ORIGINAL

verizon

Michelle A. Robinson
Regulatory Affairs
Assistant Vice President

201 N. Franklin St., FLTC0616
Post Office Box 110
Tampa, FL 33601-0110

Phone 813 483-2526
Fax 813 223-4888
michelle. robinson@verizon.com

November 9, 2001

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

011543 - TX

Re: Docket No.
Application filed by Verizon Florida, Inc. for authority to provide Alternative Local Exchange Service within the State of Florida.

Dear Ms. Bayo:

Please find enclosed the original and six (6) copies of the above referenced application which is being filed on behalf of Verizon Florida, Inc. (Verizon). In accordance with the PSC's application requirements, you will also find enclosed a list of Verizon's Officers and Directors, a copy of Verizon's completed U.S. Securities and Exchange Commission Form 10K for the years 1998, 1999 and 2000, and a check in the amount of $250.00. In addition, Verizon respectfully requests that this application be expedited for approval.

Please forward all correspondence, questions or concerns regarding this matter to me or Reynee Dominguez of my staff at (813) 483-2530.

2001 NOV -9 AM 10: 50
DISTRIBUTION CENTER

Sincerely,

Michelle A. Robinson
MAR:wjh

Enclosures

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.

Initials of person who forwarded check: 4m

DOCUMENT NUMBER-DATE
14279 NOV-9 01
FPSC-COMMISSION CLERK

** **FLORIDA PUBLIC SERVICE COMMISSION** **

DIVISION OF REGULATORY OVERSIGHT
CERTIFICATION SECTION

APPLICATION FORM for AUTHORITY TO PROVIDE ALTERNATIVE LOCAL EXCHANGE SERVICE WITHIN THE STATE OF FLORIDA

Instructions

- This form is used as an application for an original certificate and for approval of the assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Page 12).

- Print or type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.

- Use a separate sheet for each answer which will not fit the allotted space.

- Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of **$250.00** to:

  Florida Public Service Commission
  Division of Records and Reporting
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6770

- If you have questions about completing the form, contact:

  Florida Public Service Commission
  Division of Regulatory Oversight
  Certification Section
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6480

APPLICATION

1. **This is an application for √ (check one):**

   (√) **Original certificate** (new company).

   (   ) **Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.

   (   ) **Approval of assignment of existing certificate:** Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.

   (   ) **Approval of transfer of control:** Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of company: **Verizon Florida Inc.**

3. Name under which the applicant will do business (fictitious name, etc.): **Verizon Florida Inc.**

4. Official mailing address (including street name & number, post office box, city, state, zip code): **201 N. Franklin St., Mail Code FLTC0616, Tampa, Florida 33602.**

5. Florida address (including street name & number, post office box, city, state, zip code): **<u>201 N. Franklin St., MC FLTC0616, Tampa, Florida 33602</u>**

6. **Structure of organization:**

( ) Individual
( ) Foreign Corporation
( ) General Partnership
( ) Other
(√) Corporation
( ) Foreign Partnership
( ) Limited Partnership

7. **<u>If individual,</u> provide:**

Name:

Title:

Address:

City/State/Zip:

Telephone No.:________________________ Fax No.:

Internet E-Mail Address:

Internet Website Address:

8. <u>If incorporated in Florida,</u> provide proof of authority to operate in Florida:

(a) The Florida Secretary of State corporate registration number:

<u>The registration number is 002260 (also called Document Number).</u>

9. <u>If foreign corporation,</u> provide proof of authority to operate in Florida:

(a) The Florida Secretary of State corporate registration number: **<u>N/A</u>**

10. If using fictitious name-d/b/a, provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:

(a) The Florida Secretary of State fictitious name registration number: **N/A**

11. If a limited liability partnership, provide proof of registration to operate in Florida:

(a) The Florida Secretary of State registration number: **N/A**

12. If a partnership, provide name, title and address of all partners and a copy of the partnership agreement.

Name:

Title:

Address:

City/State/Zip:

Telephone No.:______________________ Fax No.:

Internet E-Mail Address:

Internet Website Address:

13. If a foreign limited partnership, provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.

(a) The Florida registration number: **N/A**

14. Provide F.E.I. Number(if applicable): **59-0397520**

15. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. Provide explanation. **None, to the best of Verizon's knowledge.**

(b) an officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not **None, to the best of Verizon's knowledge.**

16. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

Name: **Michelle Robinson**

Title: **Assistant Vice-President**

Address: **201 N Franklin St.,**

City/State/Zip: **Tampa FL, 33602**

Telephone No.: **813-483-2526** Fax No.: **813-223-4888**

Internet E-Mail Address: **Michelle.Robinson@Verizon.COM**

Internet Website Address: **http://www.verizon.com**

(b) Official point of contact for the ongoing operations of the company:

Name: **Michelle A. Robinson**

Title: **Assistant Vice-President**

Address: **201 N. Franklin St., MC FLTC0616**

City/State/Zip: **Tampa, Florida 33602**

Telephone No.: **813-483-2526** Fax No.: **813-223-4888**

Internet E-Mail Address: **Michelle.Robinson@Verizon.COM**

Internet Website Address:

(c) Complaints/Inquiries from customers:

Name: **Michelle A. Robinson**

Title: **Assistant Vice-President**

Address: **201 N. Franklin ST., MC FLTC0616**

City/State/Zip: **Tampa, Florida 33602**

Telephone No.: **813-483-2526** Fax No.: **813-223-4888**

Internet E-Mail Address: **Michelle.Robinson@Verizon.COM**

Internet Website Address:

17. List the states in which the applicant:

(a) has operated as an alternative local exchange company.

None

(b) has applications pending to be certificated as an alternative local exchange company.

None

(c) is certificated to operate as an alternative local exchange company.

<u>None</u>

(d) has been denied authority to operate as an alternative local exchange company and the circumstances involved.

<u>None</u>

(e) has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

GTE Florida, Inc. (Now Verizon Florida Inc.) was ordered to pay a $5,000 fine in Order No. 24306, Docket No. 890216-TL, dated 4/1/91 for violation of rule 25-4.020 (3), Florida Administrative Code.

(f) has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

To the best of our knowledge, Verizon Florida Inc. has not been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity.

18. Submit the following:

A. Managerial capability: give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

A list of the company's current management and their biographies is enclosed.

B. Technical capability: give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.

Verizon Florida, Inc. (formerly GTE Florida Incorporated) has been providing service in Florida since its certification in 1956. Verizon's long standing operation in Florida demonstrates its extensive technical and

managerial expertise. As shown in their resumes, Verizon's current officers have years of experience in the telecommunications industry.

C. Financial capability.

The application **<u>should contain</u>** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated.

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer <u>affirming that the financial statements are true and correct</u> and should include:

1. the balance sheet: **<u>See Form 10K enclosed for years 1998, 1999 and 2000</u>**.
2. income statement: **<u>See Form 10K enclosed for years 1998, 1999 and 2000.</u>**
3. statement of retained earnings. **<u>See Form 10K enclosed for years 1998, 1999 and 2000.</u>**

NOTE: *This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.*

Further, the following (which includes supporting documentation) should be provided:

1. **<u>written explanation</u>** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

   Verizon Florida's decades-long service as an incumbent local exchange carrier demonstrates its financial capabilities to provide service in Florida.

2. **<u>written explanation</u>** that the applicant has sufficient financial capability to maintain the requested service.

   Verizon Florida's decades-long service as an incumbent local exchange carrier demonstrates its financial capabilities to maintain service in Florida.

3. **<u>written explanation</u>** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

   Verizon Florida's decades-long service as an incumbent local exchange carrier demonstrates its financial capabilities to maintain its lease or ownership obligations in Florida.

THIS PAGE MUST BE COMPLETED AND SIGNED

APPLICANT ACKNOWLEDGMENT STATEMENT

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.

3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.

4. **APPLICATION FEE:** I understand that a non-refundable application fee of $250.00 must be submitted with the application.

UTILITY OFFICIAL:

Michelle A. Robinson	
Print Name	**Signature**
Assistant Vice-President	**November 7, 2001**
Title	**Date**
813-483-2526	**813-223-4888**
Telephone No.	**Fax No.**

Address: 201 N. Franklin St., Tampa, Fl 33602

THIS PAGE MUST BE COMPLETED AND SIGNED

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange company service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

UTILITY OFFICIAL:

Michelle A. Robinson	
Print Name	**Signature**
Assistant Vice-President	**November 9, 2001**
Title	**Date**
813-483-2526	**813-223-4888**
Telephone No.	**Fax No.**

Address: 201 N. Franklin St., Tampa, FL 33602

FORM PSC/CMU 8 (11/95)
Required by Commission Rule Nos. 25-24.805, 25-24.810, and 25-24.815

INTRASTATE NETWORK (if available)

Chapter 25-24.825 (5), Florida Administrative Code, requires the company to make available to staff the alternative local exchange service areas only upon request.

1. **POP:** Addresses where located, and indicate if owned or leased.

   1)________________ 2)

   ____

   3)________________ 4)

   ____

2. **SWITCHES:** Address where located, by type of switch, and indicate if owned or leased.

   1)________________ 2)

   ____

   3)________________ 4)

   ____

3. **TRANSMISSION FACILITIES:** POP-to-POP facilities by type of facilities (microwave, fiber, copper, satellite, etc.) and indicate if owned or leased.

POP-to-POP	OWNERSHIP
1)________________	
2)________________	
3)________________	
4)________________	

CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT

I, (Name)
(Title)____ of (Name of Company)

and current holder of Florida Public Service Commission Certificate Number #
______________, have reviewed this application and join in the petitioner's request for a:

( ) sale

( ) transfer

( ) assignment

of the above-mentioned certificate.

UTILITY OFFICIAL:

Print Name **Signature**

Title **Date**

Telephone No. **Fax No.**

Address:

FORM PSC/CMU 8 (11/95)
Required by Commission Rule Nos. 25-24.805, 25-24.810, and 25-24.815

Verizon Florida Inc.

Officers and Directors

Officers

John P. Blanchard	President
Lawrence R. Whitman	Vice President-Finance & Planning
Kimberly Caswell	Vice President-General Counsel and Assistant Secretary
John A. Ferrell	Vice President-Florida Region
Shawne L. Angelle	Vice President-Sales
Barry W. Paulson	Vice President-Engineering and Planning
Gregory G. Spradlin	Vice President-Human Resources
Gary L. Conner	Vice President-Taxes
Richard P. Jankun	Vice President-Taxes
Richard R. Masching	Vice President-Taxes
Karen M. Pogmore	Vice President
Gregory D. Jacobson	Vice President
Lynden Kamerman	Vice President
Marianne Drost	Secretary
Neil D. Olson	Treasurer
Edwin F. Hall	Controller
Rosalynn Christian	Assistant Secretary
M. Eric Edgington	Assistant Secretary
David S. Kauffman	Assistant Secretary
Barbara E. Grafton	Assistant Secretary
Linda K. Watson	Assistant Secretary
Janet M. Garrity	Assistant Treasurer
Robert G. Deter	Assistant Treasurer
Nancy Heuring	Assistant Controller

Directors

John P. Blanchard
Kimberly Caswell
John A. Ferrell

Verizon Florida
Officers and Directors, Biographies

John P. Blanchard – President, Director

John Blanchard was named President-Southeast Region for Verizon Communications upon the closure of the merger between GTE and Bell Atlantic on June 30, 2000. He is based in Tampa, Florida. Prior to this, since May 1997, John held the position of Regulatory & Governmental Affairs Vice President - East Region, also based in Tampa. John joined GTE Service Corporation as an Associate in the Financial Executive Development Program in 1973, with assignments in General Telephone of Indiana, Sylvania Lighting (Winchester, Kentucky), and Service Corporation Internal Auditing - Western Region. He moved to General Telephone of Indiana in 1975, holding positions in Accounting, Auditing and Division of Revenues. Blanchard was named the Director of Internal Auditing for General Telephone of Kentucky in 1977 and moved to a similar position with General Telephone of the Southeast in 1979. While in Durham, NC, he also held positions as Budget Director and Accounting Director and was named the Controller of the combined Southeast and Kentucky Companies in 1981.

He moved to GTE Service Corp. in 1983 as the Director of Internal Auditing for GTE Telephone Operations, and was named the Director - Financial Accounting, Planning and Standards, in 1984. In 1990 he was named Director - Regulatory Accounting at GTE Telephone Operations in Irving, Texas, and in 1994 he was appointed as Director - Regulatory Planning and Management. John is a Certified Management Accountant and a Certified Internal Auditor. He also served as a Captain in the Air Force (68-72). He is a Graduate of Brigham Young University with Bachelor of Science in Accounting (1968) and Masters of Accounting (1973) degrees.

John's board memberships include Florida Chamber of Commerce, Florida Chamber Foundation, Florida Council on Economic Education, Florida IT.com, Florida Orchestra, Florida TaxWatch, Research Triangle Regional Partnership Board and the Tampa Bay Performing Arts Center. He is also an Executive Committee Member of the Florida Chamber's Cornerstone Project and a member of the Editorial Advisory Board of the KMB Video Journal. On a volunteer basis, he teaches a course entitled "How to Eliminate Your Self-Defeating Behaviors."

Lawrence R. Whitman – Vice President-Finance and Planning

Whitman has been designated Vice President and Controller of Verizon. He is responsible for corporate-wide accounting and public finance reporting, auditing and budget analysis. Lawrence R. Whitman was named acting deputy chief financial officer for GTE Corporation in January 2000 and served in that position until GTE's merger with Bell Atlantic was completed. Since June 1997, Whitman served as Vice President-Finance & Planning where he was responsible for overall operational reporting and analysis for unit forecasts, budgets, and strategic planning for GTE's domestic and international units. Previously, Whitman was Vice President and Controller for GTE Corporation since 1995.

Whitman joined GTE in 1979 and served in a variety of financial positions throughout the company, including Controller - GTE Florida; Director - Finance for GTE Information Services; Vice President - Finance for GTE Directories; Vice President - Finance for GTE Mobile Communications and Assistant Vice President - Controller for GTE Personal Communications. Whitman also served as Vice President - Finance & Planning for GTE Telecommunications Products & Services.

Whitman received a bachelor's degree in mathematics in 1973 and a master's degree in business administration in 1975, both from Florida Atlantic University. He received his CPA in 1983.

Kimberly Caswell – Vice President-General Counsel and Assistant Secretary, Director

Kimberly Caswell received a Bachelor's Degree from Georgetown University in 1982 and a Juris Doctor degree from UCLA School of Law in 1988. She has practiced telecommunications law since graduation from law school, first with Willkie Farr & Gallagher in Washington, D.C., then with GTE Florida Incorporated (now Verizon Florida Inc.). She has been with Verizon since 1990, and has held her current position there since July of 2000.

John A. Ferrell - Vice President-Florida Region, Director

John Ferrell was named Region President-Florida in October 1998. He previously held the position of director-remote operations support in Irving, Texas for GTE Network Services. He began his GTE career in 1996 as general manager-network reliability for GTE California. Prior to joining GTE, he was vice president and director-customer services for Contel of California. His telecommunications career began in 1972 and he held various positions within Contel in the network management and engineering areas.

He is currently on the executive committee of the Tampa Bay Partnership, the Greater Tampa Chamber of Commerce Committee of 100 and the University of Tampa Board of Trustees.

The California native holds a master's degree in business administration and a bachelor of arts (business management) degree from the University of Redlands, Redlands, California.

Shawne L. Angelle - Vice President-Sales

Shawne Angelle is vice president - Sales - South Central region of the Enterprise Solutions Group for Verizon Communications. She is responsible for sales and engineering functions serving large business and government customers over a 27 state region and oversees five branches headquartered in Texas, Florida, North Carolina, Indiana and Missouri. Prior to the merger, Angelle was vice president/general manager – East Sales for GTE Network Services.

Angelle joined GTE in 1984 as a financial management trainee in Washington state. Since then, she has held positions of increasing responsibility in finance, project management, product management, operations, sales and general management.

She holds a bachelor's degree in finance from the University of Texas at Austin and a management certificate from Smith College. She currently serves on the board for Texas A&M University's Center of Distance Learning Research.

Barry W. Paulson - Vice President-Engineering and Planning

Barry Paulson is Senior Vice President - Engineering and Planning for the wholesale network services group of Verizon. He is responsible for engineering, planning and capacity management for central office, outside plant and interoffice facilities; facilities maintenance center operations and support, and advanced network and integrated planning. Barry Paulson was named Vice President-Operations Planning & Support, for GTE Network Services in May 1996. His responsibilities included providing support for all customer processes and network planning functions across GTE. Prior to that position, Paulson served as Regional President-Midwest. Paulson has advanced through various management positions with GTE and Contel. He joined Contel in 1973 as a Junior Traffic Engineer, and moved through a variety of Contel planning and engineering positions including Director-Network Planning. In 1985, he was appointed Vice President-Network Marketing and Design for Contel. In 1989, he was appointed president of Contel's Allegheny Division and Regional Vice President-General Manager for the Midwest Region.

Paulson earned a bachelor's degree in mathematics from California State University-Bakersfield and an MBA from Arizona State University. Paulson is a member of the Sigma Iota Epsilon and Beta Gamma Sigma management fraternities at Arizona State University. He is a member of the Institute of Electrical and Electronics Engineers.

Gregory G. Spradlin - Vice President-Human Resources

Gregory G.Spradlin has been named vice president, human resources - national operations for Verizon. He is responsible for delivery of human resources services such as associate relations, compensation and benefits, training and development, staffing, diversity, and business compliance for the national operations organization. Spradlin became vice president - human resources for GTE Network Services in September 1997. He is responsible for the delivery of human resources services to all organizations included in Network Services. Previously, he was assistant vice president, organization design and performance rewards, for Telephone Operations headquarters.

Spradlin began work with GTE in 1970 with GTE Northwest. During his tenure, he served in a variety of operations and human resources positions. In 1985, he moved to Telephone Operations headquarters in Stamford, Connecticut, and then to the Telephone Operations headquarters in Irving, Texas, in 1989.

Spradlin earned a bachelor's degree in economics from the University of Washington in Seattle, Washington.

Gary L. Conner - Vice President-Taxes

Gary L. Conner has been with Verizon Communications for over 5 years and has 28 years of experience in planning, directing and managing tax functions. His current and past responsibilities include formulation and interpretation of general and technical tax advice arising out of business transactions, state regulatory matters, FCC Dockets, pending tax legislation, budgeting, forecasting and other planning for all tax amounts. He has extensive experience in developing, implementing and maintaining tax policies, procedures and systems utilized in providing government bodies accurate and complete information and records of all activities.

His extensive tax background includes 6 years with the Internal Revenue Service and 6 years with "Big 5" Public Accounting Firms. He is a CPA and a member of the Texas Society of CPAs and the American Institute of CPAs.

Marianne Drost - Secretary

Marianne Drost is vice president, deputy general counsel and corporate secretary for Verizon Communications. In her current position, Drost is responsible for the practice groups providing legal advice on international and domestic strategic transactions; general corporate matters including finance, securities law, advertising, public affairs, real estate, leasing and investment management and insurance. She is also responsible for the commercial transactions practice group, which develops the contracts for commercial transactions throughout Verizon. In addition, she is responsible for supporting the requirements of Verizon's Board of Directors and for corporate governance and shareholder operations. Drost was named vice president-deputy general counsel and corporate secretary in August 1997. Previously, she served as corporate secretary for GTE Corporation since 1985 and vice president and associate general counsel-Corporate for GTE Service Corporation since 1995.

Drost joined the GTE Legal Department in 1977. She left GTE to become a senior attorney in the Legal Department of Chesebrough-Pond's Inc. in 1984, returning to GTE in 1985 as corporate secretary. She was named to the additional position of vice president and associate general counsel in 1991. Prior to joining GTE, she was associated with the Hartford, Conn., law firm of Ritter, Tapper and Totten.

Drost is a Phi Beta Kappa graduate of Connecticut College in New London and received her doctor of jurisprudence degree with honors from the University of Connecticut School of Law. She is a former director and past president of the Fairfield-Westchester Chapter of the American Society of Corporate Secretaries and a past director of Literacy Volunteers of America. She also is a member of the American Society of Corporate Secretaries, the American Bar Association and the Westchester-Fairfield Corporate Counsel Association.

Neil D. Olson – Treasurer

Neil is currently the Assistant Treasurer - Corporate Finance and Financial Strategies in Verizon's Corporate Treasury Department. He has been with Verizon for 15 years. Neil is responsible for financial policy structure, Treasury M&A analysis and rating agency matters. Prior to this assignment Neil held several positions in Verizon in the Corporate Finance area.

Neil graduated from the University of Virginia with a Civil Engineers Degree and The George Washington University with an MBA in Finance, Neil also has a CFA designation.

Edwin F. Hall – Controller

Edwin F. (Ned) Hall is currently the Vice President - Corporate Books. Ned is responsible for all Telecom General Ledger functions, Cost Allocation, Affiliate Billing, Fixed Asset Accounting, Capital Recovery, and Regulatory Accounting. From 1993 until 1997, Ned was Assistant Vice President - Cost Development and Regulatory Support where he was responsible for all cost information for Bell Atlantic Network Services, including product pricing, cost analysis, product profitability, regulatory cost allocations and reporting and expert witnessing before State Utilities Commissions. From 1990 to 1993, Ned was Controller & Treasurer of Bell of Pennsylvania where he was responsible for all financial activities including all external reporting (SEC, FCC, State Commissions), budgeting, business planning, regulatory accounting, revenue forecasting, and state and local taxes. From 1988-1989 Ned also had responsibility for Bell of Pennsylvania and Diamond State Telephone Company Financial Operations including revenue accounting, accounts payable and payroll.

Ned began his career with Bell of Pennsylvania in 1976 and held positions of increasing responsibility in internal auditing and regulatory accounting including filing of expert accounting testimony in rate cases in Pennsylvania and Delaware until 1984 when he was named Director - Corporate Auditing and Chief Auditor, Bell Atlantic Corporation responsible to the Bell Atlantic Audit Committee for internal audit activities in all Bell Atlantic subsidiaries from 1984-1987. From 1974-1976, Ned was Audit Senior - In Charge Accountant - Coopers & Lybrand, Certified Public Accounting Firm, Philadelphia, PA. His experience was primarily in the fields of telephone communications, with exposure in insurance, manufacturing, hospitals and entertainment.

Ned graduated (cum laude) from Bucknell University in 1972 with a B.S. - Business Administration majoring in Accounting. Ned is a licensed CPA in Pennsylvania.

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended: **December 31, 1998**

or

[ ] 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 1-3090

GTE FLORIDA INCORPORATED

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

FLORIDA (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	59-0397520 (I.R.S. EMPLOYER IDENTIFICATION NO.)
1255 Corporate Drive, SVC04C08, Irving, Texas (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	75038 (ZIP CODE)

Registrant's telephone number, including area code 972-507-5000

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

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

Title of each Class	Name of each Exchange on Which Registered
$1.30 Cumulative Preferred, Series B	New York Stock Exchange
$1.25 Cumulative Preferred	New York Stock Exchange

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

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 [X] NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The Company had 23,400,000 shares of $25 par value common stock outstanding at February 28, 1999. The Company's common stock is 100% owned by GTE Corporation.

PART I

Item 1. Business

GTE Florida Incorporated (the Company) (formerly General Telephone Company of Florida, formerly Peninsular Telephone Company) was incorporated on June 20, 1901, as a corporation for profit pursuant to the general corporation laws of the state of Florida. The Company is a wholly-owned subsidiary of GTE Corporation (GTE).

The Company has one wholly-owned subsidiary, GTE Funding Incorporated (GTE Funding). GTE Funding provides short-term financing and investment vehicles and cash management services for the Company and six other of GTE's domestic telephone operating subsidiaries, each of which is contractually obligated to repay all amounts borrowed by it from GTE Funding. In addition, the accounts of Televac, Inc. (Televac), a wholly-owned subsidiary of GTE and a special-purpose entity that purchased the Company's customer and other accounts receivable, have been consolidated with the Company.

