debt	8,092.0	6,872.0	5,199.0	3,942.0	2,816.0

Deferred Income Tax	1,547.0	1,302.0	1,378.0	1,079.0	1,255.0
Minority Interest	–	–	–	–	–
Other Liabilities, Total	1,926.0	1,423.0	1,364.0	1,418.0	1,434.0
Total Liabilities	13,174.0	11,222.0	9,481.0	7,845.0	6,677.0
Redeemed Preferred Stock, Total	–	–	–	–	–
Preferred Stock - Non Redeemable, Net	226.0	226.0	226.0	226.0	226.0
Common Stock, Total	2.0	2.0	2.0	2.0	2.0
Additional Paid-In Capital	3,284.0	3,025.0	3,008.0	3,148.0	3,252.0
Retained Earnings (Accumulated Deficit)	3,280.0	3,207.0	2,803.0	2,465.0	2,123.0
Treasury Stock - Common	–	–	–	–	–
Other Equity, Total	(176.0)	(219.0)	(220.0)	(245.0)	(251.0)
Total Equity	6,616.0	6,241.0	5,819.0	5,596.0	5,352.0
Total Liabilities & Shareholders' Equity	19,790.0	17,463.0	15,300.0	13,441.0	12,029.0

ANNUAL CASH FLOW STATEMENT (Indirect Method)					
In Millions of U.S. Dollars (except for per share items)	12 Months Ending 12/31/02	12 Months Ending 12/31/01	12 Months Ending 12/31/00	12 Months Ending 12/31/99	12 Months Ending 12/31/98
Net Income/Starting Line	473.0	781.0	704.0	697.0	664.0
Depreciation/Depletion	908.0	983.0	1,032.0	1,040.0	1,284.0
Deferred Taxes	219.0	(91.0)	283.0	(198.0)	(237.0)
Non-Cash Items	863.0	49.0	(810.0)	(26.0)	68.0
Changes in Working Capital	(125.0)	220.0	(233.0)	50.0	(36.0)
Cash from Operating Activities	2,338.0	1,942.0	976.0	1,563.0	1,743.0
Capital Expenditures	(1,277.0)	(1,282.0)	(1,299.0)	(861.0)	(617.0)
Other Investing Cash Flow Items, Total	(1,990.0)	(1,987.0)	(644.0)	(1,311.0)	(178.0)
Cash from Investing Activities	(3,267.0)	(3,269.0)	(1,943.0)	(2,172.0)	(795.0)
Financing Cash Flow Items	(52.0)	0.0	0.0	–	–
Cash Dividends Paid	(400.0)	(377.0)	(366.0)	(355.0)	(345.0)
Issuance (Retirement) of Stock, Net	378.0	0.0	(150.0)	(116.0)	(62.0)
Issuance (Retirement) of Debt, Net	1,187.0	1,657.0	1,251.0	1,254.0	(408.0)
Cash from Financing Activities	1,113.0	1,280.0	735.0	783.0	(815.0)
Foreign Exchange Effects	–	–	–	–	–
Net Change in Cash	184.0	(47.0)	(232.0)	174.0	133.0

Cash Interest Paid	311.0	373.0	301.0	221.0	308.0
Cash Taxes Paid	(9.0)	433.0	160.0	573.0	463.0

FINAL REMARKS

Utilities have several inherent advantages over other sectors within the Energy Industry. Long-term stability, guaranteed returns, and diversification of supply costs are some of the more obvious ones. But, what about timing? Currently, the utilities sector is out-of-favor by institutional investors. We feel this is due to over zealous reactions to the Enron collapse. People just don't trust Utilities' balance sheets. FPL Group, Inc. was in compliance with all new FASB requirements for disclosures in relation to energy trading as of December 31, 2002. Trading and managed hedge activities represents the net unrealized effect of actively traded positions entered into to take advantage of market price movements and to optimize the value of generation assets and related contracts. FPL has taken a responsible approach to these regulatory changes, and has adjusted their balance sheets accordingly.

FPL Group Inc. has a sustainable, high dividend yield, evidenced by their reasonable payout ratio of 57.53%. This fact in conjunction with expansion efforts through power purchases, "repowering" projects, and increasing levels of nuclear and wind energy generation all combine to leave us confident of FPL's current and future financial strengths.

Their Beta of 0.04, compared to an industry average of negative 0.1 (thus non-anomalous), tells us that their price increase from \$58 to approximately \$80 will come not from market movements, but from internal drives towards being one of the nations highest performing utilities.

Purchasing FPL stock now allows the Anne Rife Cox Endowment to benefit from sure returns at acceptable risks and a low cost.