Effective September 30, 1998, the Company merged with its subsidiary, GTE Florida Business Connections Corporation (FBCC). This merger has no effect on the financial position or results of operations of the Company as FBCC was a fully consolidated subsidiary of the Company prior to the merger.

The Company's principal line of business is providing communications services ranging from local telephone service for the home and office to highly complex voice and data services for industry. The Company provides local telephone service within its franchise area and intraLATA (Local Access Transport Area) toll service between the Company's exchanges within the central-west coast Florida market area. InterLATA service to other points in and out of Florida is provided through connection with long-distance carriers (IXCs). These common carriers are charged fees (access charges) for interconnection to the Company's local facilities. Business and residential customers also pay access charges to connect to the local network to obtain long distance services. The Company earns other revenues by providing such services as billing and collection and operator services to IXCs. At December 31, 1998, the Company served 3,102,509 access lines in its service territory.

At December 31, 1998, the Company had 8,170 employees.

The Company has a written agreement with the International Brotherhood of Electrical Workers (IBEW) covering substantially all non-management employees. In 1998, the parties agreed to consolidate two former agreements into the current one, which expires July 31, 1999. No significant problems are expected in reaching a new agreement.

REGULATORY AND COMPETITIVE TRENDS

The Company is subject to regulation by the Florida Public Service Commission (FPSC) for its intrastate business operations and by the Federal Communications Commission (FCC) for its interstate operations.

As was the case in 1997, much of 1998's regulatory and legislative activity at both the state and federal levels was a direct result of the Telecommunications Act of 1996 (Telecommunications Act). Along with promoting competition in all segments of the telecommunications industry, the Telecommunications Act was intended to preserve and advance universal service.

INTERSTATE SERVICES

The Company has finalized interconnection agreements with various competitive local exchange carriers (LECs). A number of these interconnection agreements were the result of the arbitration process established by the Telecommunications Act, and incorporated prices or terms and conditions based upon the FCC rules that were subsequently overturned by the Eighth Circuit Court (Eighth Circuit) in July 1997. The Company challenged a number of such agreements in 1997. The Company's position in these challenges was supported by the Eighth Circuit's July 1997 decision stating that the FCC had overstepped its authority in several areas concerning implementation of the interconnection provisions of the Telecommunications Act. In January 1999, the U.S. Supreme Court (Supreme Court) reversed in part and affirmed in part the Eighth Circuit's decisions. The Supreme

Court reversed the Eighth Circuit on many of the FCC rules related to pricing and costing, which had been previously reversed by the Eighth Circuit on jurisdictional grounds. The pricing rules established by the FCC will now be remanded back to the Eighth Circuit for a determination on the merits. On the other hand, the Supreme Court vacated the FCC rules requiring incumbent LECs to provide unbundled network elements (UNEs) to competitive LECs. This latter ruling will be the subject of continued proceedings before the FCC and the state commissions concerning what elements will have to be offered and under what conditions. Pending the final rulemaking by the FCC on the provisions of UNEs, the Company will continue to provide individual UNEs under existing interconnection agreements.

Interstate Access Revision

Access charge reform continued to be a major issue in 1998. Effective January 1998, the FCC altered the structure of access charges that the Company collects by reducing and restructuring the per minute charges paid by long-distance carriers and implementing new per-line charges. The FCC also created an access charge structure that resulted in different access charges for primary and secondary residential access lines and single and multi-line business access lines. In aggregate, the annual reductions in usage sensitive access charges paid by long-distance carriers were intended to be offset by new per-line charges and the charges paid by end-user customers. Effective July 1998, access charges were further reduced in compliance with FCC requirements to reflect the impacts of access charge reform and in making the Company's 1998 Annual Filing. Similar filings during 1997 had already resulted in annual price reductions.

The FCC Access Reform Order released in May 1997 revamped the rate structure through which local and long-distance companies charge customers for using the local phone network to make long-distance calls. GTE and numerous other parties challenged the FCC's May 1997 Access Reform Order before the Eighth Circuit based on the premise that the FCC did not eliminate the universal service subsidies hidden within interstate access charges (as directed by the Telecommunications Act), and the FCC created additional subsidy charges paid only by business and multi-line residential customers. In August 1998, the Eighth Circuit denied all of the petitions for review of the Access Reform Order.

In October 1998, the FCC began a proceeding to refresh the record used in the 1997 access charge reform proceedings. The FCC will determine whether to retain or modify its market-based access charge reform approach, or to adopt a prescriptive approach. In addition, the FCC will decide whether the 6.5% productivity offset should be changed. An order is expected to be released prior to July 1999.

Universal Service

In May 1997, the FCC released a decision relating to implementation of the Telecommunications Act's provisions on universal service. GTE and numerous other parties have challenged the FCC's decision before the U.S. Court of Appeals for the Fifth Circuit on the grounds that the FCC did not follow the requirements of the Telecommunications Act to develop a sufficient, explicit and competitively neutral universal service program. Oral arguments were held in December 1998. A final decision on the appeal is expected in 1999.

In its Order on Reconsideration of the May 1997 decision dated July 1998, the FCC referred some key issues back to the Federal-State Joint Board (Joint Board) on universal service. The Joint Board issued its Second Recommended Decision in November 1998. The recommendations were generic in nature and require further development. Comments and reply comments on the Joint Board's recommendations were filed in late December 1998 and January 1999, respectively. An order from the FCC is expected in the second quarter of 1999, which may reject or change the Joint Board's recommendations.

In October 1998, the FCC issued an order selecting a cost model for universal service and plans to select cost inputs by the first quarter of 1999 and a revenue benchmark by mid-1999. For this reason, the FCC moved the implementation date of the new universal service mechanism for non-rural carriers to July 1999. The Company filed a Petition for Reconsideration in December 1998, stating that the adopted model is incomplete and requires additional time for proper evaluation. GTE is currently awaiting action from the FCC.

Payphone Orders

In June 1996, the FCC issued its first Report and Order implementing the payphone compensation provisions of the Telecommunications Act. As part of the overall goal of promoting competition among payphone service providers (PSPs), this order mandated compensation to all PSPs for calls for which they were not previously compensated originating from payphones, including credit card and toll-free calls.

Subsequently, in October 1997, the FCC issued a second Report and Order to address some of the issues vacated by the U.S. Court of Appeals in Washington, D.C. concerning the FCC's first Report and Order mentioned above. In this second Order, the FCC established a new non-coin per-call rate of 28.4 cents for compensation that all PSPs were eligible to receive beginning in October 1997. In February 1999, after a court remand, the FCC ordered a new per-call rate of 24.0 cents for compensation that all PSPs were eligible to receive beginning in the second quarter of 1999. GTE will appeal the order.

In April 1998, the FCC issued an order, which granted the long-distance carriers a waiver of the per-call compensation requirement so that they may pay per-phone instead of per-call compensation for the payphones for which the FCC had granted technology waivers. The Company will receive per-phone compensation under this waiver until the technology is installed on those payphones that are not currently capable of measuring per-call detail.

Price Cap

For the provision of interstate services, the Company operates under the terms of the FCC's price cap incentive plan. This plan limits the rates a carrier may charge rather than regulating on a traditional rate-of-return basis. The price caps for a variety of service categories change annually using a price cap index that is a function of inflation less a predetermined productivity offset. The FCC's May 1997 Price Cap Order revised the price cap plan for incumbent price cap LECs by adopting a productivity offset of 6.5%. In June 1997, GTE and several other parties challenged the FCC's Price Cap Order before the Court of Appeals for the District of Columbia Circuit. The issue presented for review was whether, in computing its new 6.5% productivity offset, the FCC arbitrarily manipulated the evidence to achieve a predetermined outcome. Oral arguments are set for the first quarter of 1999 with a decision expected later in the year.

Advanced Data Service

In August 1998, the FCC released a Memorandum Opinion and Order finding that the pro-competitive provisions of the Telecommunications Act apply equally to advanced services and to circuit-switched voice services. In comments filed in September 1998, GTE outlined a comprehensive plan to rapidly deploy advanced data services, such as asymmetric digital subscriber line (ADSL) service, in a framework that permits real competition between incumbents and competitors. The matter is pending before the FCC. In October 1998, the FCC found in favor of GTE's position that ADSL service is interstate in nature and properly tariffed at the federal level. The FCC specifically concluded that traffic to an Internet Service Provider (ISP) does not terminate at the ISP's local server but continues on to the ultimate destination or destinations at distant interstate or international websites accessed by the end user.

Number Portability

In December 1998, the FCC released a Memorandum Opinion and Order regarding cost recovery for the deployment of local number portability (LNP). This order follows the FCC's Third Report and Order, which determined that carriers may recover carrier specific costs directly related to the provision of long-term LNP via a federally tariffed end-user monthly charge beginning no earlier than February 1999. GTE filed a LNP tariff and instituted an end-user number portability fee per line, which began appearing on customer bills after February 1, 1999. The FCC is investigating the costs supporting the filing.

Internet Service Traffic

On February 25, 1999, the FCC adopted an order finding that dial-up ISP-bound traffic is largely interstate based on a traditional examination of the end-to-end nature of the communication. In this ruling the FCC made it clear that its actions will not subject the Internet to regulation or eliminate the current Enhanced Service Provider exemption. The order stated that in the absence of a federal rule, existing state arbitration decisions on the issue may be appropriate under certain conditions. GTE is currently reviewing its existing contracts and FCC orders and will take further action as necessary. The order also contained a Notice of Proposed Rulemaking to consider the appropriate compensation for this traffic in the future. GTE has appealed the FCC's conclusion that it does not have to set a rate after it finds the traffic to be jurisdictionally interstate.

Further information regarding the Company's activities with its state regulatory agency is included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations – "REGULATORY AND COMPETITIVE TRENDS – INTRASTATE SERVICES."

OTHER DEVELOPMENTS

On July 27, 1998, GTE and Bell Atlantic entered into a merger agreement providing for the combination of the two companies. Under the terms of the agreement, which was unanimously approved by the boards of directors of both companies, GTE shareholders will receive 1.22 shares of Bell Atlantic stock for each GTE share they own. The merger is subject to shareholder and regulatory approvals.

In April 1998, GTE announced a series of actions designed to further sharpen its strategic focus and improve its competitive position by repositioning non-strategic properties and reducing costs. GTE expects to generate after-tax proceeds in excess of $3 billion by selling non-strategic or under-performing operations. This announcement is expected to have no impact on the Company; however, GTE's management is currently assessing its options and, as decisions are finalized regarding the sale of non-strategic operations and cost reductions, the Company could be affected.

During the first quarter of 1999, GTE also continued the review of its operations and cost structure to ensure they were consistent with its growth objectives. In connection with this ongoing review, GTE initiated voluntary and involuntary employee separation programs that will result in a one-time charge for GTE during the first quarter of 1999. The amount of the charge is not yet determinable since it will depend on the level of voluntary separations. The components of the charge will include separation and related benefits such as outplacement and benefit continuation costs and the cost of assets or facilities that will no longer be used by GTE. The impact of this announcement on the Company is unknown at this time.

ENVIRONMENTAL MATTERS

GTE maintains monitoring and compliance programs related to environmental matters. Currently, the Company, along with other unrelated corporations, has been named as a potentially responsible party at a number of "Superfund sites." These are sites which, although lawfully used in the past, were determined to require remediation. Remediation activities by GTE also continue at some present or formerly owned sites pursuant to other Federal or state environmental statues or regulations. GTE has reviewed each site in which it has an involvement to establish an expected remediation cost. Based on this review, the remediation cost at any individual site or at all sites in the aggregate is not expected to be material. Factors used to evaluate expected GTE costs include remediation and investigation cost estimates as well as legal fees, the number of viable parties involved, the degree of GTE's involvement and past experience. No present value discounting is used. Although the complexity of environmental regulations and the widespread imposition of multi-party joint and several liability at Superfund sites make it difficult to assess the Company's share of liability, management believes it has made adequate provision in the financial statements.

The Company's annual expenditures for site cleanups and environmental compliance have not been and are not expected to be material. Costs incurred include the Company's share of cleanup expenses for Superfund sites and outlays required to keep existing operations in compliance with environmental regulations.

Item 2. Properties

The Company's property consists principally of land, structures and equipment required to provide various telecommunications services. All of these properties, located in the Florida counties of Hillsborough, Manatee, Pasco, Pinellas, Polk and Sarasota, are generally in good operating condition and are adequate to satisfy the needs of the business. Substantially all of the Company's property is subject to the liens of its respective mortgages securing funded debt. From January 1, 1994 to December 31, 1998, the Company made capital expenditures of $1.7 billion for new plant and facilities required to meet telecommunication service needs and to modernize plant and facilities. These additions were equal to 35% of gross plant of $4.7 billion at December 31, 1998.

Item 3. Legal Proceedings

There are no pending legal proceedings which would have a material impact on the Company's consolidated financial statements.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5. Market for the Registrant's Common Equity and Related Shareholder Matters

Market information is omitted since the Company's common stock is wholly-owned by GTE Corporation (GTE).

SHAREHOLDER SERVICES
BankBoston, N.A., Transfer Agent and Registrar for GTE and the Company's common stock and preferred stock, should be contacted with any questions relating to shareholder accounts. This includes the following:

- Account information
- Dividends
- Market prices
- Transfer instructions
- Statements and reports
- Change of address
- Lost certificates

Shareholders may call toll-free at 800/225-5160 anytime, seven days a week. Customer Service Representatives are available Monday through Friday between the hours of 8 a.m. and 5 p.m. Eastern Time. Outside the United States call 781/575-2990.

Or write to:
BankBoston, N.A.
c/o EquiServe, L.P.
P.O. Box 8031
Boston, MA 02266-8031

Shareholders with e-mail addresses can send inquiries to http://www.equiserve.com

For overnight delivery services, use the following address:
BankBoston, N.A.
c/o EquiServe, L.P.
Blue Hills Office Park
150 Royall Street
Mail Stop 4502-60
Canton, MA 02021

The BankBoston, N.A. address where shareholders, banks and brokers may deliver certificates:
Securities Transfers and Reporting Services
100 William St., Galleria
New York, NY 10038

PARENT COMPANY ANNUAL REPORT
To obtain a copy of the 1998 annual report of our parent company or the annual Form 10-K filed with the Securities and Exchange Commission, call 800/225-5160.

INFORMATION VIA THE INTERNET
World Wide Web users can access information about GTE at: http://www.gte.com

OTHER SECURITIES
Questions regarding the bonds, debentures and preferred securities of the Company should be directed to:
Treasury Department – Capital Markets
GTE Corporation
1255 Corporate Drive
Irving, Texas 75038
972/507-5038

PRODUCTS AND SERVICES HOTLINE
Shareholders may call 800/828-7280 to receive information concerning GTE products and services.

DIVERSITY AT GTE
The Company and GTE strive to be a workplace of choice in which people of diverse backgrounds are valued, challenged, acknowledged and rewarded, leading to higher levels of fulfillment and productivity. A copy of our *Diversity at GTE* brochure is available upon request from the GTE Corporate Secretary's Office.

Item 6. Selected Financial Data

GTE Florida Incorporated and Subsidiaries

Selected Income Statement Items (a)	1998 (b)	1997	1996	1995 (c)	1994
		(Dollars in Millions)			
Revenues and sales	$ 1,617.3	$ 1,575.5	$ 1,506.3	$ 1,401.9	$ 1,327.1
Operating costs and expenses	1,250.9	1,140.6	1,122.7	1,058.2	1,040.5
Operating income	366.4	434.9	383.6	343.7	286.6
Interest - net	67.2	63.3	61.8	63.6	60.2
Other - net	(1.0)	0.4	--	--	--
Income taxes	112.3	147.5	123.7	104.6	86.2
Income before extraordinary charges	187.9	223.7	198.1	175.5	140.2
Extraordinary charges	(3.4)	--	--	(378.7)	--
Net income (loss)	$ 184.5	$ 223.7	$ 198.1	$ (203.2)	$ 140.2
Dividends declared on common stock	$ 153.8	$ 202.6	$ 319.0	$ 137.4	$ 110.5
Dividends declared on preferred stock	1.1	2.1	4.3	4.3	4.3

Selected Balance Sheet Items	1998 (b)	1997	1996	1995 (c)	1994
Property, plant and equipment, net	$ 1,984.4	$ 1,913.9	$ 1,877.1	$ 1,949.6	$ 2,552.1
Total assets	3,927.4	3,894.2	2,398.9	2,444.8	2,990.3
Long-term debt	889.4	1,021.1	766.1	785.2	729.8
Shareholders' equity	787.2	757.6	778.3	903.6	1,198.4

(a) Per share data is omitted since the Company's common stock is 100% owned by GTE Corporation.

(b) During the first quarter of 1998, the Company recorded an after-tax extraordinary charge of $3.4 million (net of tax benefits of $2.1 million), reflecting premiums paid on the redemption of high-coupon debt prior to stated maturity.

(c) In the fourth quarter of 1995, the Company discontinued the use of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation," resulting in a non-cash, after-tax extraordinary charge of $374.4 million (net of tax benefits of $235.2 million). The charge primarily represented a reduction in the net book value of telephone plant and equipment through an increase in accumulated depreciation. In addition, during 1995, the Company redeemed long-term debt prior to stated maturity resulting in an after-tax extraordinary charge of $4.3 million (net of tax benefits of $2.7 million).

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

BUSINESS OPERATIONS

GTE Florida Incorporated (the Company), a wholly-owned subsidiary of GTE Corporation (GTE), provides a wide variety of communications services ranging from local telephone service for the home and office to highly complex voice and data services for various industries. At December 31, 1998, the Company served 3,102,509 access lines in its service territories.

RESULTS OF OPERATIONS

	Years Ended December 31,		
	1998	1997	1996
	(Dollars in Millions)		
Net income	$ 184.5	$ 223.7	$ 198.1

Net income decreased 18% or $39.2 million in 1998 primarily due to increased cost of services and sales expenses and increased selling, general and administrative expenses, which were partially offset by increased local services revenues. Net income for the year ended December 31, 1998 includes an extraordinary charge of $3.4 million (net of tax benefits of $2.1 million), reflecting premiums paid on the redemption of high-coupon debt prior to stated maturity.

Net income for the year ended December 31, 1997 increased 13% or $25.6 million over 1996 primarily due to growth in revenues from local and network access services which were partially offset by increased operating costs and expenses.

REVENUES AND SALES

	1998	1997	Increase	Percent Change
	(Dollars in Millions)			
Local services	$ 728.8	$ 694.8	$ 34.0	5%
Network access services	530.5	529.5	1.0	--
Other services and sales	358.0	351.2	6.8	2%
Total revenues and sales	$ 1,617.3	$ 1,575.5	$ 41.8	3%

	1997	1996	Increase (Decrease)	Percent Change
	(Dollars in Millions)			
Local services	$ 694.8	$ 649.2	$ 45.6	7%
Network access services	529.5	505.3	24.2	5%
Other services and sales	351.2	351.8	(0.6)	--
Total revenues and sales	$ 1,575.5	$ 1,506.3	$ 69.2	5%

Local Services Revenues

Local services revenues are based on fees charged to customers for providing local exchange services within designated franchise areas.

The 1998 increase in local services revenues is primarily the result of a 4% increase in access lines over 1997 generating additional revenues of $29.4 million from basic local services, CentraNet® services and Integrated Services Digital Network (ISDN) and Digital Channel Services (DCS). Additional revenues were derived from increased demand for enhanced custom calling features.

The 1997 increase in local services revenues was primarily due to a $23.9 million growth in SmartCall® and CLASS services, driven primarily by demand for Caller ID and pay-per-use services such as automatic call return/redial. Access line growth of 7% in 1997 generated additional revenues of $14.6 million from basic local services, $6.5 million from CentraNet® services, and $12.4 million from ISDN and DCS. These 1997 increases were partially offset by a decline in directory assistance and operator services revenues of $5.7 million and the effect of a previous rate case settlement in 1996 of $10.3 million.

Network Access Services Revenues

Network access services revenues are based on fees charged to interexchange carriers (IXCs) that use the Company's local exchange network in providing long distance services. In addition, business and residential customers pay access fees to connect to the local network to obtain long distance service. Cellular service providers and other local exchange carriers (LECs) also pay access charges for cellular and intraLATA (local access and transport area) toll calls transported by the Company.

The 1998 network access services revenue variance was primarily caused by an increase in minutes of use of 10% contributing $34.7 million over the prior year. Special access revenues also grew in 1998 due to greater demand for increased bandwidth by high-capacity users. These increases were offset by the impact of interstate access rate reductions from the 1998 and 1997 Federal Communications Commission (FCC) price caps which resulted in a $35.7 million decrease compared to 1997 (for further information see "REGULATORY AND COMPETITIVE TRENDS - Interstate Access Revision").

The 1997 variance is primarily due to an increase in minutes of use of 10% which generated $33.5 million of additional revenues over the prior year. Special access revenues grew $16.0 million for 1997 due to greater demand for increased bandwidth by high-capacity users while end-user access charge revenues increased $6.3 million as a result of access line growth. The 1997 increase also includes a $4.4 million increase in revenue from cellular service providers and $5.2 million in favorable settlement activity, partially offset by intrastate access price reductions of $8.8 million. The 1997 increases are also offset by a $40.1 million revenue reduction resulting from the net effect of the rate changes and sharing provisions of the FCC's 1996 and 1997 price caps.

Other Services and Sales Revenues

Other services and sales revenues increased in 1998 primarily due to an increase in billing and collection service revenues of $8.3 million and an increase in intraLATA toll private line revenues of $6.1 million. In addition, voice messaging revenues, equipment sales and payphone revenues contributed $7.6 million to the 1998 increase. Partially offsetting these increases was a $15.6 million decline in toll services revenues reflecting the continuing impacts of intraLATA toll competition price adjustments and lower volumes.

The 1997 variance in other services and sales revenues is largely a result of increased wireless activation commissions and related accessory sales which increased $8.2 million and a favorable billing and collection contract rate negotiation resulting in additional revenues of $5.5 million over the prior year. The 1997 increase also includes an increase of $4.4 million relating to the payphone interim compensation order (for further information see "REGULATORY AND COMPETITIVE TRENDS – Payphone Orders") and a $4.8 million increase in voice messaging and paging services. These increases were partially offset by a decline in toll services revenues due to lower toll volumes resulting from intraLATA toll competition. In addition, 1997 revenues declined due to a decline in single-line rent revenues and equipment sales.

OPERATING COSTS AND EXPENSES

	1998	1997	Increase	Percent Change
		(Dollars in Millions)		
Cost of services and sales	$ 626.7	$ 550.0	$ 76.7	14%
Selling, general and administrative	262.3	232.5	29.8	13%
Depreciation and amortization	361.9	358.1	3.8	1%
Total operating costs and expenses	$ 1,250.9	$ 1,140.6	$ 110.3	10%

	1997	1996	Increase	Percent Change
		(Dollars in Millions)		
Cost of services and sales	$ 550.0	$ 549.7	$ 0.3	--
Selling, general and administrative	232.5	223.6	8.9	4%
Depreciation and amortization	358.1	349.4	8.7	2%
Total operating costs and expenses	$ 1,140.6	$ 1,122.7	$ 17.9	2%

The 1998 increase in operating costs and expenses over the prior year was due to a number of factors to support customer demand for products and services, including $13.8 million in higher material costs, $13.3 million of increased data processing costs and $9.8 million in higher selling costs. Also contributing to the increase in operating costs and expenses were additional maintenance and repair costs of $15.3 million associated with storm damage within the Company's territory, increased expenses of $9.6 million related to costs from an affiliate for customer information pages included in the Company's White Pages directories, and higher access charges of $8.3 million to terminate customers' intraLATA toll calls outside the Company's service territory. Additionally, pension settlement gains of $15.8 million were recorded during 1997, which resulted from lump sum payments from the Company's pension plans. The universal service fund (USF), which established the support mechanisms to ensure continued availability of affordable local telephone service and created new programs to provide discounted telecommunications services to schools, libraries and rural health care providers, increased operating costs and expenses by $4.0 million in 1998 compared to 1997. Also, depreciation and amortization expenses increased $3.8 million in 1998 compared to 1997 primarily due to additions to plant.

In 1997, total operating costs and expenses increased over the prior year primarily due to increased selling and marketing efforts, aimed at stimulating sales of enhanced services and preserving market share in an increasingly competitive environment, which resulted in higher selling expenses of $13.3 million in 1997. Also contributing to the 1997 increase was a rise in material costs of $5.5 million and an increase of $4.0 million in access charges incurred to terminate intraLATA toll calls outside the Company's service territory. Increases in depreciation related to additions to plant were partially offset by a reduction in depreciation rates to reflect higher net salvage values related to certain of the Company's telephone plant and equipment, resulting in a net increase of $8.7 million. The increase in total operating costs and expenses was partially offset by an $11.5 million decrease related to the reserve for potential settlement costs associated with inside wire maintenance costs and other non-regulated services that were recorded in 1996. Additionally, pension settlement gains of $15.8 million, recorded in 1997 as a result of lump-sum payments from the Company's benefit plans, were partially offset by $13.4 million of gains recorded in 1996.

OTHER INCOME STATEMENT ITEMS

GTE Florida has two reportable segments, Telephone Operations and GTE Funding. The telephone operations segment primarily provides wireline communication services to local markets. The GTE Funding segment, established in 1997, primarily provides short-term financing and investment vehicles and cash management services for the Company and six other of GTE's domestic telephone operating subsidiaries, each of which is contractually obligated to repay all amounts borrowed by it from GTE Funding.

	1998	1997	1996
		(Dollars in Millions)	
Telephone Operations – Interest expense	$ 71.7	$ 65.1	$ 63.1
GTE Funding – Interest expense	96.8	61.6	--
GTE Funding – Interest income	(99.7)	(64.4)	--
Consolidated – Interest-net	67.2	63.3	61.8

Consolidated interest-net increased 6% or $3.9 million and 2% or $1.5 million in 1998 and 1997, respectively, due to increases in interest expense associated with higher average short-term and long-term debt levels resulting from GTE Funding activities.

Income taxes decreased 24% or $35.2 million in 1998 and increased 19% or $23.8 million in 1997 primarily due to the corresponding variances in pretax income and other tax adjustments.

During the first quarter of 1998, the Company recorded an after-tax extraordinary charge of $3.4 million, reflecting premiums paid on the redemption of high-coupon debt prior to stated maturity.

CAPITAL RESOURCES AND LIQUIDITY

Management believes that the Company has adequate internal and external resources available to meet ongoing operating requirements for construction of new plant, modernization of facilities and payment of dividends. The Company generally funds its construction program from operations although external financing is available. Short-term financings can be obtained through borrowings from the Company's parent, GTE, or GTE Funding Incorporated (GTE Funding), a wholly-owned subsidiary of the Company. GTE Funding provides short-term financing and investment vehicles and cash management services for the Company and six other of GTE's domestic telephone operating subsidiaries, each of which is contractually obligated to repay all amounts borrowed by it from GTE Funding. The Company participates with other affiliates in a $1.5 billion 364-day syndicated revolving line of credit and has access to an additional $1.0 billion in short-term liquidity through GTE and GTE Funding's bilateral revolving lines of credit. The Company also has an existing shelf registration statement for an additional $300 million of debentures.

The Company's primary source of funds during 1998 was cash from operations of $706.4 million compared to $450.3 million in 1997. The year-to-year increase in cash from operations primarily reflects a decrease in the Company's working capital requirements, partially offset by a decline in results from operations.

The Company's capital expenditures during 1998 were $427.7 million compared to $405.5 million during the same period in 1997. The majority of new investment is being made to meet the demands of growth, modernize facilities and develop and install new software, all of which are required to support new products and enhanced services. The Company's anticipated construction costs for 1999 are expected to be slightly less than capital expenditures incurred during 1998.

Net cash used in financing activities was $223.2 million in 1998, compared to cash from financing activities of $12.5 million in 1997. Short-term financings, including the net change in affiliate notes, decreased $215.2 million in 1998 compared to an increase of $340.5 million in 1997. The Company paid $5.5 million ($3.4 million after-tax) in premiums on the retirement of $125.1 million of long-term debt redeemed prior to stated maturity in 1998 compared to $1.2 million pretax in premiums on the retirement of $103.9 million of long-term debt and preferred stock redeemed prior to stated maturity in 1997. The Company made dividend payments of $167.7 million in 1998 compared to $222.8 million in 1997. The Company issued $300.0 million of 6.86% Series E debentures in February 1998 and recognized an interest rate hedge loss of approximately $8.8 million on the settlement of forward contracts related to that debt issuance. The loss is being amortized over the life of the associated refinanced debt.

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Interstate Access Revision

Access charge reform continued to be a major issue in 1998. Effective January 1998, the FCC altered the structure of access charges that the Company collects by reducing and restructuring the per minute charges paid by long-distance carriers and implementing new per-line charges. The FCC also created an access charge structure that resulted in different access charges for primary and secondary residential access lines and single and multi-line business access lines. In aggregate, the annual reductions in usage sensitive access charges paid by long-distance carriers were intended to be offset by new per-line charges and the charges paid by end-user customers. Effective July 1998, access charges were further reduced in compliance with FCC requirements to reflect the impacts of access charge reform and in making the Company's 1998 Annual Filing. Similar filings during 1997 had already resulted in annual price reductions.

The FCC Access Reform Order released in May 1997 revamped the rate structure through which local and long-distance companies charge customers for using the local phone network to make long-distance calls. GTE and numerous other parties challenged the FCC's May 1997 Access Reform Order before the Eighth Circuit based on the premise that the FCC did not eliminate the universal service subsidies hidden within interstate access charges (as directed by the Telecommunications Act), and the FCC created additional subsidy charges paid only by business and multi-line residential customers. In August 1998, the Eighth Circuit denied all of the petitions for review of the Access Reform Order.

In October 1998, the FCC began a proceeding to refresh the record used in the 1997 access charge reform proceedings. The FCC will determine whether to retain or modify its market-based access charge reform approach, or to adopt a prescriptive approach. In addition, the FCC will decide whether the 6.5% productivity offset should be changed. An order is expected to be released prior to July 1999.

Universal Service

In May 1997, the FCC released a decision relating to implementation of the Telecommunications Act's provisions on universal service. GTE and numerous other parties have challenged the FCC's decision before the U.S. Court of

Appeals for the Fifth Circuit on the grounds that the FCC did not follow the requirements of the Telecommunications Act to develop a sufficient, explicit and competitively neutral universal service program. Oral arguments were held in December 1998. A final decision on the appeal is expected in 1999.

In its Order on Reconsideration of the May 1997 decision dated July 1998, the FCC referred some key issues back to the Federal-State Joint Board (Joint Board) on universal service. The Joint Board issued its Second Recommended Decision in November 1998. The recommendations were generic in nature and require further development. Comments and reply comments on the Joint Board's recommendations were filed in late December 1998 and January 1999, respectively. An order from the FCC is expected in the second quarter of 1999, which may reject or change the Joint Board's recommendations.

In October 1998, the FCC issued an order selecting a cost model for universal service and plans to select cost inputs by the first quarter of 1999 and a revenue benchmark by mid-1999. For this reason, the FCC moved the implementation date of the new universal service mechanism for non-rural carriers to July 1999. The Company filed a Petition for Reconsideration in December 1998, stating that the adopted model is incomplete and requires additional time for proper evaluation. GTE is currently awaiting action from the FCC.

Payphone Orders

In June 1996, the FCC issued its first Report and Order implementing the payphone compensation provisions of the Telecommunications Act. As part of the overall goal of promoting competition among payphone service providers (PSPs), this order mandated compensation to all PSPs for calls for which they were not previously compensated originating from payphones, including credit card and toll-free calls.

Subsequently, in October 1997, the FCC issued a second Report and Order to address some of the issues vacated by the U.S. Court of Appeals in Washington, D.C. concerning the FCC's first Report and Order mentioned above. In this second Order, the FCC established a new non-coin per-call rate of 28.4 cents for compensation that all PSPs were eligible to receive beginning in October 1997. In February 1999, after a court remand, the FCC ordered a new per-call rate of 24.0 cents for compensation that all PSPs were eligible to receive beginning in the second quarter of 1999. GTE will appeal the order.

In April 1998, the FCC issued an order, which granted the long-distance carriers a waiver of the per-call compensation requirement so that they may pay per-phone instead of per-call compensation for the payphones for which the FCC had granted technology waivers. The Company will receive per-phone compensation under this waiver until the technology is installed on those payphones that are not currently capable of measuring per-call detail.

Price Cap

For the provision of interstate services, the Company operates under the terms of the FCC's price cap incentive plan. This plan limits the rates a carrier may charge rather than regulating on a traditional rate-of-return basis. The price caps for a variety of service categories change annually using a price cap index that is a function of inflation less a predetermined productivity offset. The FCC's May 1997 Price Cap Order revised the price cap plan for incumbent price cap LECs by adopting a productivity offset of 6.5%. In June 1997, GTE and several other parties challenged the FCC's Price Cap Order before the Court of Appeals for the District of Columbia Circuit. The issue presented for review was whether, in computing its new 6.5% productivity offset, the FCC arbitrarily manipulated the evidence to achieve a predetermined outcome. Oral arguments are set for the first quarter of 1999 with a decision expected later in the year.

Advanced Data Service

In August 1998, the FCC released a Memorandum Opinion and Order finding that the pro-competitive provisions of the Telecommunications Act apply equally to advanced services and to circuit-switched voice services. In comments filed in September 1998, GTE outlined a comprehensive plan to rapidly deploy advanced data services, such as asymmetric digital subscriber line (ADSL) service, in a framework that permits real competition between incumbents and competitors. The matter is pending before the FCC. In October 1998, the FCC found in favor of

GTE's position that ADSL service is interstate in nature and properly tariffed at the federal level. The FCC specifically concluded that traffic to an Internet Service Provider (ISP) does not terminate at the ISP's local server but continues on to the ultimate destination or destinations at distant interstate or international websites accessed by the end user.

Number Portability

In December 1998, the FCC released a Memorandum Opinion and Order regarding cost recovery for the deployment of local number portability (LNP). This order follows the FCC's Third Report and Order, which determined that carriers may recover carrier specific costs directly related to the provision of long-term LNP via a federally tariffed end-user monthly charge beginning no earlier than February 1999. GTE filed a LNP tariff and instituted an end-user number portability fee per line, which began appearing on customer bills after February 1, 1999. The FCC is investigating the costs supporting the filing.

Internet Service Traffic

On February 25, 1999, the FCC adopted an order finding that dial-up ISP-bound traffic is largely interstate based on a traditional examination of the end-to-end nature of the communication. In this ruling the FCC made it clear that its actions will not subject the Internet to regulation or eliminate the current Enhanced Service Provider exemption. The order stated that in the absence of a federal rule, existing state arbitration decisions on the issue may be appropriate under certain conditions. GTE is currently reviewing its existing contracts and FCC orders and will take further action as necessary. The order also contained a Notice of Proposed Rulemaking to consider the appropriate compensation for this traffic in the future. GTE has appealed the FCC's conclusion that it does not have to set a rate after it finds the traffic to be jurisdictionally interstate.

INTRASTATE SERVICES

The Company provides local exchange services to customers within its designated franchise area. The Company provides toll services within designated geographic areas called LATAs in conformity with FPSC orders. The Company also provides long distance access services directly to IXCs and other customers who provide services between LATAs. The FPSC has approved extended area calling plans for certain intraLATA long distance routes. Under these plans, residential customers pay a flat rate per message and business customers pay a reduced rate per minute for these calls. Revenues from calls under the extended area calling plans are classified as local services revenues.

Florida statutes, enacted in 1995 and revised in 1998, have replaced earnings regulation with price regulation and opened the local exchange to competition. The Company became subject to price regulation effective January 1996. Under the price regulation provisions, basic service and multi-line business local exchange service are capped until January 2000 and will continue to be capped for an additional year unless the FPSC determines that the level of competition justifies the elimination of the cap. Subsequent to the price cap period, prices for basic services can be increased by an inflation factor less 1% annually. Rates for non-basic services, defined as services other than basic, interconnection and network access, can increase by up to 6% per year if no competition exists and up to 20% if there is more than one certified provider of the service. Intrastate access rates are also capped until January 3, 2001. The statutes also mandated a reduction of intrastate access rates of 5% in July 1998 totaling $8.8 million and an additional 10% reduction of $16.7 million in October 1998 with no further reductions required. Moreover, this legislation requires the FPSC to address certain matters which will allow the legislature to take further action regarding USF and reasonable rates in order that a permanent USF mechanism can be set.

Telecommunications legislation has been before the Florida legislature continuously for the last six legislative sessions creating a regulatory environment that is difficult to predict.

In August 1998, Intermedia Communications filed a complaint with the FPSC regarding the jurisdictional determination and compensation for ISP traffic. A FPSC decision is scheduled for the second quarter of 1999.

PROPOSED MERGER WITH BELL ATLANTIC CORPORATION

On July 27, 1998, GTE and Bell Atlantic entered into a merger agreement providing for a combination of the two companies. Under terms of the agreement, which was unanimously approved by the boards of directors of both companies, GTE shareholders will receive 1.22 shares of Bell Atlantic stock for each GTE share they own. The merger is subject to shareholder and regulatory approvals. The merger agreement requires the consent of several regulatory and governmental agencies, including the Department of Justice (DOJ), FCC and various state public utility commissions (PUCs). In August 1998, GTE and Bell Atlantic advised the DOJ of the merger. On October 2, 1998, GTE and Bell Atlantic filed for approval of the merger with the FCC and notified and/or filed for approval of the parent company merger in every state PUC and the District of Columbia where required. The DOJ and FCC reviews will continue into 1999. As of December 31, 1998, GTE had completed, or substantially completed, merger approvals in 34 states. GTE anticipates the remaining states will approve the merger sometime in 1999.

OTHER DEVELOPMENTS

In April 1998, GTE announced a series of actions designed to further sharpen its strategic focus and improve its competitive position by repositioning non-strategic properties and reducing costs. GTE expects to generate after-tax proceeds in excess of $3 billion by selling non-strategic or under-performing operations. This announcement is expected to have no impact on the Company; however, GTE's management is currently assessing its options and, as decisions are finalized regarding the sale of non-strategic operations and cost reductions, the Company could be affected.

During the first quarter of 1999, GTE also continued the review of its operations and cost structure to ensure they were consistent with its growth objectives. In connection with this ongoing review, GTE initiated voluntary and involuntary employee separation programs that will result in a one-time charge for GTE during the first quarter of 1999. The amount of the charge is not yet determinable since it will depend on the level of voluntary separations. The components of the charge will include separation and related benefits such as outplacement and benefit continuation costs and the cost of assets or facilities that will no longer be used by GTE. The impact of this announcement on the Company is unknown at this time.

YEAR 2000 CONVERSION

General

The Year 2000 issue concerns the potential inability of information systems to properly recognize and process date-sensitive information beyond January 1, 2000, and has industry-wide implications. GTE has had an active Year 2000 program in place since 1995. This program is necessary because the Year 2000 issue could impact telecommunications networks, systems and business processes at GTE. Although GTE maintains a significant portion of its own systems and infrastructure, it also depends on certain, material external supplier products that GTE must verify as Year 2000 compliant in their condition of use. In 1997, GTE's Year 2000 methodology and processes were certified by the Information Technology Industry Association of America. GTE presently expects that the essential functions of its telecommunications businesses will complete Year 2000 testing by June 30, 1999.

State of Readiness

GTE's Year 2000 program is focused on both information technology (IT) and non-IT systems, including: 1) telecommunications network elements that constitute the portion of the public switched telephone network (PSTN) for which GTE is responsible; 2) systems that directly support GTE's telecommunications network operations and interactions with customers; 3) systems and products that support GTE's national and international business units; 4) legacy software that supports basic business operations, customer premise equipment and interconnection with other telecommunications carriers; and 5) systems that support GTE's physical infrastructure, financial operations and facilities.

Corporate-wide, essential remediation was approximately 76% complete as of December 31, 1998. In addition to the essential remediation budget, GTE has set aside funds equivalent to approximately 12% of it's overall Year 2000 budget. These funds are planned for verification, problem resolution and administrative program closeout in the last six months of 1999 and to address contingencies and millennium program operations and control through March 2000. GTE's portion of the PSTN in the United States has been upgraded substantially for Year 2000; 92% of GTE's access lines are already operational using Year 2000 compliant central office switches. Additionally, over 95% of GTE's essential legacy software has been remediated. Over the next six months, the focus will be on deployment and testing of these systems throughout GTE's operations.

GTE's Year 2000 program has been organized into five phases as follows. Awareness: program definition and general education; Assessment: analysis and prioritization of systems supporting the core business; Renovation: rectifying Year 2000 issues; Validation: testing the Year 2000 solutions; Implementation: placing the tested systems into production. Awareness and Assessment are more than 95% complete; System Renovation, including supplier products, is approximately 89% complete; Validation, including enterprise testing in operational environments, and Implementation, including regional deployment, are approximately 60% complete. It is anticipated that the Renovation, Validation and Implementation phases for essential functions will be complete in June 1999.

In summary, compliant product deployment and enterprise testing for most of GTE's domestic telecommunications-related businesses, including national and international interoperability and validation, are presently expected to be complete by the end of June 1999.

Successful conclusion of GTE's Year 2000 program depends upon timely delivery of Year 2000 compliant products and services from external suppliers. Approximately 1,450 of third-party products used by GTE have been determined to be "vital" products, critical to GTE's business and operations. As of December 31, 1998, Year 2000 compliant versions, or suitable alternatives, for 99% of these vital supplier products have been provided and are currently undergoing certification testing by GTE.

Use of Independent Verification and Validation

GTE's Year 2000 program management office has established a corporate-wide quality oversight and control function that reviews and evaluates quality reports on the Year 2000 issue. Each GTE business unit has access to an independent quality team that evaluates the conversion and testing of legacy applications and third-party supplier products. This quality assurance process is expected to be completed in August 1999. Separately, GTE's corporate internal auditors conduct periodic reviews and report significant findings, if any, to business unit and corporate management and the audit committee of the Board of Directors. Program status is also reported each quarter to GTE's external auditors.

Cost to Address Year 2000 Issues

The current estimate for the cost of GTE's Year 2000 Program is approximately $370.0 million. Through December 31, 1998, expenditures totaled $219.0 million. The current estimate for the cost of remediation for the Company is approximately $20.0 million. Through December 31, 1998, expenditures totaled $10.2 million. Year 2000 remediation costs are expensed in the year incurred. GTE has not elected to replace or accelerate the planned replacement of systems due to the Year 2000 issue.

Currently supporting GTE's Year 2000 program worldwide are an estimated 1,000 to 1,200 full-time equivalent workers (both company employees and contractors). Approximately 12% of these full-time equivalent workers are engaged in all aspects of program management; 30% are engaged in legacy system conversion; 25% are involved in external supplier management; 30% are involved in testing at all levels; and 3% are addressing contingency planning and interoperability operations both nationally and internationally. Approximately 75% of GTE's program effort involves U.S. domestic operations of all types.

Risks of Year 2000 Issues

GTE has begun to examine the risks associated with its "most reasonably likely worst case Year 2000 scenarios." To date, GTE has no indication that any specific function or system is so deficient in technical progress as to threaten GTE's present schedule. GTE's program and plans currently indicate a compliant network infrastructure to be deployed by the end of June 1999. A general, unspecific, schedule shift that would erode progress beyond January 1, 2000, cannot reasonably be calculated. If, however, there were a schedule delay lasting no more than six months, such schedule erosion would likely affect only nonessential systems due to the prioritization of work schedules.

Other scenarios might include a possible but presently unforeseen failure of key supplier or customer business processes or systems. This situation could conceivably persist for some months after the millennium transition and could lead to possible revenue losses. GTE's present assessment of its key suppliers and customers does not indicate that this scenario is likely.

To date, GTE has not encountered any conditions requiring tactical contingency planning to its existing Year 2000 program; however, contingency planning for business and network operations and customer contact during 1999 and 2000 is ongoing.

GTE is bolstering its normal business continuity planning to address potential Year 2000 interruptions. In addition, GTE's disaster preparedness recovery teams are including procedures and activities for a "multi-regional" Year 2000 contingency, if it occurs. GTE is also developing its plans with respect to possible occurrences immediately before, during, and after the millennium transition. Under consideration are: "follow-the-sun" time-zone impact analysis; coordination with other (non-PSTN) telecommunications providers; a Year 2000 "war room" operation to provide high priority recovery support, plans for key personnel availability, command structures and contingency traffic routing; and plans for round-the-clock, on-call repair teams.

RECENT ACCOUNTING PRONOUNCEMENTS

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Under the provisions of this SOP, effective January 1, 1999, the Company will be required to capitalize and amortize the cost of all internal-use software, including network-related software it previously expensed.

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income." During the years ended December 31, 1998-1996, there were no differences between net income and comprehensive income.

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The statement requires entities that use derivative instruments to measure these instruments at fair value and record them as assets or liabilities on the balance sheet. It also requires entities to reflect the gains or losses associated with changes in the fair value of these derivatives, either in earnings or as a separate component of comprehensive income, depending on the nature of the underlying contract or transaction. The Company is currently assessing the impact of adopting SFAS No. 133, which is effective January 1, 2000.

INFLATION

The Company's management generally does not believe inflation has a significant impact on the Company's earnings. However, increases in costs or expenses not otherwise offset by increases in revenues could have an adverse effect on earnings.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

In this Management's Discussion and Analysis of Financial Condition and Results of Operations, the Company has made forward-looking statements. These statements are based on the Company's estimates and assumptions and are subject to certain risks and uncertainties. Forward-looking statements include the information concerning possible or assumed future results of operations of the Company, as well as those statements preceded or followed by the words "anticipates," "believes," "estimates," "expects," "hopes," "targets" or similar expressions. For each of these statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

The future results of the Company could be affected by subsequent events and could differ materially from those expressed in the forward-looking statements. If future events and actual performance differ from the Company's assumptions, the actual results could vary significantly from the performance projected in the forward-looking statements.

The following important factors could affect the future results of the Company and could cause those results to differ materially from those expressed in the forward-looking statements: (1) materially adverse changes in economic conditions in the markets served by the Company; (2) material changes in available technology; (3) the final resolution of federal, state and local regulatory initiatives and proceedings, including arbitration proceedings, and judicial review of those initiatives and proceedings, pertaining to, among other matters, the terms of interconnection, access charges, universal service, unbundled network elements and resale rates; (4) the extent, timing, success and overall effects of competition from others in the local telephone and intraLATA toll service markets; and (5) the success and expense of our remediation efforts and those of our suppliers, customers, joint ventures, non-controlled investments and all interconnecting carriers in achieving Year 2000 compliance.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company views derivative financial instruments as risk management tools and, in accordance with Company policy, does not utilize them for speculative or trading purposes. The Company is also not a party to any leveraged derivatives. The Company is exposed to market risk from changes in interest rates. The Company manages its exposure to market risks through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments that have been authorized pursuant to the Company's policies and procedures. The use of these derivatives allows the Company to reduce its overall exposure to market risk, as the gains and losses on these contracts substantially offset the gains and losses on the liabilities being hedged.

The Company uses derivative financial instruments to manage its exposure to interest rate movements and to reduce borrowing costs. The Company's net exposure to interest rate risk primarily consists of floating rate instruments that are benchmarked to U.S. money market interest rates. The Company manages this risk by using interest rate swaps to convert floating rate short-term debt to synthetic fixed rate instruments. The Company also uses forward contracts to sell U.S. Treasury bonds to hedge interest rates on anticipated long-term debt issuance.

Item 8. Financial Statements and Supplementary Data

GTE FLORIDA INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Income

Years Ended December 31,	1998	1997	1996
		(Dollars in Millions)	
REVENUES AND SALES (a)			
Local services	$ 728.8	$ 694.8	$ 649.2
Network access services	530.5	529.5	505.3
Other services and sales	358.0	351.2	351.8
Total revenues and sales	1,617.3	1,575.5	1,506.3
OPERATING COSTS AND EXPENSES (b)			
Cost of services and sales	626.7	550.0	549.7
Selling, general and administrative	262.3	232.5	223.6
Depreciation and amortization	361.9	358.1	349.4
Total operating costs and expenses	1,250.9	1,140.6	1,122.7
OPERATING INCOME	366.4	434.9	383.6
OTHER (INCOME) EXPENSE			
Interest - net (c)	67.2	63.3	61.8
Other - net	(1.0)	0.4	--
INCOME BEFORE INCOME TAXES	300.2	371.2	321.8
Income taxes	112.3	147.5	123.7
INCOME BEFORE EXTRAORDINARY CHARGE	187.9	223.7	198.1
Extraordinary charge	(3.4)	--	--
NET INCOME	$ 184.5	$ 223.7	$ 198.1

(a) Includes billings to affiliates of $104.7 million, $103.9 million and $100.1 million for the years 1998-1996, respectively.
(b) Includes billings from affiliates of $192.7 million, $78.6 million and $86.6 million for the years 1998-1996, respectively.
(c) Includes interest received from affiliate of $99.7 million and $64.4 million in 1998-1997, respectively.

Per share data is omitted since the Company's common stock is 100% owned by GTE Corporation.

The accompanying notes are an integral part of these statements.

GTE FLORIDA INCORPORATED AND SUBSIDIARIES
Consolidated Balance Sheets

December 31,	1998	1997
	(Dollars in Millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 113.5	$ 57.7
Receivables, less allowances of $33.1 million and $30.2 million	328.6	455.5
Accounts receivable from affiliates	12.1	54.9
Notes receivable from affiliates	1,218.1	1,167.3
Inventories and supplies	21.6	31.0
Other	27.3	28.2
Total current assets	1,721.2	1,794.6
Property, plant and equipment, net	1,984.4	1,913.9
Prepaid pension costs	195.8	169.9
Other assets	26.0	15.8
Total assets	$ 3,927.4	$ 3,894.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term obligations, including current maturities	$ 1,396.5	$ 1,294.3
Notes payable to affiliate	105.5	72.3
Accounts payable	62.9	110.7
Affiliate payables	99.5	50.6
Other	182.7	180.8
Total current liabilities	1,847.1	1,708.7
Long-term debt	889.4	1,021.1
Deferred income taxes	192.1	203.9
Employee benefit plans	205.1	196.1
Other liabilities	6.5	6.8
Total liabilities	3,140.2	3,136.6
Shareholders' equity:		
Preferred stock	21.2	21.2
Common stock (23,400,000 shares issued)	585.0	585.0
Additional paid-in capital	50.3	50.3
Retained earnings	130.7	101.1
Total shareholders' equity	787.2	757.6
Total liabilities and shareholders' equity	$ 3,927.4	$ 3,894.2

The accompanying notes are an integral part of these statements.

GTE FLORIDA INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Cash Flows

Years Ended December 31,	1998	1997	1996
		(Dollars in Millions)	
OPERATIONS			
Income before extraordinary charge	$ 187.9	$ 223.7	$ 198.1
Adjustments to reconcile income before extraordinary charge to net cash from operations:			
Depreciation and amortization	361.9	358.1	349.4
Deferred income taxes	(20.4)	33.5	(3.5)
Provision for uncollectible accounts	39.9	39.9	42.5
Change in current assets and current liabilities:			
Receivables - net	129.8	(173.8)	(58.8)
Other current assets	(6.3)	(15.4)	(4.5)
Accrued taxes and interest	29.9	(21.9)	12.6
Other current liabilities	(32.7)	7.6	(51.6)
Other - net	16.4	(1.4)	(1.5)
Net cash from operations	706.4	450.3	482.7
INVESTING			
Capital expenditures	(427.7)	(405.5)	(282.8)
Proceeds from the transfer of assets	--	--	10.4
Other - net	0.3	--	--
Net cash used in investing	(427.4)	(405.5)	(272.4)
FINANCING			
Long-term debt issued	297.0	--	--
Long-term debt and preferred stock retired, including premiums paid on early retirement	(128.5)	(105.2)	(71.1)
Dividends	(167.7)	(222.8)	(298.4)
Increase (decrease) in short-term obligations, excluding current maturities	(197.6)	1,473.5	120.6
Net change in affiliate notes	(17.6)	(1,133.0)	35.9
Other - net	(8.8)	--	--
Net cash from (used in) financing	(223.2)	12.5	(213.0)
Increase (decrease) in cash and cash equivalents	55.8	57.3	(2.7)
Cash and cash equivalents:			
Beginning of year	57.7	0.4	3.1
End of year	$ 113.5	$ 57.7	$ 0.4
Cash paid during the year for:			
Interest	$ 162.8	$ 127.6	$ 65.1
Income taxes	$ 102.8	$ 127.8	$ 115.8

The accompanying notes are an integral part of these statements.

GTE FLORIDA INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
	(Dollars in Millions)				
Shareholders' equity, December 31, 1995	$ 60.1	$ 585.0	$ 50.3	$ 208.2	$ 903.6
Net income				198.0	198.0
Dividends declared				(323.3)	(323.3)
Shareholders' equity, December 31, 1996	60.1	585.0	50.3	82.9	778.3
Net income				223.7	223.7
Dividends declared				(204.7)	(204.7)
Early redemption of preferred stock	(38.9)			(0.8)	(39.7)
Shareholders' equity, December 31, 1997	21.2	585.0	50.3	101.1	757.6
Net income				184.5	184.5
Dividends declared				(154.9)	(154.9)
Shareholders' equity, December 31, 1998	$ 21.2	$ 585.0	$ 50.3	$ 130.7	$ 787.2

The accompanying notes are an integral part of these statements.

GTE FLORIDA INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

GTE Florida Incorporated (the Company) provides a wide variety of communications services ranging from local telephone service for the home and office to highly complex voice and data services for various industries. At December 31, 1998, the Company served 3,102,509 access lines in its service territories. The Company is a wholly-owned subsidiary of GTE Corporation (GTE).

Effective September 30, 1998, the Company merged with its subsidiary, GTE Florida Business Connections Corporation (FBCC). This merger has no effect on the financial position or results of operations of the Company as FBCC was a fully consolidated subsidiary of the Company prior to the merger.

Basis of Presentation

The Company prepares its consolidated financial statements in accordance with generally accepted accounting principles, which require management to make estimates and assumptions that affect the reported amounts. Actual results could differ from those estimates.

The consolidated financial statements include the accounts of GTE Florida Incorporated and its wholly-owned subsidiary, GTE Funding Incorporated (GTE Funding). GTE Funding provides short-term financing and investment vehicles and cash management services for the Company and six other of GTE's domestic telephone operating subsidiaries, each of which is contractually obligated to repay all amounts borrowed by it from GTE Funding. In addition, the accounts of Televac, Inc. (Televac), a wholly-owned subsidiary of GTE and a special-purpose entity which purchased the Company's customer and other accounts receivable, have also been consolidated with the Company. All significant intercompany amounts have been eliminated.

Reclassifications of prior year data have been made, where appropriate, to conform to the 1998 presentation.

Transactions with Affiliates

GTE Supply (100% owned by GTE) provides construction and maintenance equipment, supplies and electronic repair services to the Company. These purchases and services amounted to $120.0 million, $151.1 million and $102.0 million for the years 1998-1996, respectively. Such purchases and services are recorded in the accounts of the Company at the lower of cost, including a return realized by GTE Supply, or fair market value.

The Company is billed for data processing services and equipment rentals, and receives management, consulting, research and development and pension management services from other affiliated companies. The Company's consolidated financial statements also include allocated expenses resulting from the sharing of certain executive, administrative, financial, accounting, marketing, personnel, engineering and other support services being performed at consolidated work centers within GTE. The amounts charged for these affiliated transactions are based on proportional cost allocation methodologies. These charges amounted to $177.8 million, $69.6 million and $75.6 million for the years 1998-1996, respectively. The significant increase in 1998 charges is due to a reorganization of support functions within GTE. The cost of these support functions, which was previously recorded directly by the Company, is now allocated to the Company on a proportional cost basis.

The Company's subsidiary, GTE Funding, provides short-term financing and investment vehicles and cash management services for the Company and six other of GTE's domestic telephone operating subsidiaries. Each of these companies is contractually obligated to repay all amounts borrowed by it from GTE Funding. Interest income received from these affiliate companies is approximately equal to the interest expense paid by GTE Funding on its short-term borrowings. Interest income from these activities amounted to approximately $99.7 million and $64.4 million for the years 1998-1997, respectively.

The Company has an agreement with GTE Directories Corporation (GTE Directories) (100% owned by GTE), whereby the Company provides its subscriber lists, billing and collection and other services to GTE Directories. In addition, when GTE Directories sells Yellow Page directory advertising to customers within the Company's franchise area, the Company records a portion of the sale as revenue. Revenues from these activities amounted to $104.7 million, $103.9 million and $100.1 million for the years 1998-1996, respectively. Also, the Company is billed for certain printing and other costs associated with telephone directories, including the cost of customer contact information pages which are included in the Company's White Pages directories. These charges amounted to $14.9 million, $9.0 million and $11.0 million for the years 1998-1996, respectively.

Revenue Recognition

Revenues are recognized when earned. This is generally based on usage of the Company's local exchange networks or facilities. For other products and services, revenues are generally recognized when services are rendered or products are delivered to customers.

Depreciation and Amortization

The Company depreciates assets using the remaining life methodology and straight-line depreciation rates. This method depreciates the remaining net investment in telephone plant, less anticipated net salvage value, over remaining economic asset lives. This method requires the periodic review and revision of depreciation rates.

The economic asset lives used by the Company are as follows:

Average lives (in years)	
Fiber-optic cable	20
Copper wire	15
Switching equipment	10
Circuit equipment	8

When depreciable telephone plant is retired in the normal course of business, the amount of such plant is deducted from the respective plant and accumulated depreciation accounts. Gains or losses on disposition are amortized with the remaining net investment in telephone plant.

Employee Benefit Plans

Pension and postretirement health care and life insurance benefits earned during the year as well as interest on projected benefit obligations are accrued currently. Prior service costs and credits resulting from changes in plan benefits are amortized over the average remaining service period of the employees expected to receive benefits. Curtailment gains and losses associated with employee separations are recognized when they occur. Settlement gains and losses associated with employee separations are recognized when the pension obligations are settled and the gain or loss is determinable.

Valuation of Assets

The impairment of tangible or intangible assets is assessed when changes in circumstances indicate that their carrying value may not be recoverable. Under the Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," a determination of impairment, if any, is made based on estimated future cash flows, salvage value or expected net sales proceeds depending on the circumstances. In instances where goodwill has been recorded in connection with impaired assets, the carrying amount of the goodwill is first eliminated before any reduction to the carrying value of tangible or identifiable intangible assets. The Company's policy is to record asset impairment losses, and any subsequent adjustments to such losses as initially recorded, as well as net gains or losses on sales of assets as a component of operating income. Under Accounting Principles Board Opinion No. 17, "Intangible Assets," the Company also annually evaluates the future period over which the benefit of goodwill will be received, based on future cash flows, and changes the amortization life accordingly.

Income Taxes

The Company's results are included in GTE's consolidated Federal income tax return. The Company participates in a tax-sharing agreement with GTE and remits tax payments to GTE based on its tax liability on a separate company basis.

Deferred tax assets and liabilities are established for temporary differences between the way certain income and expense items are reported for financial reporting and tax purposes. Deferred tax assets and liabilities are subsequently adjusted, to the extent necessary, to reflect tax rates expected to be in effect when the temporary differences reverse. A valuation allowance is established for deferred tax assets for which realization is not likely.

Cash and Cash Equivalents

Cash and cash equivalents include investments in short-term, highly liquid securities, which have maturities when purchased of three months or less.

Financial Instruments

The Company uses a variety of financial instruments to hedge its exposure to fluctuations in interest. The Company does not use financial instruments for speculative or trading purposes, nor is the Company a party to leveraged derivatives. Amounts to be paid or received under interest rate swaps are accrued as interest expense.

Inventories and Supplies

Inventories and supplies are stated at the lower of cost, determined principally by the average cost method, or net realizable value.

Software

The Company classifies software as either network related or non-network related. For network related software, initial operating systems software is capitalized and amortized over the life of the related hardware. All other network related software, including right-to-use fees, is expensed as incurred. Non-network related software, which includes billing and administrative systems, is capitalized and amortized over 5 years. Software maintenance costs are expensed as incurred. In 1998 and 1997, $28.9 million and $9.2 million, respectively, of software expenditures were capitalized associated with the implementation of new administrative systems within the Company.

Recent Accounting Pronouncements

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Under the provisions of this SOP, effective January 1, 1999, the Company will be required to capitalize and amortize the cost of all internal-use software, including network related software it previously expensed. During 1998, the Company expensed network related software of approximately $23.8 million.

Effective January 1, 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income." During the years ended December 31, 1998-1996, there were no differences between net income and comprehensive income.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The Company is currently assessing the impact of adopting SFAS No. 133 which is effective January 1, 2000.

2. PROPOSED MERGER WITH BELL ATLANTIC CORPORATION

On July 27, 1998, GTE and Bell Atlantic entered into a merger agreement providing for the combination of the two companies. Under the terms of the agreement, which was unanimously approved by the boards of directors of both companies, GTE shareholders will receive 1.22 shares of Bell Atlantic stock for each GTE share they own. The merger is subject to shareholder and regulatory approvals.

3. EXTRAORDINARY CHARGE

During the first quarter of 1998, the Company recorded an after-tax extraordinary charge of $3.4 million (net of tax benefits of $2.1 million), reflecting premiums paid on the redemption of high-coupon debt prior to stated maturity.

4. PREFERRED STOCK

Cumulative preferred stock, not subject to mandatory redemption and exclusive of amounts held in treasury, is as follows:

	December 31,	
	1998 Shares	1997 Shares
Authorized		
$ 25 par value	4,880,000	4,880,000

	December 31,			
	1998		1997	
	Shares	Amount (Dollars in Millions)	Shares	Amount (Dollars in Millions)
Outstanding				
$ 1.30 Series B $25 par value	475,900	$ 11.9	475,900	$ 11.9
$ 1.25 Series $25 par value	371,900	9.3	371,900	9.3
Total	847,800	$ 21.2	847,800	$ 21.2

In the event of non-payment of at least twelve months of accrued dividends, each class of preferred shareholders, voting as a class, will be entitled to elect two directors in addition to those directors elected by GTE. Otherwise, the preferred shareholders have no voting rights. The Company is not in arrears in its dividend payments at December 31, 1998.

At December 31, 1998 and 1997, the Company held no treasury stock.

In May 1997, the Company redeemed all outstanding shares of the 8.16% Series preferred stock with cash from operations. The Company incurred $0.8 million in premiums associated with this redemption.

No shares of preferred stock were reserved for officers and employees, or for options, warrants, conversions or other rights.

5. COMMON STOCK

The authorized common stock of the Company consists of 50,000,000 shares with a par value of $25 per share. All outstanding shares of common stock are held by GTE.

There were no shares of common stock held by or for the account of the Company and no shares were reserved for officers and employees, or for options, warrants, conversions or other rights.

At December 31, 1998, $2.2 million of retained earnings were restricted as to the payment of cash dividends on common stock under the terms of the Company's Articles of Incorporation.

6. DEBT

Long-term debt as of December 31, was as follows:

		1998	1997
		(Dollars in Millions)	
First mortgage bonds:			
7 1/2 % Series O,	due 2002	$ --	$ 50.0
8 3/8 % Series BB,	due 2027	--	75.0
Debentures:			
6.31 % Series A,	due 2002	200.0	200.0
7.41 % Series B,	due 2023	200.0	200.0
7.25 % Series C,	due 2025	100.0	100.0
6.25 % Series D,	due 2005	100.0	100.0
6.86 % Series E,	due 2028	300.0	--
Other		--	0.1
Short-term debt expected to be refinanced on a long-term basis		--	300.0
Total principal amount		900.0	1,025.1
Less: unamortized discount and premium – net		(10.6)	(3.9)
Total		889.4	1,021.2
Less: current maturities of long-term debt		--	(0.1)
Total long-term debt		$ 889.4	$ 1,021.1

Long-term debt as of December 31, 1997 included $300.0 million of commercial paper which the Company refinanced on February 3, 1998 with the issuance of $300.0 million of 6.86% Series E debentures, due 2028. The Company recognized an interest rate hedge loss of approximately $8.8 million on the settlement of forward contracts related to that debt issuance. The loss is being amortized over the life of the associated refinanced debt.

In March 1998, the Company retired $125.1 million of long-term debt prior to stated maturity. The Company recorded an after-tax extraordinary charge of $3.4 million, reflecting premiums associated with this retirement.

In May 1997, the Company redeemed prior to stated maturity, $45.0 million 8% Series N first mortgage bonds. The Company incurred $0.4 million in premiums associated with this retirement.

The aggregate principal amount of first mortgage bonds and debentures that may be issued is subject to the restrictions and provisions of the Company's indentures. None of the securities shown above were held in sinking or other special funds of the Company or pledged by the Company. Debt discounts and premiums on the Company's outstanding long-term debt are amortized over the lives of the respective issues. Substantially all of the Company's telephone plant is subject to the liens of the indentures under which the bonds listed above were issued.

Estimated payments of long-term debt during the next five years are: $200.0 million in 2002.

Total short-term obligations at December 31, were as follows:

	1998	1997
	(Dollars in Millions)	
Commercial paper - average rate 5.2% and 7.5%	$ 1,396.5	$ 1,294.2
Notes payable to affiliate - average rates 5.4% and 6.0%	105.5	72.3
Current maturities of long-term debt	--	0.1
Total	$ 1,502.0	$ 1,366.6

The Company participates with other affiliates in a $1.5 billion 364-day syndicated revolving line of credit and has access to an additional $1.0 billion in short-term liquidity through GTE and GTE Funding's bilateral revolving lines of credit. Also, the Company has an existing shelf registration statement for an additional $300.0 million of debentures.

The Company's subsidiary, GTE Funding, provides short-term financing and investment vehicles and cash management services for the Company and six other of GTE's domestic telephone operating subsidiaries. Each of these companies is contractually obligated to repay all amounts borrowed by it from GTE Funding. At December 31, 1998, GTE Funding had short-term indebtedness in the form of commercial paper in the amount of $1.4 million (including amounts expected to be refinanced on a long-term basis) of which approximately $1.2 million was incurred on behalf of GTE's other domestic telephone operating subsidiaries.

7. FINANCIAL INSTRUMENTS

The Company entered into forward interest rate swap agreements and forward contracts to sell U.S. Treasury Bonds during 1997, to hedge against changes in market interest rates of planned long-term debt issuances, which were completed in January 1998. A loss of approximately $8.8 million occurred upon settlement of these agreements and is being amortized over the life of the associated long-term debt issuance as an addition to interest expense.

As of December 31, 1998 and 1997, the Company had the following financial instruments in effect:

	Notional Amount (Dollars in Millions)	Expiration Date	Weighted-Average Pay Rate
Forward interest rate contracts:			
1998	$ --	--	--
1997	200.0	1998	6.73%

The fair values of financial instruments, other than long-term debt, closely approximate their carrying value. As of December 31, 1998, the estimated fair value of long-term debt based on either reference to quoted market prices or an option pricing model, exceeded the carrying value by approximately $66.6 million. The estimated fair value of long-term debt as of December 31, 1997 was lower than the carrying value by approximately $0.6 million.

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is summarized as follows at December 31:

	1998	1997
	(Dollars in Millions)	
Land	$ 20.5	$ 20.3
Buildings	231.4	214.6
Plant and equipment	4,340.9	3,854.1
Construction in progress and other	100.9	295.4
Total	4,693.7	4,384.4
Accumulated depreciation	(2,709.3)	(2,470.5)
Total property, plant and equipment – net	$ 1,984.4	$ 1,913.9

9. EMPLOYEE BENEFIT PLANS

The FASB issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," in February 1998. The new standard does not change the measurement or recognition of costs for pension and other postretirement plans. It standardizes disclosures and eliminates those that are no longer useful.

Certain disclosures are required to be made of the components of pension credits, postretirement benefit costs and the funded status of the plans, including the actuarial present value of accumulated plan benefits, accumulated or projected benefit obligation and the fair value of the plan assets. We do not present such disclosures because the structure of the GTE plans does not permit the plans' data to be readily disaggregated.

Pension Plans

The Company participates in noncontributory defined benefit pension plans sponsored by GTE covering substantially all employees. The benefits to be paid under these plans are generally based on years of credited service and average final earnings. GTE's funding policy, subject to the minimum funding requirements of employee benefit and tax laws, is to contribute such amounts as are determined on an actuarial basis to accumulate funds sufficient to meet the plans' benefit obligation to employees upon their retirement. The assets of the plans consist primarily of corporate equities, government securities, and corporate debt securities.

The significant weighted-average assumptions used by GTE for the pension measurement were as follows at December 31:

	1998	1997
Discount rate	7.00%	7.25%
Rate of compensation increase	4.75%	5.00%
Expected return on plan assets	9.00%	9.00%

Net pension credits were $25.9 million, $34.8 million and $38.6 million for the years 1998-1996, respectively.

Postretirement Benefits Other than Pensions

Substantially all of the Company's employees are covered under postretirement healthcare and life insurance plans sponsored by GTE. The determination of benefit cost for postretirement health plans is generally based on comprehensive hospital, medical and surgical benefit plan provisions. The Company intends to fund amounts for postretirement benefits as deemed appropriate.

Postretirement benefit cost was $23.1 million, $34.9 million and $55.9 million for the years 1998-1996, respectively. The weighted-average assumptions used by GTE in the actuarial computations for postretirement benefits were as follows at December 31:

	1998	1997
Discount rate	7.00%	7.25%
Expected return on plan assets	8.00%	8.00%

Savings and Stock Ownership Plans

The Company sponsors employee savings plans under section 401(k) of the Internal Revenue Code. The plans cover substantially all full-time employees. Under the plans, the Company provides matching contributions in GTE common stock based on qualified employee contributions. Matching contributions charged to income were $5.0 million, $7.0 million and $6.3 million in the years 1998-1996, respectively.

10. INCOME TAXES

The income tax provision (benefit) is as follows:

	1998	1997	1996
		(Dollars in Millions)	
Current:			
Federal	$ 112.1	$ 93.4	$ 105.6
State	20.5	20.6	21.6
	132.6	114.0	127.2
Deferred:			
Federal	(16.8)	28.5	(2.1)
State	(3.5)	5.1	0.2
	(20.3)	33.6	(1.9)
Amortization of deferred investment tax credits	--	(0.1)	(1.6)
Total provision	$ 112.3	$ 147.5	$ 123.7

A reconciliation between taxes computed by applying the statutory federal income tax rate to pretax income and income taxes provided in the consolidated statements of income is as follows:

	1998	1997	1996
		(Dollars in Millions)	
Amounts computed at statutory rates	$ 104.7	$ 128.9	$ 111.1
State and local income taxes, net of federal income tax effect	11.1	16.7	14.2
Amortization of deferred investment tax credits	--	(0.1)	(1.6)
Other differences - net	(3.5)	2.0	--
Total provision	$ 112.3	$ 147.5	$ 123.7

The tax effects of temporary differences that give rise to the deferred income tax benefits and deferred income tax liabilities at December 31, are as follows:

	1998	1997
	(Dollars in Millions)	
Depreciation and amortization	$ 189.7	$ 219.6
Employee benefit obligations	(84.7)	(76.6)
Prepaid pension cost	78.0	66.8
Revenue and expense recognition: directory publications	7.0	10.7
Other - net	9.9	(0.2)
Net deferred tax liability	$ 199.9	$ 220.3

11. REGULATORY AND COMPETITIVE MATTERS

The Company is subject to regulation by the Florida Public Service Commission (FPSC) for its intrastate business operations and by the Federal Communications Commission (FCC) for its interstate operations.

As was the case in 1997, much of 1998's regulatory and legislative activity at both the state and federal levels was a direct result of the Telecommunications Act of 1996 (Telecommunications Act). Along with promoting competition in all segments of the telecommunications industry, the Telecommunications Act was intended to preserve and advance universal service.

Significant Customer

Revenues received from AT&T Corp. include amounts for access and billing and collection during the years 1998-1996 under various arrangements and amounted to $159.5 million, $201.7 million and $195.7 million, respectively.

12. COMMITMENTS AND CONTINGENCIES

The Company has noncancelable operating leases covering certain buildings, office space and equipment. The majority of lease commitments relate to the lease of the Company's headquarters building at One Tampa City Center. Rental expense was $28.8 million, $31.4 million and $28.4 million in 1998-1996, respectively. Minimum rental commitments under noncancelable leases are $12.1 million, $10.2 million, $9.4 million, $4.3 million and $0.8 million for the years 1999-2003, respectively, and aggregate $41.9 million thereafter.

The Company is subject to a number of proceedings arising out of the conduct of its business, including those relating to regulatory actions, commercial transactions and environmental, safety and health matters. Management believes that the ultimate resolution of these matters will not have a material adverse effect on the results of operations or the financial position of the Company.

Recent judicial and regulatory developments, as well as the pace of technological change, have continued to influence industry trends, including accelerating and expanding the level of competition. As a result, the Company's operations face increasing competition in virtually all aspects of its business. The Company supports greater competition in telecommunications, provided that, overall, the actions to eliminate existing legal and regulatory barriers allow an opportunity for all service providers to participate equally in a competitive marketplace under comparable conditions.

13. SEGMENT REPORTING

Effective December 31, 1998, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 establishes standards for reporting financial information about operating segments in annual financial statements and requires reporting of selected information about operating segments in interim financial reports.

The Company is part of the Network Services product segment of GTE's National Operations. Network Services provides wireline communication services within franchised areas. These services include local telephone service and toll calls as well as access services that enable long-distance carriers to complete calls to or from locations outside of the Company's operating areas. Network Services also provides complex voice and data services to businesses, billing and collection, and operator assistance services to other telecommunications companies and receives revenues in the form of publication rights from an affiliate that publishes telephone directories in its operating areas.

GTE Florida has two reportable segments, Telephone Operations and GTE Funding. The telephone operations segment primarily provides wireline communication services to local markets. The GTE Funding segment, established in 1997, provides short-term financing and investment vehicles and cash management services for the Company and six other of GTE's domestic telephone operating subsidiaries, each of which is contractually obligated to repay all amounts borrowed by it from GTE Funding.

GTE Funding has no reportable revenue. Its interest expense is approximately equal to the interest income received on affiliate notes between GTE Funding and the various domestic telephone operating subsidiaries.

Accounting policies of the segments, as applicable, are the same as those described in the summary of significant accounting policies (see Note 1).

Segment results for the periods ending December 31 were as follows:

	1998	1997
	(Dollars in Millions)	
Telephone Operations:		
Total external revenues	$ 1,617.3	$ 1,575.5
Operating income	369.3	436.0
Depreciation and amortization	361.9	358.1
Interest expense	71.7	65.1
Interest income	1.7	0.2
Capital expenditures	427.7	405.5
Total assets	2,651.2	2,494.7
GTE Funding:		
Operating loss	$ (2.9)	$ (1.1)
Interest expense	96.8	61.6
Interest income	99.7	64.4
Total assets (a)	1,655.8	1,598.6
Consolidated Revenues	**$ 1,617.3**	**$ 1,575.5**
Consolidated Operating Income	**$ 366.4**	**$ 434.9**
Consolidated Assets	**$ 3,927.4**	**$ 3,894.2**

(a) Assets consist primarily of cash and notes receivable from affiliates.

14. QUARTERLY FINANCIAL DATA (Unaudited)

Summarized 1998 and 1997 quarterly financial data is as follows:

	Revenues and Sales	Operating Income	Net Income
	(Dollars in Millions)		
1998			
First Quarter	$ 361.6	$ 51.4	$ 17.8
Second Quarter	417.3	110.5	57.9
Third Quarter	407.3	107.7	54.5
Fourth Quarter	431.1	96.8	54.3
Total	$ 1,617.3	$ 366.4	$ 184.5
1997			
First Quarter	$ 356.0	$ 77.3	$ 37.3
Second Quarter	415.2	114.0	59.5
Third Quarter	390.6	98.6	50.1
Fourth Quarter (a)	413.7	145.0	76.8
Total	$ 1,575.5	$ 434.9	$ 223.7

(a) Fourth quarter 1997 operating income includes the effects of a reduction to depreciation rates to reflect higher net salvage values related to certain telephone plant and equipment.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of
GTE Florida Incorporated:

We have audited the accompanying consolidated balance sheets of GTE Florida Incorporated (a Florida corporation and wholly-owned subsidiary of GTE Corporation) and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1998, as set forth under Item 8 and Schedule II of this report. These financial statements and the schedule and exhibit referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the schedule and exhibit based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GTE Florida Incorporated and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supporting schedule and exhibit listed under Item 14 are presented for purposes of complying with the Securities and Exchange Commission's rules and are not a required part of the basic financial statements. The supporting schedule and exhibit have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Dallas, Texas
January 28, 1999

ARTHUR ANDERSEN LLP

MANAGEMENT REPORT

To Our Shareholders:

The management of GTE Florida Incorporated (the Company) is responsible for the integrity and objectivity of the financial and operating information contained in this Annual Report on Form 10-K, including the consolidated financial statements covered by the Report of Independent Public Accountants. These statements were prepared in conformity with generally accepted accounting principles and include amounts that are based on the best estimates and judgments of management.

The Company has a system of internal accounting controls which provides management with reasonable assurance that transactions are recorded and executed in accordance with its authorizations, that assets are properly safeguarded and accounted for, and that financial records are maintained so as to permit preparation of financial statements in accordance with generally accepted accounting principles. This system includes written policies and procedures, an organizational structure that segregates duties, and a comprehensive program of periodic audits by the internal auditors. The Company has also instituted policies and guidelines which require employees to maintain the highest level of ethical standards.

JOHN A. FERRELL
President

LAWRENCE R. WHITMAN
Vice President - Finance and Planning

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

a. Identification of Directors

The names, ages and positions of the directors of the Company as of March 2, 1999 are listed below along with their business experience during the past five years.

Name	Age	Director Since	Business Experience
John C. Appel	50	1996	President, GTE Network Services, 1997; Executive Vice President - Network Operations, GTE Telephone Operations, 1996; Executive Vice President - Network Operations, all GTE domestic telephone subsidiaries of which he is not President, 1996; Director, all GTE domestic telephone subsidiaries, 1996; President, GTE South Incorporated and GTE North Incorporated, 1995; Senior Vice President - Regulatory Operations, GTE Telephone Operations, 1994; President, GTE Southwest Incorporated, 1994; State President - Texas/New Mexico, 1993.
Mateland L. Keith, Jr.	56	1997	Senior Vice President - Regional Operations, GTE Network Services, 1997; President, GTE California Incorporated, 1995; Assistant Vice President - Engineering, GTE Telephone Operations, 1995; Area Vice President - Sales, GTE North Incorporated, 1993.
Lawrence R. Whitman	47	1997	Vice President - Finance and Planning, Business Development and Integration, 1997; Controller, GTE Corporation, 1995; Vice President - Finance, TP&S, 1993.

Directors are elected annually. There are no family relationships between any of the directors or executive officers of the Company.

b. Identification of Executive Officers

The list below contains the names, ages and positions of the executive officers of the Company as of March 2, 1999:

Name	Age	Year Assumed Present Position	Position
John C. Appel	50	1995	Executive Vice President - Network Operations
Quentin E. Bredeweg (1)	42	1998	Vice President - Regulatory
John A. Ferrell (2)	48	1998	President
Gregory D. Jacobson	47	1994	Treasurer
Robert G. McCoy	54	1997	Vice President - Retail Markets
William G. Mundy (3)	49	1998	Vice President and General Counsel
Barry W. Paulson	47	1996	Vice President - Operations Planning and Support
Richard L. Schaulin	56	1995	Vice President - Human Resources
Stephen L. Shore (4)	47	1998	Controller
Larry J. Sparrow	55	1995	Vice President - Wholesale Markets
Lawrence R. Whitman (5)	47	1998	Vice President - Finance and Planning

(1) Quentin E. Bredeweg was appointed Vice President - Regulatory in May 1998.
(2) John A. Ferrell was appointed President in November 1998 replacing Peter A. Daks.
(3) William G. Mundy was appointed Vice President and General Counsel in January 1998 replacing Richard M. Cahill.
(4) Stephen L. Shore was appointed Controller in May 1998 replacing William M. Edwards, III.
(5) Lawrence R. Whitman was appointed Vice President - Finance and Planning in May 1998 replacing Gerald K. Dinsmore.

Each of these executive officers has been an employee of the Company or an affiliated company for the last five years. Except for duly elected officers and directors, no other employees had a significant role in decision making. All officers are appointed for a term of one year.

Item 11. Executive Compensation

SUMMARY COMPENSATION TABLE

The following table sets forth information about the compensation of the individual who served as Principal Executive Officer of the Company in 1998, each of the other four most highly compensated executive officers of the Company (other than the Chief Executive Officer) who served as such and were compensated by the Company or GTE Network Services at the end of 1998 and the additional individual who served as executive officer of the Company or GTE Network Services in 1998 but did not serve as such or was not being compensated by the Company or GTE Network Services at the end of 1998 (collectively, the Named Executive Officers). The information in this table under the caption "Annual Compensation" sets forth all compensation paid to the Named Executive Officers by the Company and GTE Network Services. The caption "Long-Term Compensation" sets forth all long-term compensation paid to the Named Executive Officers under employee benefit plans administered by GTE Corporation or GTE Service Corporation. Footnote 2 to this table sets forth the actual 1998 annual compensation for each of the Named Executive Officers that was allocated to the Company.

					Long-Term Compensation			
		Annual Compensation (2)			Awards		Payouts	
Name and Principal Position in Group (1)	Year	Salary ($)	Bonus ($) (3)	Other Annual Compensation ($)	Restricted Stock Awards ($) (4)	Securities Underlying Options/ SARs (#) (3)	LTIP Payouts ($)	All Other Compensation ($) (5)
John A. Ferrell (6)	1998	141,824	51,126	--	--	10,100	--	6,474
President	1997	129,708	36,300	--	--	1,500	--	5,837
	1996	123,800	13,500	--	--	--	--	5,571
John C. Appel	1998	386,538	420,800	--	48,913	61,200	361,800	17,394
Executive Vice President -	1997	348,365	399,386	--	59,881	76,000	548,700	11,320
Network Operations	1996	295,977	380,700	--	51,229	124,400	439,200	10,572
Larry J. Sparrow	1998	334,808	249,600	--	29,113	57,200	216,200	15,066
Vice President -	1997	315,565	256,400	--	39,481	40,700	375,300	11,320
Wholesale Markets	1996	294,812	260,800	--	41,561	81,400	404,100	10,613
Lawrence R. Whitman (7)	1998	268,672	240,952	--	22,685	57,200	193,000	4,431
Vice President -	1997	262,615	223,700	--	32,525	40,700	296,700	5,971
Finance and Planning	1996	232,615	210,900	--	--	32,700	247,300	5,971
Richard L. Schaulin	1998	279,958	145,616	--	18,200	19,000	136,800	13,358
Vice President -	1997	283,842	163,400	--	25,025	25,500	237,000	11,320
Human Resources	1996	268,735	178,200	--	27,088	25,500	255,200	6,750
Gerald K. Dinsmore (8)	1998	266,755	264,779	--	--	46,500	271,400	15,542
Senior Vice President -	1997	302,532	314,807	--	45,906	62,200	411,800	11,320
Finance and Planning	1996	288,619	263,700	--	41,751	81,400	404,100	10,613

(1) All persons named in the table are officers of the Company except as otherwise noted.

(2) Annual Compensation represents the total annual cash compensation of salaries, bonuses and other compensation. The Company's allocated share for Messrs. Ferrell, Appel, Sparrow, Whitman, Schaulin and Dinsmore, for whom total annual amounts are shown above, is $192,951, $87,023, $62,444, $54,930, $45,964 and $57,298, respectively.

(3) The data in these columns represent the amounts received in 1998 by each of the Named Executive Officers under the GTE Corporation Executive Incentive Plan and Long-Term Incentive Plan (which is referred to in all tables as LTIP). In connection with GTE's Equity Participation Program, a portion of this amount has been deferred into restricted stock units payable at maturity (generally, a minimum of three years) in GTE common stock. The number of restricted stock units received was calculated by dividing the amount of the annual bonus deferred by the average closing price of GTE common stock on the New York Stock Exchange (NYSE) Composite Transactions Tape for the 20 consecutive trading days following the release to the public of GTE's financial results for the fiscal year in which the bonus was earned. Additional restricted stock units are received on each dividend payment date based upon the amount of the dividend paid and the closing price of GTE common stock on the NYSE Composite Transactions Tape on the dividend declaration date.

(4) The data in this column represents the dollar value of the matching restricted stock units based upon the average closing price described in footnote 3 above. Matching restricted stock units are received on the basis of one additional restricted stock unit for every four restricted stock units deferred through annual bonus deferrals described in footnote 3 above. GTE grants executives matching restricted stock units on the basis of one stock unit for ever four stock units deferred. The matching restricted stock units were designed to increase focus on shareholder value and to compensate the executive for agreeing not to realize the economic value associated with deferred bonus amounts. Additional restricted stock units are received on each dividend payment date based upon the amount of the dividend paid and the closing price of GTE common stock on the NYSE Composite Transactions Tape on the dividend declaration date. Messrs. Appel, Sparrow, Whitman, Schaulin and Dinsmore hold a total of 15,790, 10,992, 4,503, 7,029 and 8,956 restricted stock units, respectively, which had a dollar value of $977,950, $685,721, $270,262, $438,865 and $582,117, respectively, based solely upon the closing price of GTE common stock on December 31, 1998.

(5) The column "All Other Compensation" includes, for 1998, contributions by the Company to the GTE Savings Plan of $7,200 for each of Messrs. Appel, Sparrow, Schaulin and Dinsmore, $6,474 for Mr. Ferrell and $4,431 for Mr. Whitman. This column also includes Company contributions to the GTE Executive Salary Deferral Plan of $10,194 for Mr. Appel, $7,866 for Mr. Sparrow, $6,158 for Mr. Schaulin and $8,342 for Mr. Dinsmore.

(6) Mr. Ferrell was appointed President of the Company in November 1998. Mr. Ferrell had served as Director-Remote Operations Support since 1997. Prior to that appointment, he served as General Manager - Network Reliability for GTE California from 1996 to 1997 and before that as Vice President - Customer Service for Contel of California since 1994.

(7) Mr. Whitman was appointed Vice President - Finance and Planning of GTE Service Corporation in May 1998. He had served as the Controller of GTE Corporation since 1995, and before that as Vice President - Finance for GTE Telephone Products and Services since 1993.

(8) Mr. Dinsmore was appointed President, Business Development and Integration (a separate business unit of GTE) in June 1997. Mr. Dinsmore served as Senior Vice President - Finance and Planning of the Company until April 30, 1998. Although Mr. Dinsmore retained his title with the Company through April 30, 1998, he was compensated solely through his new position from June 1997 until his retirement from the Company in January 1999.

OPTION GRANTS IN LAST FISCAL YEAR

The following table shows all grants of options to the Named Executive Officers of the Company in 1998, whether or not specifically allocated to the Company. The options were granted under GTE's Long-Term Incentive Plan. In addition, these stock option grants included a replacement stock option feature. The replacement stock option feature provides that, if an executive exercises a stock option granted in 1998 by delivering previously owned shares that are sufficient to pay the exercise price plus applicable tax withholdings, the executive will receive a one-time additional stock option grant. The number of shares represented by that option will be equal to the number of previously owned shares surrendered in this transaction. This replacement stock option will be granted with an exercise price equal to the fair market value on the date of grant. No stock appreciation rights were granted to the Named Executive Officers of the Company in 1998. Each option granted may be exercised with respect to one-third of the aggregate number of shares subject to the grant each year, commencing one year after the date of grant. Pursuant to Securities and Exchange Commission rules, the table also shows the value of the options granted at the end of the option terms (ten years) if the stock price were to appreciate annually by 5% and 10%, respectively. There is no assurance that the stock price will appreciate at the rates shown in the table. The table also indicates that if the stock price does not appreciate, the potential realizable value of the options granted will be zero.

	Individual Grants				Potential Realizable Value at Assumed Annual Rate of Stock Price Appreciation for Option Term		
Name	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price ($/SH)	Expiration Date	0%	5%	10%
John A. Ferrell	5,200	.04%	54.3750	2/20/08	--	$ 177,820	$ 450,631
	4,900	.03%	59.7500	2/20/08	--	184,125	466,608
John C. Appel	62,200	.42%	54.3750	2/20/08	--	2,092,804	5,303,576
Larry J. Sparrow	28,600	.19%	54.3750	2/20/08	--	978,010	2,478,469
	28,600	.19%	58.1565	2/20/08	--	1,046,025	2,650,833
Lawrence R. Whitman	28,600	.19%	54.3750	2/20/08	--	978,010	2,478,469
	28,600	.19%	58.1565	2/20/08	--	1,046,025	2,650,833
Richard L. Schaulin	19,000	.13%	54.3750	2/20/08	--	649,727	1,646,535
Gerald K. Dinsmore	46,500	.32%	54.3750	2/20/08	--	1,590,121	4,029,678

If the price of GTE common stock appreciates, the value of GTE common stock held by the shareholders will also increase. For example, the aggregate market value of GTE common stock on February 18, 1998 was approximately $52.33 billion based upon the market price on that date. If the share price of GTE common stock increases by 5% per year, the aggregate market value on February 18, 2008 of the same number of shares would be approximately $85.24 billion. If the price of GTE common stock increases by 10% per year, the aggregate market value on February 18, 2008 would be approximately $135.72 billion.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION/SAR VALUES

The following table provides information as to options and stock appreciation rights exercised by each of the Named Executive Officers of the Company during 1998. The table sets forth the value of options and stock appreciation rights held by such officers at year end measured in terms of the closing price of GTE common stock on December 31, 1998.

			Number of Securities Underlying Unexercised Options/SARs at Fiscal Year-End		Value of Unexercised In-the-Money Options/SARs at Fiscal Year-End ($)	
Name	Shares Acquired On Exercise (#)	Value Realized ($)	Exercisable	Unexercisable	Exercisable	Unexercisable
John A. Ferrell	533	7,328	--	6,217	--	103,743
John C. Appel	41,900	796,504	46,066	174,068	1,125,017	3,758,302
Larry J. Sparrow	10,300	296,769	116,100	125,034	3,654,411	2,464,368
Lawrence R. Whitman	37,359	582,451	2,666	95,234	62,651	1,671,498
Richard L. Schaulin	15,000	355,313	25,500	44,500	630,334	887,558
Gerald K. Dinsmore	22,433	437,285	73,566	128,668	2,004,416	2,776,565

LONG-TERM INCENTIVE PLAN - AWARDS IN LAST FISCAL YEAR

The Long-Term Incentive Plan provides for awards to participating employees, including stock options, stock appreciation rights, performance bonuses and other stock-based awards. The stock options awarded under the plan to the Named Executive Officers in 1998 are shown in the table on the previous page.

			Estimated Future Payouts Under Non-Stock Price Based Plans (1)		
Name	Number of Shares, Units Or Other Rights	Performance Or Other Period Until Maturation Or Payout	Threshold (# of Units)	Target (# of Units)	Maximum (2)
John A. Ferrell	585	26 Months	162	622	
John C. Appel	9,600	3 Years	2,721	10,467	
Larry J. Sparrow	4,500	3 Years	1,276	4,906	
Lawrence R. Whitman	4,500	3 Years	1,276	4,906	
Richard L. Schaulin	2,400	3 Years	680	2,617	
Gerald K. Dinsmore	7,300	3 Years	2,069	7,959	

(1) It is not possible to predict future dividends and, accordingly, estimated equivalent unit accruals in this table are calculated for illustrative purposes only and are based upon the dividend rate and price of GTE common stock at the close of business on December 31, 1998. The target award is the dollar amount derived by multiplying the equivalent unit balance credited to the participant at the end of the award cycle by the average closing price of GTE common stock, as reported on the NYSE Composite Transactions Tape, during the last 20 business days of the award cycle.

(2) This column has intentionally been left blank because it is not possible to determine the maximum number of equivalent units until the award cycle has been completed. Subject to the award limit discussed in footnote 1 above, the maximum amount of the award is limited by the extent to which GTE's actual results for the five key measures exceed the respective target levels. If GTE's actual results during the cycle for the five key measures exceed the respective target levels, additional awards may be paid, based on a linear interpolation. For example, for revenue growth, the schedule is as follows:

Performance Increment Above Revenue Performance Target	Added Percentage to Combined Awards
Each 0.1% improvement in cumulative revenue growth	+2%

Thus, for example, if the revenue growth key measure exceeds its target level by .5% while the remaining four key measures are precisely at their respective target levels, then the performance bonus will equal 110% of the combined target award.

GTE Implementation and Retention Bonus Plan

On November 3, 1998, the GTE Executive Compensation and Organizational Structure Committee of the Board of Directors approved the Implementation and Retention Bonus Plan. This plan provides incentives to employees who are critical to completing the merger or necessary to ensure the continuity and effectiveness of GTE's businesses, and who are likely targets for competitive offers from other companies.

GTE has entered into an agreement with Mr. Appel under which he will receive estimated cash payments equal to 1.5 times his base salary plus EIP award. GTE has also entered into agreements with Messrs. Ferrell, Sparrow, Whitman, Schaulin and five other executive officers under which each will receive estimated cash payments equal to 1.0 times base salary plus EIP award.

Payment will be made in a lump-sum amount when the GTE/Bell Atlantic merger becomes effective. If the merger is not completed, some of GTE's executive officers will receive 25% of their anticipated payment under the plan. Mr. Appel will only receive payment under the plan if the merger is completed.

GTE Executive Severance Agreements

In its desire to retain key executives, GTE previously entered into executive severance agreements with seven individuals who have served as executive officers of the Company at any time since January 1, 1998. These individuals include Messrs. Appel, Sparrow, Whitman, Schaulin and three other executive officers. These agreements provide benefits to be paid in the event of a qualifying termination following a change in control of GTE. A change in control of GTE will occur upon approval of the GTE/Bell Atlantic merger by GTE shareholders.

Any executive who is terminated for reasons other than cause or who resigns for good reason, both of which are defined under the executive severance agreements, will generally receive:

- payment of two times the sum of the executive's base salary and annual bonus;
- eligibility for early retirement benefits;
- pension credits for the period covered by the severance payment;
- medical and life insurance coverage for up to two years;
- GTE retiree medical and life insurance; and
- financial and outplacement counseling.

The executive severance agreement with Mr. Appel also provides for an additional payment to compensate the executive for any excise tax that may be imposed by the Internal Revenue Service.

In connection with Mr. Dinsmore's retirement, he will generally receive the same benefits as he would have received had he been terminated for reasons other than cause following a change in control of GTE under a GTE executive severance agreement.

Retirement Programs

Pension Plans

The following table illustrates the estimated annual benefits payable under GTE's defined benefit pension plans. The table assumes normal retirement at age 65 and is calculated on a single life annuity basis, based upon final average earnings (integrated with social security as described below) and years of service:

PENSION PLAN TABLE

Final Average Earnings	Years of Service 15	20	25	30	35
$ 200,000	$ 42,101	$ 56,134	$ 70,168	$ 84,201	$ 98,235
300,000	63,851	85,134	106,418	127,701	148,985
400,000	85,601	114,134	142,668	171,201	199,735
500,000	107,351	143,134	178,918	214,701	250,485
600,000	129,101	172,134	215,168	258,201	301,235
700,000	150,851	201,134	251,418	301,701	351,985
800,000	172,601	230,134	287,668	345,201	402,735
900,000	194,351	259,134	323,918	388,701	453,485
1,000,000	216,101	288,134	360,168	432,201	504,235
1,200,000	259,601	346,134	432,668	519,201	605,735
1,500,000	324,851	433,134	541,418	649,701	757,985
2,000,000	433,601	578,134	722,668	867,201	1,011,735
2,500,000	542,351	723,134	903,918	1,084,701	1,265,485

All executive officers of the Company are employees of GTE Service Corporation, a wholly-owned subsidiary of GTE, which maintains the GTE Service Corporation plan for Employees' Pensions. The GTE Service Corporation plan is a noncontributory pension plan for the benefit of all employees of GTE Service Corporation and participating affiliates who are not covered by collective bargaining agreements. It provides a benefit based on a participant's years of service and earnings. Pension benefits provided by GTE Service Corporation and contributions to the GTE Service Corporation plan are related to basic salary and incentive payments exclusive of overtime, differentials, certain incentive compensation and other similar types of payments. Under the GTE Service Corporation plan, pensions are computed on a two-rate formula basis of 1.15% and 1.45% for each year of service, with the 1.15% service credit being applied to that portion of the average annual salary for the five highest consecutive years that does not exceed $31,100, which is the portion of salary subject to the Federal Social Security Act, and the 1.45% service credit being applied to that portion of the average annual salary for the five highest consecutive years that exceeds this level up to the statutory limit on compensation. As of February 26, 1999, the credited years of service under the GTE Service Corporation plan for Messrs. Ferrell, Appel, Sparrow, Whitman and Schaulin are 26, 27, 31, 19 and 35, respectively. Mr. Dinsmore retired in January 1999 with 23 credited years of service.

Under federal law, an employee's benefits under a qualified pension plan, such as the GTE Service Corporation plan, are limited to certain maximum amounts. GTE maintains the Excess Pension Plan, which supplements the benefits of any participant in the GTE Service Corporation plan in an amount by which any participant's benefits under the GTE Service Corporation plan are limited by law. In addition, the Supplemental Executive Retirement Plan provides additional retirement benefits determined in a similar manner as under the GTE Service Corporation plan on compensation accrued under certain management incentive plans as determined by the Executive Compensation and Organizational Structure Committee. The Supplemental Executive Retirement Plan and GTE Excess Pension Plan benefits are payable in a lump sum or an annuity.

Executive Retired Life Insurance Plan

The GTE Corporation Executive Retired Life Insurance Plan (ERLIP) provides Messrs. Ferrell, Appel, Sparrow, Whitman, Schaulin and Dinsmore a postretirement life insurance benefit of three times final base salary. Upon retirement, Executive Retired Life Insurance Plan benefits may be paid as life insurance or, alternatively, an equivalent amount equal to the present value of the life insurance amount (based on actuarial factors and the interest rate then in effect), may be paid as a lump sum payment, as an annuity or as installment payments.

Directors' Compensation

The current directors, all of whom are employees of GTE, are not paid any fees or remuneration, as such, for service on the Board.

Item 12. Security Ownership of Certain Beneficial Owners and Management

(a) Security Ownership of Certain Beneficial Owners as of February 28, 1999:

Title of Class	Name and Address of Beneficial Owner	Shares of Beneficial Ownership	Percent of Class
Common Stock of GTE Florida Incorporated	GTE Corporation 1255 Corporate Drive Irving, TX 75038	23,400,000 shares of record	100%

(b) Security Ownership of Management as of December 31, 1998:

Title of Class	Name of Director (1) (2) (3)	Shares Beneficially Owned as of December 31, 1998
Common Stock of GTE Corporation	John C. Appel	68,798
	Mateland L. Keith, Jr.	23,210
	Lawrence R. Whitman	33,805
		125,813
	Executive Officers (1) (2) (3)	
	John A. Ferrell	4,293
	John C. Appel	68,798
	Larry J. Sparrow	51,815
	Lawrence R. Whitman	33,805
	Richard L. Schaulin	32,591
		191,302
	All directors and executive officers as a group (1) (2) (3)	286,168

(1) Includes shares acquired through participation in the GTE Savings Plan.

(2) Included in the number of shares beneficially owned by Messrs. Ferrell, Appel, Sparrow, Whitman, Schaulin and all directors and executive officers as a group are 2,233, 61,867, 36,667, 31,333, 23,333, and 237,534 shares, respectively, which such persons have the right to acquire within 60 days pursuant to stock options.

(3) No director or executive officer owns as much as one-tenth of one percent of the total outstanding shares of GTE Common Stock, and all directors and executive officers as a group own less than one-fifth of one percent of the total outstanding shares of GTE Common Stock.

(c) There were no changes in control of the Company during 1998.

Item 13. Certain Relationships and Related Transactions

The Company's executive officers or directors were not materially indebted to the Company or involved in any material transaction in which they had a direct or indirect material interest. None of the Company's directors were involved in any business relationships with the Company.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) (1) Financial Statements - See GTE Florida Incorporated's consolidated financial statements and report of independent accountants thereon in Item 8 included elsewhere herein.

(2) Financial Statement Schedules - Schedules supporting the consolidated financial statements for the years ended December 31, 1998-1996 (as required):

II - Valuation and Qualifying Accounts

Note: Schedules other than the one listed above are omitted as not applicable, not required, or the information is included in the consolidated financial statements or notes thereto.

(3) Exhibits - Included in this report or incorporated by reference.

3.1* Amended Articles of Incorporation (Exhibit 3.1 of the September 30, 1995 Form 10-Q, File No. 1-3090)

3.2* Amended Bylaws (Exhibit 3.2 of the September 30, 1995 Form 10-Q, File No. 1-3090)

4.1* Indenture dated as of November 1, 1993 between GTE Florida Incorporated and NationsBank of Georgia, National Association, as Trustee (Exhibit 4.1 of the Company's Registration Statement on Form S-3, File No. 33-50711)

4.2* First Supplemental Indenture dated as of January 1, 1998 between GTE Florida Incorporated and The Bank of New York, as Trustee (as successor trustee to NationsBank of Georgia, National Association) (Exhibit 4.2 of the Company's Registration Statement on Form S-3, File No. 333-43507, as amended)

10.1 Material Contracts – Severance Agreement between GTE and John C. Appel

10.2 Material Contracts – Severance Agreements between GTE and Richard L. Schaulin, Larry J. Sparrow and Lawrence R. Whitman

10.3 Material Contracts – Retention Agreement between GTE and John C. Appel

10.4 Material Contracts – Retention Agreements between GTE and John A. Ferrell, Richard L. Schaulin, Larry J. Sparrow and Lawrence R. Whitman

12 Statements re: Calculation of the Consolidated Ratio of Earnings to Fixed Charges

23 Consent of Independent Public Accountants

27 Financial Data Schedule

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the fourth quarter of 1998.

* Denotes exhibits incorporated herein by reference to previous filings with the Securities and Exchange Commission as designated.

GTE FLORIDA INCORPORATED AND SUBSIDIARIES

Schedule II – Valuation and Qualifying Accounts
For the Years Ended December 31, 1998, 1997 and 1996

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Year	Charged to Income	Charged (Credited) to Other Accounts	Deductions from Reserves (Note a)	Balance at Close of Year
			(Dollars in Millions)		
Allowance for uncollectible accounts for the years ended:					
December 31, 1998	$ 30.2	$ 39.9	$ 12.9 (b)	$ 49.9	$ 33.1
December 31, 1997	$ 33.5	$ 39.9	$ 34.2 (b)	$ 77.4	$ 30.2
December 31, 1996	$ 17.7	$ 42.5	$ 29.9 (b)	$ 56.6	$ 33.5
Accrued restructuring costs for the year ended:					
December 31, 1996	$ 101.9	$ --	$ (22.4) (c)	$ 79.5	$ --

NOTES:

(a) Charges for which reserve was created.
(b) Recoveries of previously written-off amounts.
(c) Represents amounts necessary to satisfy commitments related to the re-engineering program that were reclassified to accounts payable and accrued expenses.

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.

GTE FLORIDA INCORPORATED
(Registrant)

Date March 26, 1999

By John A. Ferrell
John A. Ferrell
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report is signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

John A. Ferrell John A. Ferrell	President (Principal Executive Officer)	March 26, 1999
Lawrence R. Whitman Lawrence R. Whitman	Vice President – Finance and Planning and Director (Principal Financial Officer)	March 26, 1999
Stephen L. Shore Stephen L. Shore	Controller (Principal Accounting Officer)	March 26, 1999
John C. Appel John C. Appel	Director	March 26, 1999
Mateland L. Keith, Jr. Mateland L. Keith, Jr.	Director	March 26, 1999

Exhibit 12

GTE FLORIDA INCORPORATED AND SUBSIDIARIES

Statements of the Consolidated Ratio of Earnings to Fixed Charges

	Years Ended December 31,						
	1998	1998(a)	1997	1997(a)	1996	1995	1994
	(Dollars in Millions)						
Net earnings available for fixed charges:							
Income before extraordinary charges	$ 187.9	$ 187.9	$ 223.7	$ 223.7	$ 198.1	$ 175.5	$ 140.2
Add - Income taxes (benefit)	112.3	112.3	147.5	147.5	123.7	104.6	86.2
- Fixed charges	174.4	77.6	140.8	79.2	74.3	74.2	70.3
Adjusted earnings	$ 474.6	$ 377.8	$ 512.0	$ 450.4	$ 396.1	$ 354.3	$ 296.7
Fixed charges:							
Interest expense	$ 164.8	$ 68.0	$ 130.3	$ 68.7	$ 64.8	$ 65.1	$ 61.2
Portion of rent expense representing interest	9.6	9.6	10.5	10.5	9.5	9.1	9.1
Adjusted fixed charges	$ 174.4	$ 77.6	$ 140.8	$ 79.2	$ 74.3	$ 74.2	$ 70.3
RATIO OF EARNINGS TO FIXED CHARGES	2.72	4.87	3.64	5.69	5.33	4.77	4.22

(a) Excludes $96.8 million and $61.6 million of interest expense associated with commercial paper issued by the Company's wholly-owned subsidiary, GTE Funding Incorporated (GTE Funding), on behalf of GTE's other domestic telephone operating subsidiaries for 1998 and 1997, respectively. This interest expense is approximately equal to the interest income received by the Company on affiliate notes between GTE Funding and such domestic telephone operating subsidiaries. GTE Funding provides short-term financing and investment vehicles and cash management services for the Company and six other of GTE's domestic telephone operating subsidiaries.

Exhibit 23

CONSENT OF INDEPENDENT ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report, dated January 28, 1999, on the consolidated financial statements and supporting schedule and exhibit of GTE Florida Incorporated included in this Form 10-K, into the following previously filed Registration Statements:

1. Form S-3 of GTE Florida Incorporated (File No. 333-43507)

2. Form S-3 of GTE Florida Incorporated (File No. 333-65241)

Dallas, Texas
March 31, 1999

ARTHUR ANDERSEN LLP

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended: **December 31, 1999**

or

[ ] 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 1-3090

GTE FLORIDA INCORPORATED

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

FLORIDA (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	59-0397520 (I.R.S. EMPLOYER IDENTIFICATION NO.)
1255 Corporate Drive, SVC04C08, Irving, Texas (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	75038 (ZIP CODE)

Registrant's telephone number, including area code 972-507-5000

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

Securities registered pursuant to Section 12(b) of the Act: NONE

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

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 [X] NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The Company had 23,400,000 shares of $25 par value common stock outstanding at February 29, 2000. The Company's common stock is 100% owned by GTE Corporation.

The Company meets the conditions set forth in General Instruction I (1)(a) and (b) of Form 10-K and is therefore filing this Form with the reduced disclosure format.

PART I

Item 1. Business

GTE Florida Incorporated (the Company) was incorporated in 1901, as a corporation for profit pursuant to the general corporation laws of the state of Florida. The Company is a wholly-owned subsidiary of GTE Corporation (GTE).

The Company has one wholly-owned subsidiary, GTE Funding Incorporated (GTE Funding). GTE Funding provides short-term financing and investment vehicles and cash management services for the Company and six other of GTE's domestic telephone operating subsidiaries, each of which is contractually obligated to repay all amounts borrowed from GTE Funding. In addition, the accounts of Televac, Inc. (Televac), a wholly-owned subsidiary of GTE and a special-purpose entity that purchased the Company's customer and other accounts receivable, have been consolidated with the Company.

Effective September 30, 1998, the Company merged with its subsidiary, GTE Florida Business Connections Corporation (FBCC). This merger has no effect on the financial position or results of operations of the Company, as FBCC was a fully consolidated subsidiary of the Company prior to the merger.

The Company's principal line of business is providing communications services ranging from local telephone service for the home and office to highly complex voice and data services for various industries. The Company provides local telephone service within its franchise area and intraLATA (Local Access Transport Area) toll service between the Company's exchanges within the central-west coast Florida market area. InterLATA service to other points in and out of Florida is provided through connection with long-distance carriers. These carriers are charged fees (access charges) for interconnection to the Company's local facilities. Business and residential customers also pay access charges to connect to the local network to obtain long-distance service. The Company earns other revenues by providing such services as billing and collection and operator services to long-distance carriers. At December 31, 1999, the Company served 3,398,195 access lines in its service territory.

At December 31, 1999, the Company had 7,463 employees.

The Company has a written agreement with the International Brotherhood of Electrical Workers (IBEW) covering substantially all non-management employees. A new agreement with the IBEW was negotiated in 1999 and will expire in 2002.

REGULATORY AND COMPETITIVE TRENDS

The Company is subject to regulation by the Florida Public Service Commission for its intrastate business operations and by the Federal Communications Commission (FCC) for its interstate operations.

During 1999, regulatory and legislative activity at both the state and federal levels continued to be a direct result of the Telecommunications Act of 1996 (Telecommunications Act). Along with promoting competition in all segments of the telecommunications industry, the Telecommunications Act was intended to preserve and advance universal service.

INTERSTATE SERVICES

GTE continued in 1999 to meet the wholesale requirements of new competitors. GTE has signed interconnection agreements with other carriers, providing them the capability to purchase unbundled network elements (UNEs), resell retail services and interconnect facilities-based networks. Several of these interconnection agreements were the result of the arbitration process established by the Telecommunications Act, and incorporated prices or terms and conditions based upon the FCC rules that were subsequently appealed to the U. S. Supreme Court (Supreme Court). GTE challenged a number of such agreements in federal district courts during 1997.

GTE's position in these challenges was supported by a decision of the Eighth Circuit Court (Eighth Circuit) in July 1997 which stated the FCC had overstepped its authority in several areas concerning implementation of the interconnection provisions of the Telecommunications Act. In January 1999, the Supreme Court reversed in part and affirmed in part the Eighth Circuit's decisions. The Supreme Court reversed the Eighth Circuit's determination that the FCC had no jurisdiction over pricing. As a result, the pricing rules established by the FCC are now subject to review on their merits by the Eighth Circuit. In addition, the Supreme Court vacated the FCC rule setting forth the UNEs that incumbent local exchange carriers (ILECs) are required to provide to competitive local exchange carriers (CLECs). This latter ruling led to a proceeding before the FCC concerning what elements had to be offered and under what conditions.

In November 1999, the FCC reaffirmed that incumbents must provide unbundled access to five of the original seven network elements, which must be available on either a stand-alone basis, or as a combined local service "platform" if the elements have been previously combined by the ILEC. ILECs are no longer required to provide unbundled operator services, including directory assistance where alternate routing is available. In addition, in certain circumstances, local and tandem switching need not be unbundled. However, the FCC expanded the definition of some UNEs by specifying that components of the loop UNE must be made available in sub-loop components, and augmenting the types of call-related databases that must be unbundled as UNEs. The FCC also found that state commissions can require ILECs to unbundle additional elements as long as they are consistent with the requirements of the Telecommunications Act and the national policy framework instituted in the FCC's order. Furthermore, the order precludes states from removing network elements from the FCC's list of unbundling obligations. The United States Telecom Association (USTA) has appealed this order and GTE will participate.

In December 1999, the FCC released another order that requires ILECs to provide line sharing to CLECs by unbundled access to the high-frequency portion of the local loop over which the ILEC provides voice services. The FCC's stated intent in adopting the line sharing order is to enable competitive carriers to provide digital subscriber line (DSL) services over the same lines simultaneously used by ILECs to provide basic phone services.

In June 1999, the Eighth Circuit established a schedule for addressing the issues it did not decide in 1998. Parties to this action have filed briefs and participated in oral arguments in September 1999. The major issues are: (1) the FCC's cost methodology used to set prices, (2) its methodology for setting wholesale discounts, (3) the "proxy rates" it set for interconnection, UNEs, and wholesale discounts, (4) whether ILECs should be required to combine UNEs that are not already combined, and (5) whether the FCC can require ILECs to provide "superior quality" to competitors than what the ILEC provides to itself. A court decision is expected during the first half of 2000.

Universal Service

GTE is active before both state and federal regulators advocating development and implementation of measures that will meet the requirements of the universal service provisions of the Telecommunications Act. Specifically, GTE urges regulators to identify and remove all hidden subsidies and to provide explicit universal service subsidies.

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Interstate Access Revision

Effective July 1999, access charges were further reduced using a 6.5% productivity factor in compliance with FCC requirements to reflect the impacts of access charge reform and in making GTE's 1999 Annual Filing. The total annual financial impact of the reduction was $113 million. Similar filings during 1997 and 1998 had already resulted in price reductions.

In August 1999, GTE, along with a coalition of local exchange and long-distance companies (CALLS), submitted a proposal for interstate access charge and universal service reform to the FCC. The proposal would accelerate the shift in non-usage sensitive access revenue recovery from per-minute to flat-rated charges, set a schedule for elimination of the price cap productivity factor, and provide more explicit support for universal service. The coalition filed a revised plan in March 2000 and the FCC has offered the plan for comments. A decision by the FCC is expected in 2000.

In August 1999, the FCC released an order pertaining to access reform and pricing flexibility. The order grants price cap LECs immediate flexibility under certain circumstances to deaverage certain access services and permits the introduction of new services on a streamlined basis, without prior FCC approval.

Advanced Telecommunications Services

The Telecommunications Act required the FCC to "encourage the deployment on a reasonable and timely basis of advanced telecommunications capability to all Americans." Further, the FCC was required to conduct a proceeding aimed at determining the availability of advanced telecommunications, and to take action to remove barriers to infrastructure investment and to promote competition.

In March 1999, the FCC released an order adopting a number of new collocation rules designed to make competitive entry easier and less costly. These rules specify how ILECs will manage such items as alternate collocation arrangements, security, space preparation cost allocation, provisioning intervals, and space exhaustion. GTE asked the Court to review this order. In March 2000, the Court issued a ruling granting, in part, challenges raised by GTE to the FCC's March 1999 order. The Court ruled that the FCC failed to justify its requirement that ILECs must permit collocation of any CLEC equipment that was "used or useful" for interconnection or access to network elements. The Court remanded this portion of the decision back to the FCC for further deliberation.

In November 1999, the FCC released an order concluding that an ILEC's offering of DSL services to Internet Service Providers (ISPs) pursuant to volume and term discount plans that are a component of the ISPs high-speed Internet service are not a retail offering, and thus not subject to the discounted resale obligation. The order also concluded that an ILECs DSL offering to end users is a retail offering if the ILEC performs certain consumer-oriented functions, such as provisioning of customer premises equipment and wiring, marketing, billing and collection, and accepting repair requests directly from the end user. The FCC concluded that these services are subject to discounted resale obligation, regardless of whether the service is classified as telephone exchange service (local tariff) or exchange access service (access tariff).

Number Portability

In December 1998, the FCC released an order establishing cost recovery rules for local number portability (LNP) that permitted the recovery of carrier-specific costs directly related to the provision of long-term LNP via a federally tariffed end-user monthly charge. GTE subsequently filed an LNP tariff with the FCC, and in March 1999 instituted an end-user number portability fee. This charge is levied on all business and residential customers. In June 1999, GTE's tariffed LNP charge was reviewed and accepted by the FCC at $0.36 per access line per month.

Internet Service Traffic

ILECs are required to provide open access to all ISPs, while cable television operators are not. Several major cable television operators providing Internet access through cable modem facilities are only offering their affiliated ISPs to consumers. Cable television operators that do allow customers to select non-affiliated ISPs often require the customer to also pay for their affiliated ISP's service (i.e., to pay twice for the same service). GTE has been active in encouraging municipalities engaged in reviewing cable television mergers or franchise renewals to require cable modem open access as a condition for approval. The City of Portland, Oregon was first to adopt such a requirement and AT&T Corp. has appealed that decision. Arguments took place in November 1999 before the Ninth Circuit Court.

In October 1999, GTE filed an antitrust lawsuit contending that cable TV providers' refusal to provide ISPs with "open access" to cable modem platforms is a violation of federal antitrust law. The lawsuit filed in the U.S. District Court in Pittsburgh, names Tele-Communications, Inc., (now a unit of AT&T Corp.), Comcast Corp., and Excite@Home and seeks an injunction to require open access and damages.

GTE's interconnection contracts with CLECs specify that parties compensate each other for the exchange of local traffic, defined as traffic that is originated by an end user of one party and terminating to the end user of the other party within GTE's current local serving area. It is GTE's position that ISP traffic does not satisfy the definition of local traffic, and that no compensation should be paid to CLECs that carry this traffic to their ISP customers. In a recent ruling, the FCC has clarified that ISP traffic is largely interstate and is not local traffic. Nevertheless, the FCC permitted state commissions to arbitrate whether ILECs should pay as reciprocal compensation for ISP-bound traffic, based upon existing interconnection agreements, until the FCC reaches a decision on a long-term compensation scheme. GTE challenged this FCC conclusion in federal district court. In March 2000, the Court vacated and remanded the FCC's ruling that ISP-bound calls are interstate since the FCC failed to provide a satisfactory explanation to support its ruling. As a result, the Court did not address GTE's argument that the Telecommunications Act preempts state commission authority to arbitrate disputes over non-local traffic.

Further information regarding the Company's activities with its state regulatory agency is included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations - "REGULATORY AND COMPETITIVE TRENDS - INTRASTATE SERVICES".

PROPOSED MERGER WITH BELL ATLANTIC

Bell Atlantic and GTE have announced a proposed merger of equals under a definitive merger agreement dated July 27, 1998. Under the terms of the agreement, GTE shareholders will receive 1.22 shares of Bell Atlantic common stock for each share of GTE common stock they own. Bell Atlantic shareholders will continue to own their existing shares after the merger.

The merger is expected to qualify as a pooling of interests, which means that for accounting and financial reporting purposes the companies will be treated as if they had always been combined. The completion of the merger is subject to a number of conditions, including certain regulatory approvals and receipt of opinions that the merger will be tax-free. At annual meetings held in May 1999, the shareholders of each company approved the merger. All state regulatory commissions have now approved the merger and the only remaining approval is required from the FCC. Both companies are working diligently to complete the merger and are targeting completion of the merger in the second quarter of 2000.

ENVIRONMENTAL MATTERS

GTE maintains monitoring and compliance programs related to environmental matters. Currently, the Company, along with other unrelated corporations, has been identified as a potentially responsible party at a number of sites which, although lawfully used in the past, were determined to require remediation. Remediation activities by GTE also continue at some present or formerly owned sites pursuant to other federal or state environmental statutes or regulations. GTE has reviewed each site in which it has an involvement to establish an expected remediation cost. Factors used to evaluate expected GTE costs include remediation and investigation cost estimates as well as legal fees, the number of viable parties involved, the degree of GTE's involvement and past experience. No present value discounting is used. Based on this review, the remediation cost at any individual site or at all sites in the aggregate is not expected to be material.

The Company's annual expenditures for site cleanups and environmental compliance have not been and are not expected to be material. Costs incurred include the Company's share of cleanup expenses for remediation sites and outlays required to keep existing operations in compliance with environmental regulations.

Item 2. Properties

The Company's property consists principally of land, structures and equipment required to provide various telecommunications services. All of these properties, located in the Florida counties of Hillsborough, Manatee, Pasco, Pinellas, Polk and Sarasota, are generally in good operating condition and are adequate to satisfy the needs of the business. Substantially all of the Company's property is subject to the liens of the indentures under which its bonds were issued. From January 1, 1995 to December 31, 1999, the Company made capital expenditures of $1.7 billion for new plant and facilities required to meet telecommunication service needs and to modernize plant and facilities. These additions were equal to 35% of gross plant of $4.8 billion at December 31, 1999.

Item 3. Legal Proceedings

There are no pending legal proceedings which would have a material impact on the Company's consolidated financial statements.

Item 4. Submission of Matters to a Vote of Security Holders

This item has been omitted in accordance with the relief provisions under General Instruction I (2) of Form 10-K.

PART II

Item 5. Market for the Registrant's Common Equity and Related Shareholder Matters

Market information is omitted since the Company's common stock is wholly-owned by GTE Corporation (GTE).

PARENT COMPANY ANNUAL REPORT
To obtain a copy of the 1999 annual report of our parent company or the annual Form 10-K filed with the Securities and Exchange Commission, call 800/225-5160.

INFORMATION VIA THE INTERNET
World Wide Web users can access information about GTE at: http://www.gte.com.

SECURITIES
Questions regarding the debentures of the Company should be directed to Treasury Department - Capital Markets, GTE Corporation, 1255 Corporate Drive, Irving, TX 75038, or call 972/507-5038.

PRODUCTS AND SERVICES HOTLINE
To receive information concerning GTE products and services, please call 800/828-7280.

DIVERSITY AT GTE
The Company and GTE strive to be a workplace of choice in which people of diverse backgrounds are valued, challenged, acknowledged and rewarded, leading to higher levels of fulfillment and productivity. A copy of our *Diversity at GTE* brochure is available upon request from the GTE Corporate Secretary's Office.

Item 6. Selected Financial Data

This item has been omitted in accordance with the relief provisions under General Instruction I (2) of Form 10-K.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
(Abbreviated pursuant to General Instruction I (2) of Form 10-K.)

BUSINESS OPERATIONS

GTE Florida Incorporated (the Company), a wholly-owned subsidiary of GTE Corporation (GTE), provides a wide variety of communications services ranging from local telephone service for the home and office to highly complex voice and data services for various industries. At December 31, 1999, the Company served 3,398,195 access lines in its service territories.

RESULTS OF OPERATIONS

(Dollars in Millions)

	Years Ended December 31, 1999	Years Ended December 31, 1998	Increase	Percent Change
Net income	$ 269.3	$ 184.5	$ 84.8	46%

The increase in net income in 1999, compared to 1998, was primarily due to an increase in network access services revenues and decreases in cost of services and sales and general and administrative expenses. Partially offsetting the increase in net income was higher income taxes expense. Net income for 1998 includes an after-tax extraordinary charge of $3.4 million (net of tax benefits of $2.1 million), reflecting premiums paid on the redemption of high-coupon debt prior to stated maturity.

REVENUES AND SALES

(Dollars in Millions)

	Years Ended December 31, 1999	Years Ended December 31, 1998	Increase	Percent Change
Local services	$ 739.2	$ 728.8	$ 10.4	1%
Network access services	595.2	530.5	64.7	12%
Other services and sales	367.1	358.0	9.1	3%
Total revenues and sales	$ 1,701.5	$ 1,617.3	$ 84.2	5%

Local Services Revenues

Local services revenues are based on fees charged to customers for providing local exchange service within designated franchise areas. Access line growth of 3% in 1999 generated additional revenues of $2.6 million from basic local services, CentraNet® services, Integrated Services Digital Network (ISDN) and Digital Channel Services (DCS). In addition, the 1999 increase over 1998 reflects growth in revenues of $8.1 million from enhanced custom calling features, such as SmartCall® and CLASS services.

Network Access Services Revenues

Network access services revenues are based on fees charged to long-distance carriers that use the Company's local exchange network in providing long-distance services. In addition, business and residential customers pay access fees to connect to the local network to obtain long-distance service. Cellular service providers and other local exchange carriers (LECs) also pay access charges for cellular and intraLATA (Local Access Transport Area) toll calls transported by the Company. Minutes of use increased 7%, generating additional revenues of $18.8 million in 1999 compared to 1998. Special access revenues grew by $38.1 million as a result of greater demand for increased bandwidth services by high-capacity users. End-user surcharges increased $13.8 million as a result of access line growth and the implementation of the local number portability (LNP) surcharge (for further information see "REGULATORY AND COMPETITIVE TRENDS - INTERSTATE SERVICES - Number Portability"). Additionally, 1999 revenues increased $29.2 million, resulting from the sharing provisions of the Federal

Communications Commission's (FCC) 1997 price cap recorded in the first quarter of 1998. Partially offsetting these increases was a decrease of $34.4 million reflecting the impact of mandated interstate and intrastate access price changes.

Other Services and Sales Revenues

The 1999 increase in other services and sales revenues over 1998 was primarily driven by increases in nonregulated services revenues and equipment sales of $21.2 million and public safety equipment revenues of $9.3 million. These increases were partially offset by a $15.1 million decline in toll services revenues, reflecting the continuing impacts of intraLATA toll competition, and a decrease in public telephone revenues of $5.7 million, resulting from decreased volumes associated with wireless product substitution.

OPERATING COSTS AND EXPENSES

(Dollars in Millions)

	Years Ended December 31, 1999	Years Ended December 31, 1998	Increase (Decrease)	Percent Change
Cost of services and sales	$ 580.8	$ 626.7	$ (45.9)	(7)%
Selling, general and administrative	246.0	262.3	(16.3)	(6)%
Depreciation and amortization	365.0	361.9	3.1	1%
Total operating costs and expenses	$ 1,191.8	$ 1,250.9	$ (59.1)	(5)%

Total operating costs and expenses decreased $59.1 million in 1999 compared to 1998. An employee-reduction program initiated in the first quarter of 1999 resulted in the lump-sum settlement of pension obligations for the affected employees. Accordingly, the Company recognized net pension plan gains of $72.0 million. Further contributing to the decrease were lower software right-to-use (RTU) fees of $24.1 million, due to the capitalization of software costs in 1999 as a result of the adoption of Statement of Position (SOP) 98-1, "Accounting for Costs of Computer Software Developed or Obtained for Internal Use". Partially offsetting these expense reductions was a one-time special charge of $16.2 million associated with employee separation programs mentioned above, and favorable adjustments of certain employee benefits and other liabilities that were recorded in 1998, which reduced 1998 expenses by $11.4 million. The increase in depreciation and amortization expense was due to additional investment in network facilities resulting from increased demand for switched access lines, and the amortization of capitalized software RTU fees.

OTHER INCOME STATEMENT ITEMS

The Company has two reportable segments, Telephone Operations and GTE Funding Incorporated (GTE Funding). The Telephone Operations segment primarily provides wireline communication services to local markets. The GTE Funding segment provides short-term financing and investment vehicles and cash management services for the Company and six other of GTE's domestic telephone operating subsidiaries, each of which is contractually obligated to repay all amounts borrowed from GTE Funding.

(Dollars in Millions)

	Years Ended December 31, 1999	Years Ended December 31, 1998	Increase (Decrease)	Percent Change
Telephone Operations - Interest expense	$ 69.9	$ 71.7	$ (1.8)	(3)%
GTE Funding - Interest expense	83.8	96.8	(13.0)	(13)%
GTE Funding - Interest income	83.8	99.7	(15.9)	(16)%
Consolidated - Interest-net	69.5	67.2	2.3	3%

Income taxes increased 52% or $58.6 million in 1999, compared to 1998, primarily due to a corresponding increase in pretax income and other tax adjustments.

During the first quarter of 1998, the Company recorded an after-tax extraordinary charge of $3.4 million (net of tax benefits of $2.1 million), reflecting premiums paid on the redemption of high-coupon debt prior to stated maturity.

REGULATORY AND COMPETITIVE TRENDS

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The federal price cap regime allows access prices to change each year by a measure of inflation minus a productivity factor offset. In May 1999, the U.S. Court of Appeals for the District of Columbia (Court) released a decision regarding the FCC's choice of a 6.5% price cap productivity factor in a 1997 order. The Court found the FCC's choice of a 6.0% base factor and a 0.5% Consumer Productivity Dividend to be inadequately supported. The Court remanded the matter back to the FCC for further action and established an April 2000 date by which the FCC must issue a revised decision. As a result, in November 1999, the FCC initiated a rulemaking proposal requesting comments on the interstate price cap productivity factor. Currently, it is unknown whether the single price cap productivity factor will be applied retroactively to July 1, 1997 and remain in effect until the next price cap performance review in 2003, or whether one factor will apply from 1997 to 2000 and another factor apply from 2000 to 2003.

Interstate Access Revision

Effective July 1999, access charges were further reduced using a 6.5% productivity factor in compliance with FCC requirements to reflect the impacts of access charge reform and in making GTE's 1999 Annual Filing. The total annual financial impact of the reduction was $113 million. Similar filings during 1997 and 1998 had already resulted in price reductions.

In August 1999, GTE, along with a coalition of local exchange and long-distance companies (CALLS), submitted a proposal for interstate access charge and universal service reform to the FCC. The proposal would accelerate the shift in non-usage sensitive access revenue recovery from per-minute to flat-rated charges, set a schedule for elimination of the price cap productivity factor, and provide more explicit support for universal service. The coalition filed a revised plan in March 2000 and the FCC has offered the plan for comments. A decision by the FCC is expected in 2000.

In August 1999, the FCC released an order pertaining to access reform and pricing flexibility. The order grants price cap LECs immediate flexibility under certain circumstances to deaverage certain access services and permits the introduction of new services on a streamlined basis, without prior FCC approval.

Advanced Telecommunications Services

The Telecommunications Act required the FCC to "encourage the deployment on a reasonable and timely basis of advanced telecommunications capability to all Americans." Further, the FCC was required to conduct a proceeding aimed at determining the availability of advanced telecommunications, and to take action to remove barriers to infrastructure investment and to promote competition.

In March 1999, the FCC released an order adopting a number of new collocation rules designed to make competitive entry easier and less costly. These rules specify how ILECs will manage such items as alternate collocation arrangements, security, space preparation cost allocation, provisioning intervals, and space exhaustion. GTE asked the Court to review this order. In March 2000, the Court issued a ruling granting, in part, challenges raised by GTE to the FCC's March 1999 order. The Court ruled that the FCC failed to justify its requirement that ILECs must permit collocation of any CLEC equipment that was "used or useful" for interconnection or access to network elements. The Court remanded this portion of the decision back to the FCC for further deliberation.

In November 1999, the FCC released an order concluding that an ILEC's offering of DSL services to Internet Service Providers (ISPs) pursuant to volume and term discount plans that are a component of the ISPs high-speed Internet service are not a retail offering, and thus not subject to the discounted resale obligation. The order also concluded that an ILECs DSL offering to end users is a retail offering if the ILEC performs certain consumer-oriented functions, such as provisioning of customer premises equipment and wiring, marketing, billing and collection, and accepting repair requests directly from the end user. The FCC concluded that these services are subject to discounted resale obligation, regardless of whether the service is classified as telephone exchange service (local tariff) or exchange access service (access tariff).

Number Portability

In December 1998, the FCC released an order establishing cost recovery rules for local number portability (LNP) that permitted the recovery of carrier-specific costs directly related to the provision of long-term LNP via a federally tariffed end-user monthly charge. GTE subsequently filed an LNP tariff with the FCC, and in March 1999 instituted an end-user number portability fee. This charge is levied on all business and residential customers. In June 1999, GTE's tariffed LNP charge was reviewed and accepted by the FCC at $0.36 per access line per month.

Internet Service Traffic

ILECs are required to provide open access to all ISPs, while cable television operators are not. Several major cable television operators providing Internet access through cable modem facilities are only offering their affiliated ISPs to consumers. Cable television operators that do allow customers to select non-affiliated ISPs often require the customer to also pay for their affiliated ISP's service (i.e., to pay twice for the same service). GTE has been active in encouraging municipalities engaged in reviewing cable television mergers or franchise renewals to require cable modem open access as a condition for approval. The City of Portland, Oregon was first to adopt such a requirement and AT&T Corp. has appealed that decision. Arguments took place in November 1999 before the Ninth Circuit Court.

In October 1999, GTE filed an antitrust lawsuit contending that cable TV providers' refusal to provide ISPs with "open access" to cable modem platforms is a violation of federal antitrust law. The lawsuit filed in the U.S. District Court in Pittsburgh, names Tele-Communications, Inc., (now a unit of AT&T Corp.), Comcast Corp., and Excite@Home and seeks an injunction to require open access and damages.

GTE's interconnection contracts with CLECs specify that parties compensate each other for the exchange of local traffic, defined as traffic that is originated by an end user of one party and terminating to the end user of the other party within GTE's current local serving area. It is GTE's position that ISP traffic does not satisfy the definition of local traffic, and that no compensation should be paid to CLECs that carry this traffic to their ISP customers. In a recent ruling, the FCC has clarified that ISP traffic is largely interstate and is not local traffic. Nevertheless, the FCC permitted state commissions to arbitrate whether ILECs should pay as reciprocal compensation for ISP-bound traffic, based upon existing interconnection agreements, until the FCC reaches a decision on a long-term compensation scheme. GTE challenged this FCC conclusion in federal district court. In March 2000, the Court vacated and remanded the FCC's ruling that ISP-bound calls are interstate since the FCC failed to provide a satisfactory explanation to support its ruling. As a result, the Court did not address GTE's argument that the Telecommunications Act preempts state commission authority to arbitrate disputes over non-local traffic.

INTRASTATE SERVICES

The Company provides local exchange services to customers within its designated franchise area. The Company provides toll services within designated geographic areas called LATAs in conformity with FPSC orders. The Company also provides long-distance access services directly to long-distance carriers who provide services between LATAs. The FPSC has approved extended area calling plans for certain intraLATA long-distance routes. Under these plans, residential customers pay a flat rate per message and business customers pay a reduced rate per minute for these calls. Revenues from calls under the extended area calling plans are classified as local services revenues.

In May 1999, the FPSC opened a generic proceeding in two phases to address costs and prices for UNEs. In December 1999, the Company and other industry parties signed two stipulation agreements in the UNE proceeding. The purpose of the first stipulation was to streamline the proceeding by setting the ground rules for which UNEs should be considered for deaveraging and the cost studies to be filed in support of prices. The second stipulation was proposed by FPSC staff in order to comply with the FCC deaveraging order. The stipulation grouped wire centers for each ILEC into three zones, and proposed interim deaveraged UNE rates for each zone based on the 1998 USF cost study filing, effective May 2000.

In July 1999, the FPSC issued an order requiring the Company to pay Intermedia Communications, Inc. (ICI) local reciprocal compensation for ISP traffic. The financial statements of the Company reflect the impact of this requirement. The Company filed an action in August 1999 challenging the order in U.S. District Court and also appealed to the Supreme Court of Florida. The Company also filed a petition with the FPSC in September 1999 to clarify which rate element should be used as the basis for paying compensation. Oral argument is expected to occur in the second quarter of 2000.

PROPOSED MERGER WITH BELL ATLANTIC CORPORATION

Bell Atlantic and GTE have announced a proposed merger of equals under a definitive merger agreement dated July 27, 1998. Under the terms of the agreement, GTE shareholders will receive 1.22 shares of Bell Atlantic common stock for each share of GTE common stock they own. Bell Atlantic shareholders will continue to own their existing shares after the merger.

The merger is expected to qualify as a pooling of interests, which means that for accounting and financial reporting purposes the companies will be treated as if they had always been combined. The completion of the merger is subject to a number of conditions, including certain regulatory approvals and receipt of opinions that the merger will be tax-free. At annual meetings held in May 1999, the shareholders of each company approved the merger. All state regulatory commissions have now approved the merger and the only remaining approval is required from the FCC. Both companies are working diligently to complete the merger and are targeting completion of the merger in the second quarter of 2000.

YEAR 2000 CONVERSION

GTE does not believe that the Year 2000 rollover has had, or will have, any material adverse impacts on results of operations or liquidity. Additionally, GTE has not experienced any material contingencies regarding customers or major suppliers. GTE experienced no significant Year 2000 events, and service to GTE's customers was unaffected by the rollover to January 1, 2000. GTE completed its Year 2000 renovation, conducted system testing and returned to production the essential systems that support its businesses substantially in advance of December 31, 1999. Additionally, GTE's portion of the public switched telephone network (PSTN) in the United States was upgraded for Year 2000, and all of GTE's access lines have been operating using Year 2000 compliant central office switches and network elements since mid-year 1999. With the successful transition into 2000, GTE believes that the risk of disruptions arising from time/date transitions, that would affect GTE's ability to provide basic services, has been eliminated.

GTE continues to enhance its normal business continuity planning to address potential Year 2000 and other time/date interruptions. These include: potential gradual system degradation after January 1, 2000; possible accumulation of processing errors or degraded performance; leap year processing through February 29, 2000; and potential impacts of degrading performance from partners. GTE's disaster preparedness recovery plans include procedures and activities for a "multi-regional" time/date contingency, if it occurs.

The estimated total multi-year cost of GTE's Year 2000 Program is expected to total approximately $380 million, of which $372 million has been expended through December 31, 1999. The current estimate for the cost of remediation for the Company is approximately $14.4 million. Through December 31, 1999, expenditures totaled $14.3 million. Year 2000 renovation costs are expensed in the year incurred. Approximately 69% of GTE's program effort involved U.S. domestic operations. With the successful transition from 1999 to 2000, GTE has completed its Year 2000 Program. All future efforts will be performed under normal business operations.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The statement requires entities that use derivative instruments to measure these instruments at fair value and record them as assets or liabilities on the balance sheet. It also requires entities to reflect the gains or losses associated with changes in the fair value of these derivatives, either in earnings or as a separate component of comprehensive income, depending on the nature of the underlying contract or transaction. The Company is currently assessing the impact of adopting SFAS No. 133, as amended, which is effective January 1, 2001.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements," which currently must be adopted by June 30, 2000. SAB No. 101 provides additional guidance on revenue recognition as well as criteria for when revenue is generally realized and earned and also requires the deferral of incremental direct selling costs. The Company is currently assessing the impact of SAB No. 101.

INFLATION

The Company's management generally does not believe inflation has a significant impact on the Company's earnings. However, increases in costs or expenses not otherwise offset by increases in revenues could have an adverse effect on earnings.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

In this Management's Discussion and Analysis of Financial Condition and Results of Operations, the Company has made forward-looking statements. These statements are based on the Company's estimates and assumptions and are subject to certain risks and uncertainties. Forward-looking statements include the information concerning possible or assumed future results of operations of the Company, as well as those statements preceded or followed by the words "anticipates," "believes," "estimates," "expects," "hopes," "targets" or similar expressions. For each of these statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

The future results of the Company could be affected by subsequent events and could differ materially from those expressed in the forward-looking statements. If future events and actual performance differ from the Company's assumptions, the actual results could vary significantly from the performance projected in the forward-looking statements.

The following important factors could affect the future results of the Company and could cause those results to differ materially from those expressed in the forward-looking statements: (1) materially adverse changes in economic conditions in the markets served by the Company; (2) material changes in available technology; (3) the final resolution of federal, state and local regulatory initiatives and proceedings, including arbitration proceedings, and judicial review of those initiatives and proceedings, pertaining to, among other matters, the terms of interconnection, access charges, universal service, unbundled network elements and resale rates; and (4) the extent, timing, success and overall effects of competition from others in the local telephone and intraLATA toll service markets.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company views derivative financial instruments as risk management tools and, in accordance with Company policy, does not utilize them for speculative or trading purposes. The Company is also not a party to any leveraged derivatives. The Company is exposed to market risk from changes in interest rates. The Company manages its exposure to market risks through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments that have been authorized pursuant to the Company's policies and procedures. The use of these derivatives allows the Company to reduce its overall exposure to market risk, as the gains and losses on these contracts substantially offset the gains and losses on the liabilities being hedged.

The Company uses derivative financial instruments to manage its exposure to interest rate movements and to reduce borrowing costs. The Company's net exposure to interest rate risk primarily consists of floating rate instruments that are benchmarked to U.S. money market interest rates. The Company manages this risk by using interest rate swaps to convert floating rate short-term debt to synthetic fixed rate instruments. The Company also uses forward contracts to sell U.S. Treasury bonds to hedge interest rates on anticipated long-term debt issuance.

Item 8. Financial Statements and Supplementary Data

GTE FLORIDA INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Income

Years Ended December 31,	1999	1998	1997
		(Dollars in Millions)	
REVENUES AND SALES (a)			
Local services	$ 739.2	$ 728.8	$ 694.8
Network access services	595.2	530.5	529.5
Other services and sales	367.1	358.0	351.2
Total revenues and sales	1,701.5	1,617.3	1,575.5
OPERATING COSTS AND EXPENSES (b)			
Cost of services and sales	580.8	626.7	550.0
Selling, general and administrative	246.0	262.3	232.5
Depreciation and amortization	365.0	361.9	358.1
Total operating costs and expenses	1,191.8	1,250.9	1,140.6
OPERATING INCOME	509.7	366.4	434.9
OTHER (INCOME) EXPENSE			
Interest - net (c)	69.5	67.2	63.3
Other - net	--	(1.0)	0.4
INCOME BEFORE INCOME TAXES	440.2	300.2	371.2
Income taxes	170.9	112.3	147.5
INCOME BEFORE EXTRAORDINARY CHARGE	269.3	187.9	223.7
Extraordinary charge	--	(3.4)	--
NET INCOME	$ 269.3	$ 184.5	$ 223.7

(a) Includes billings to affiliates of $101.9 million, $104.7 million and $103.9 million for the years 1999-1997, respectively.
(b) Includes billings from affiliates of $155.9 million, $192.7 million and $78.6 million for the years 1999-1997, respectively.
(c) Includes interest received from affiliate of $83.8 million, $99.7 million and $64.4 million for the years 1999-1997, respectively.

Per share data is omitted since the Company's common stock is 100% owned by GTE Corporation.

The accompanying notes are an integral part of these statements.

GTE FLORIDA INCORPORATED AND SUBSIDIARIES
Consolidated Balance Sheets

December 3 1,	1999	1998
	(Dollars in Millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 127.6	$ 113.5
Receivables, less allowances of $34.0 million and $33.1 million	404.7	328.6
Accounts receivable from affiliates	15.1	12.1
Notes receivable from affiliates	1,422.8	1,218.1
Inventories and supplies	17.5	21.6
Other	50.8	27.3
Total current assets	2,038.5	1,721.2
Property, plant and equipment, net	1,940.8	1,984.4
Prepaid pension costs	293.9	195.8
Other assets	10.7	26.0
Total assets	$ 4,283.9	$ 3,927.4
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Short-term obligations, including current maturities	$ 1,730s	$ 1,396.5
Notes payable to affiliates	3.6	105.5
Accounts payable	59.4	62.9
Affiliate payables	77.9	99.5
Other	225.3	182.7
Total current liabilities	2,096.7	1,847.1
Long-term debt	892.1	889.4
Deferred income taxes	225.4	192.1
Employee benefit plans and other liabilities	226.0	211.6
Total liabilities	3,440.2	3.140.2
Shareholders' equity:		
Preferred stock	21.2	21.2
Common stock (23,400,000 shares issued)	585.0	585.0
Additional paid-in capital	57.6	50.3
Retained earnings	179.9	130.7
Total shareholders' equity	843.7	787.2
Total liabilities and shareholders' equity	$ 4,283.9	$ 3,927.4

The accompanying notes are an integral part of these statements.

GTE FLORIDA INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Cash Flows

Years Ended December 31,	1999	1998	1997
		(Dollars in Millions)	
OPERATIONS			
Income before extraordinary charge	$ 269.3	$ 187.9	$ 223.7
Adjustments to reconcile income before extraordinary charge to net cash from operations:			
Depreciation and amortization	365.0	361.9	358.1
Employee retirement benefits	(86.7)	(21.8)	(17.0)
Deferred income taxes	20.3	(20.4)	33.5
Provision for uncollectible accounts	38.6	39.9	39.9
Change in current assets and current liabilities:			
Receivables - net	(117.7)	129.8	(173.8)
Other current assets	(9.8)	(6.3)	(15.4)
Accrued taxes and interest	31.1	29.9	(21.9)
Other current liabilities	(50.6)	(32.7)	7.6
Other - net	29.1	38.2	15.6
Net cash from operations	488.6	706.4	450.3
INVESTING			
Capital expenditures	(316.1)	(427.7)	(405.5)
Other - net	0.4	0.3	--
Net cash used in investing	(315.7)	(427.4)	(405.5)
FINANCING			
Long-term debt issued	--	297.0	--
Long-term debt and preferred stock retired, including premiums paid on early retirement	--	(128.5)	(105.2)
Dividends	(184.1)	(167.7)	(222.8)
Increase (decrease) in short-term obligations, excluding current maturities	331.9	(197.6)	1,473.5
Net change in affiliate notes	(306.6)	(17.6)	(1,133.0)
Other - net	--	(8.8)	--
Net cash from (used in) financing	(158.8)	(223.2)	12.5
Increase in cash and cash equivalents	14.1	55.8	57.3
Cash and cash equivalents:			
Beginning of year	113.5	57.7	0.4
End of year	$ 127.6	$ 113.5	$ 57.7
Cash paid during the year for:			
Interest	$ 134.3	$ 162.8	$ 127.6
Income taxes	$ 131.7	$ 102.8	$ 127.8

The accompanying notes are an integral part of these statements.

GTE FLORIDA INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
	(Dollars in Millions)				
Shareholders' equity, December 31, 1996	$ 60.1	$ 585.0	$ 50.3	$ 82.9	$ 778.3
Net income				223.7	223.7
Dividends declared				(204.7)	(204.7)
Early redemption of preferred stock	(38.9)			(0.8)	(39.7)
Shareholders' equity, December 31, 1997	21.2	585.0	50.3	101.1	757.6
Net income				184.5	184.5
Dividends declared				(154.9)	(154.9)
Shareholders' equity, December 31, 1998	21.2	585.0	50.3	130.7	787.2
Net income				269.3	269.3
Tax benefit from exercise of stock options			7.3		7.3
Dividends declared				(220.1)	(220.1)
Shareholders' equity, December 31, 1999	$ 21.2	$ 585.0	$ 57.6	$ 179.9	$ 843.7

The accompanying notes are an integral part of these statements.

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1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

GTE Florida Incorporated (the Company) provides a wide variety of communications services ranging from local telephone service for the home and office to highly complex voice and data services for various industries. At December 31, 1999, the Company served 3,398,195 access lines in its service territories. The Company is a wholly-owned subsidiary of GTE Corporation (GTE).

Effective September 30, 1998, the Company merged with its subsidiary, GTE Florida Business Connections Corporation (FBCC). This merger has no effect on the financial position or results of operations of the Company, as FBCC was a fully consolidated subsidiary of the Company prior to the merger.

Basis of Presentation

The Company prepares its consolidated financial statements in accordance with generally accepted accounting principles, which require management to make estimates and assumptions that affect reported amounts. Actual results could differ from those estimates.

The consolidated financial statements include the accounts of GTE Florida Incorporated and its wholly-owned subsidiary, GTE Funding Incorporated (GTE Funding). GTE Funding provides short-term financing and investment vehicles and cash management services for the Company and six other of GTE's domestic telephone operating subsidiaries, each of which is contractually obligated to repay all amounts borrowed from GTE Funding. In addition, the accounts of Televac, Inc. (Televac), a wholly-owned subsidiary of GTE and a special-purpose entity, which purchased the Company's customer and other accounts receivable, have also been consolidated with the Company. All significant intercompany amounts have been eliminated.

Reclassifications of prior-year data have been made, where appropriate, to conform to the 1999 presentation.

Transactions with Affiliates

GTE Supply (100% owned by GTE) provides construction and maintenance equipment, supplies and electronic repair services to the Company. These purchases and services amounted to $96.4 million, $120.0 million and $151.1 million for the years 1999-1997, respectively. Such purchases and services are recorded in the accounts of the Company at the lower of cost, including a return realized by GTE Supply, or fair market value.

The Company is billed for data processing services, software development and equipment rentals, and receives management, consulting, research and development and pension management services from other affiliated companies. The Company's consolidated financial statements also include allocated expenses resulting from the sharing of certain executive, administrative, financial, accounting, marketing, personnel, engineering and other support services being performed at consolidated work centers within GTE. The amounts charged for these affiliated transactions are based on proportional cost allocation methodologies. These charges amounted to $137.6 million, $177.8 million and $69.6 million for the years 1999-1997, respectively. The significant increases, beginning in 1998 charges, are due to a reorganization of support functions within GTE. Prior to 1998, the cost of these support functions was recorded directly by the Company, and is now allocated to the Company on a proportional cost basis.

The Company's subsidiary, GTE Funding, provides short-term financing and investment vehicles and cash management services for the Company and six other of GTE's domestic telephone operating subsidiaries. Each of these companies is contractually obligated to repay all amounts borrowed from GTE Funding. Interest income received from these affiliate companies is approximately equal to the interest expense paid by GTE Funding on its short-term borrowings. Interest income from these activities amounted to approximately $83.8 million, $99.7 million and $64.4 million for the years 1999-1997, respectively.

The Company has an agreement with GTE Directories Corporation (GTE Directories) (100% owned by GTE), whereby the Company provides its subscriber lists, billing and collection and other services to GTE Directories. In addition, when GTE Directories sells Yellow Page directory advertising to customers within the Company's franchise area, the Company records a portion of the sale as revenue. Revenues from these activities amounted to $101.9 million, $104.7 million and $103.9 million for the years 1999-1997, respectively. Also, the Company is billed for certain printing and other costs associated with telephone directories, including the cost of customer contact information pages which are included in the Company's White Pages directories. These charges amounted to $18.3 million, $14.9 million and $9.0 million for the years 1999-1997, respectively.

Revenue Recognition

Revenues are recognized when earned. This is generally based on usage of the Company's local exchange networks or facilities. For other products and services, revenues are generally recognized when services are rendered or products are delivered to customers.

Depreciation and Amortization

Property, plant and equipment of the Company is depreciated on a straight-line basis over the following estimated useful asset lives:

Average lives (in years)	
Buildings	20 - 40
Inside communications plant	5 - 10
Outside communications plant	8 - 40
Furniture, vehicles and other equipment	3 - 10

The Company depreciates assets using the remaining life methodology. This method depreciates the net investment in telephone plant less anticipated net salvage value, over remaining useful asset lives and requires the periodic review and revision of depreciation rates.

When depreciable plant of the Company is retired in the normal course of business, the amount of such plant is deducted from the respective plant and accumulated depreciation accounts. Gains or losses on disposition are amortized with the remaining net investment in telephone plant. When depreciable telephone plant is retired outside the normal course of business, for example if a local exchange is sold, any resulting gain or loss is included in operating income.

Employee Benefit Plans

Pension and postretirement health care and life insurance benefits earned during the year as well as interest on projected benefit obligations are accrued currently. Prior service costs and credits resulting from changes in plan benefits are amortized over the average remaining service period of the employees expected to receive benefits. Curtailment gains and losses associated with employee separations are recognized when they occur. Settlement gains and losses are recognized when significant pension obligations are settled and the gain or loss is determinable.

Valuation of Assets

The impairment of tangible and intangible assets is assessed when changes in circumstances indicate that their carrying value may not be recoverable. Under the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," a determination of impairment, if any, is made based on estimated future cash flows, salvage value or expected net sales proceeds depending on the circumstances. In instances where goodwill has been recorded in connection with impaired assets, the carrying amount of the goodwill is first eliminated before any reduction to the carrying value of tangible or identifiable intangible assets. The Company's policy is to record asset impairment losses, and any subsequent adjustments to such losses as initially recorded, as well as net gains or losses on sales of assets as a component of operating income.

Income Taxes

The Company's results are included in GTE's consolidated federal income tax return. The Company participates in a tax sharing agreement with GTE and remits tax payments to GTE based on its tax liability on a separate company basis.

Deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each reporting period. Deferred tax assets and liabilities are subsequently adjusted, to the extent necessary, to reflect tax rates expected to be in effect when the temporary differences reverse. A valuation allowance is established for deferred tax assets for which realization is not likely.

Cash and Cash Equivalents

Cash and cash equivalents include investments in short-term, highly liquid securities, which have maturities when purchased of three months or less.

Financial Instruments

The Company uses a variety of financial instruments to hedge its exposure to fluctuations in interest rates. The Company does not use financial instruments for speculative or trading purposes, nor is the Company a party to leveraged derivatives. Amounts to be paid or received under interest rate swaps are accrued as interest expense.

Inventories and Supplies

Inventories and supplies are stated at the lower of cost, determined principally by the average cost method, or net realizable value.

Software

Software costs are recognized in accordance with the American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which became effective in January 1999. The Company capitalizes costs associated with externally acquired software (including right-to-use fees) for internal use. Capitalized software is generally amortized on a straight-line basis over its useful life, not to exceed five years for non-network software or three years for network software. As a result of adopting SOP 98-1, the Company capitalized software expenditures of $24.1 million, $28.9 million and $9.2 million, respectively, for 1999-1997, which would have previously been expensed.

Comprehensive Income

The Company had no comprehensive income components for the years 1999-1997, therefore comprehensive income is the same as net income for all three years.

Recent Accounting Pronouncements

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The statement requires entities that use derivative instruments to measure these instruments at fair value and record them as assets or liabilities on the balance sheet. It also requires entities to reflect the gains or losses associated with changes in the fair value of these derivatives, either in earnings or as a separate component of comprehensive income, depending on the nature of the underlying contract or transaction. The Company is currently assessing the impact of adopting SFAS No. 133, as amended, which is effective January 1, 2001.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements," which currently must be adopted by June 30, 2000. SAB No. 101 provides additional guidance on revenue recognition as well as criteria for when revenue is generally realized and earned and also requires the deferral of incremental direct selling costs. The Company is currently assessing the impact of SAB No. 101.

2. PROPOSED MERGER WITH BELL ATLANTIC CORPORATION

Bell Atlantic and GTE have announced a proposed merger of equals under a definitive merger agreement dated July 27, 1998. Under the terms of the agreement, GTE shareholders will receive 1.22 shares of Bell Atlantic common stock for each share of GTE common stock they own. Bell Atlantic shareholders will continue to own their existing shares after the merger.

The merger is expected to qualify as a pooling of interests, which means that for accounting and financial reporting purposes the companies will be treated as if they had always been combined. The completion of the merger is subject to a number of conditions, including certain regulatory approvals and receipt of opinions that the merger will be tax-free. At annual meetings held in May 1999, the shareholders of each company approved the merger. All state regulatory commissions have now approved the merger and the only remaining approval is required from the Federal Communications Commission (FCC). Both companies are working diligently to complete the merger and are targeting completion of the merger in the second quarter of 2000.

3. EXTRAORDINARY CHARGE

During the first quarter of 1998, the Company recorded an after-tax extraordinary charge of $3.4 million (net of tax benefits of $2.1 million), reflecting premiums paid on the redemption of high-coupon debt prior to stated maturity.

4. PREFERRED STOCK

Cumulative preferred stock, not subject to mandatory redemption and exclusive of amounts held in treasury, at December 31, 1999 and 1998 was as follows:

	Shares
Authorized	
$25 par value	4,880,000

	Shares	Amount (Dollars in Millions)
Outstanding		
$1.30 Series B $25 par value	475,900	$ 11.9
$1.25 Series $25 par value	371,900	9.3
Total	847,800	$ 21.2

In the event of non-payment of at least twelve months of accrued dividends, each class of preferred shareholders, voting as a class, were entitled to elect two directors in addition to those directors elected by GTE. Otherwise, the preferred shareholders had no voting rights. The Company was not in arrears in its dividend payments at December 31, 1999. No shares of preferred stock were reserved for officers and employees, or for options, warrants, conversions or other rights.

In March 2000, the Company redeemed all 847,800 outstanding shares of preferred stock and paid call premiums of $0.8 million pretax on the early redemption.

5. COMMON STOCK

The authorized common stock of the Company consists of 50,000,000 shares with a par value of $25 per share. All 23,400,000 outstanding shares of common stock are held by GTE. There were no shares of common stock held by or for the account of the Company and no shares were reserved for officers and employees, or for options, warrants, conversions or other rights. At December 31, 1999, $2.2 million of retained earnings were restricted as to the payment of cash dividends on common stock under the terms of the Company's Articles of Incorporation.

6. DEBT

Long-term debt as of December 31, was as follows:

	1999	1998
	(Dollars in Millions)	
Debentures:		
6.31 % Series A, due 2002	$ 200.0	$ 200.0
7.41 % Series B, due 2023	200.0	200.0
7.25 % Series C, due 2025	100.0	100.0
6.25 % Series D, due 2005	100.0	100.0
6.86 % Series E, due 2028	300.0	300.0
Capitalized leases	4.5	--
Total principal amount	904.5	900.0
Unamortized discount	(10.3)	(10.6)
Total	894.2	889.4
Less: current maturities	(2.1)	--
Total long-term debt	$ 892.1	$ 889.4

In February 1998, the Company issued $300.0 million of 6.86% Series E debentures, due 2028. The Company recognized an interest rate hedge loss of approximately $8.8 million on the settlement of forward contracts related to that debt issuance. The loss is being amortized over the life of the associated refinanced debt.

In March 1998, the Company retired $125.1 million of long-term debt prior to stated maturity. The Company recorded an after-tax extraordinary charge of $3.4 million, reflecting premiums associated with this retirement.

The aggregate principal amount of debentures that may be issued is subject to the restrictions and provisions of the Company's indentures. None of the securities shown above were held in sinking or other special funds of the Company or pledged by the Company. Debt discounts on the Company's outstanding long-term debt are amortized over the lives of the respective issues. Substantially all of the Company's telephone plant is subject to the liens of the indentures under which the debentures listed above were issued.

Estimated payments of long-term debt during the next five years are: $2.1 million in 2000; $2.5 million in 2001; and $200.0 million in 2002.

Total short-term obligations as of December 31, were as follows:

	1999	1998
	(Dollars in Millions)	
Commercial paper - average rates 6.1% and 5.2%	$ 1,728.4	$ 1,396.5
Notes payable to affiliates - average rates 6.2% and 5.4%	3.6	105.5
Current maturities of long-term debt	2.1	--
Total	$ 1,734.1	$ 1,502.0

The Company participates with other affiliates in a $1.5 billion 364-day syndicated revolving line of credit and has access to an additional $2.0 billion in short-term liquidity through GTE and GTE Funding's committed bi-lateral revolving lines of credit. The Company also has an existing shelf registration statement for an additional $300.0 million of debentures.

The Company's subsidiary, GTE Funding, provides short-term financing and investment vehicles and cash management services for the Company and six other of GTE's domestic telephone operating subsidiaries. Each of these companies is contractually obligated to repay all amounts borrowed from GTE Funding. At December 31, 1999, GTE Funding had short-term indebtedness in the form of commercial paper in the amount of $1.7 billion of which approximately $1.4 billion was incurred on behalf of GTE's other domestic telephone operating subsidiaries.

7. FINANCIAL INSTRUMENTS

The Company entered into forward interest rate swap agreements and forward contracts to sell U.S. Treasury Bonds during 1997, to hedge against changes in market interest rates of planned long-term debt issuances, which were completed in January 1998. A loss of approximately $8.8 million occurred upon settlement of these agreements and is being amortized over the life of the associated long-term debt issuance as an addition to interest expense.

The fair values of financial instruments, other than long-term debt, closely approximate their carrying value. As of December 31, 1999, the estimated fair value of long-term debt based on either reference to quoted market prices or an option pricing model, was lower than the carrying value by approximately $55.5 million. The estimated fair value of long-term debt as of December 31, 1998 exceeded the carrying value by approximately $66.6 million.

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is summarized as follows at December 31:

	1999	1998
	(Dollars in Millions)	
Land	$ 20.4	$ 20.5
Buildings	245.1	231.4
Plant and equipment	4,489.4	4,340.9
Construction in progress and other	87.1	100.9
Total	4,842.0	4,693.7
Accumulated depreciation	(2,901.2)	(2,709.3)
Total property, plant and equipment - net	$ 1,940.8	$ 1,984.4

9. EMPLOYEE BENEFIT PLANS

The FASB issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," in February 1998. Certain disclosures are required to be made of the components of pension credits, postretirement benefit costs and the funded status of the plans, including the actuarial present value of accumulated plan benefits, accumulated or projected benefit obligation and the fair value of the plan assets. We do not present such disclosures because the structure of the GTE plans does not permit the plans' data to be readily disaggregated.

Pension Plans

The Company participates in noncontributory defined benefit pension plans sponsored by GTE covering substantially all employees. The benefits to be paid under these plans are generally based on years of credited service and average final earnings. GTE's funding policy, subject to the minimum funding requirements of employee benefit and tax laws, is to contribute such amounts as are determined on an actuarial basis to accumulate funds sufficient to meet the plans' benefit obligation to employees upon their retirement. The assets of the plans consist primarily of corporate equities, government securities, and corporate debt securities.

The significant weighted-average assumptions used by GTE for the pension measurement were as follows at December 31:

	1999	1998
Discount rate	8.00%	7.00%
Rate of compensation increase	5.50%	4.75%
Expected return on plan assets	9.00%	9.00%

Net periodic benefit credit was $98.1 million, $25.9 million and $34.8 million for the years 1999-1997, respectively. Included in the net periodic benefit credit for 1999 and 1997 were net pension gains of $67.9 million and $10.5 million, respectively, comprised of one-time costs for special termination benefits provided under voluntary and involuntary separation programs, curtailment losses and settlement gains. These curtailment losses and settlement gains are a result of the separation programs, as well as the required settlement gain or loss recognition, due to the fact that in 1999, the Company's lump-sum pension distributions surpassed the settlement threshold equal to the sum of the service cost and interest cost components of net periodic pension cost.

Postretirement Benefits Other than Pensions

Substantially all of the Company's employees are covered under postretirement healthcare and life insurance benefit plans sponsored by GTE. The determination of benefit cost for postretirement health plans is generally based on comprehensive hospital, medical and surgical benefit plan provisions. The Company intends to fund amounts for postretirement benefits as deemed appropriate.

Postretirement benefit cost was $33.7 million, $23.1 million and $34.9 million for the years 1999-1997, respectively. The weighted-average assumptions used by GTE in the actuarial computations for postretirement benefits were as follows at December 31:

	1999	1998
Discount rate	8.00%	7.00%
Expected return on plan assets	8.00%	8.00%

Savings Plans

The Company sponsors employee savings plans under section 401(k) of the Internal Revenue Code. The plans cover substantially all full-time employees. Under the plans, the Company provides matching contributions in GTE common stock based on qualified employee contributions. Matching contributions charged to income were $5.8 million, $5.0 million and $7.0 million in the years 1999-1997, respectively.

10. INCOME TAXES

The income tax provision (benefit) was as follows:

	1999	1998	1997
		(Dollars in Millions)	
Current:			
Federal	$ 129.2	$ 112.1	$ 93.4
State	21.4	20.5	20.6
	150.6	132.6	114.0
Deferred:			
Federal	17.4	(16.8)	28.5
State	2.9	(3.5)	5.1
	20.3	(20.3)	33.6
Amortization of deferred investment tax credits	--	--	(0.1)
Total provision	$ 170.9	$ 112.3	$ 147.5

A reconciliation between taxes computed by applying the statutory federal income tax rate to pretax income and income taxes provided in the consolidated statements of income was as follows:

	1999	1998	1997
		(Dollars in Millions)	
Amounts computed at statutory rates	$ 153.7	$ 104.7	$ 128.9
State and local income taxes, net of federal income tax effect	15.8	11.1	16.7
Amortization of deferred investment tax credits	--	--	(0.1)
Other differences - net	1.4	(3.5)	2.0
Total provision	$ 170.9	$ 112.3	$ 147.5

The tax effects of temporary differences that give rise to the deferred income tax benefits and deferred income tax liabilities at December 31, were as follows:

	1999	1998
	(Dollars in Millions)	
Depreciation and amortization	$ 193.7	$ 189.7
Employee benefit obligations	(88.2)	(84.7)
Prepaid pension costs	110.6	78.0
Revenue and expense recognition: directory publications	3.1	7.0
Other - net	1.0	9.9
Net deferred tax liability	$ 220.2	$ 199.9

11. REGULATORY AND COMPETITIVE MATTERS

The Company is subject to regulation by the Florida Public Service Commission for its intrastate business operations and by the FCC for its interstate operations.

During 1999, regulatory and legislative activity at both the state and federal levels continued to be a direct result of the Telecommunications Act of 1996 (Telecommunications Act). Along with promoting competition in all segments of the telecommunications industry, the Telecommunications Act was intended to preserve and advance universal service.

Significant Customer

Revenues received from AT&T Corp. include amounts for access and billing and collection during the years 1999-1997 under various arrangements and amounted to $127.4 million, $159.5 million and $201.7 million, respectively.

12. COMMITMENTS AND CONTINGENCIES

The Company has noncancelable operating leases covering certain buildings, office space and equipment. The majority of lease commitments relate to the lease of the Company's headquarters building at One Tampa City Center. Rental expense was $24.0 million, $28.8 million and $31.4 million in 1999-1997, respectively. Minimum rental commitments under noncancelable leases are $16.9 million, $15.8 million, $7.6 million, $2.4 million and $1.5 million for the years 2000-2004, respectively, and aggregate $0.1 million thereafter.

The Company is subject to a number of proceedings arising out of the conduct of its business, including those relating to regulatory actions, commercial transactions and environmental, safety and health matters. Management believes that the ultimate resolution of these matters will not have a materially adverse effect on the results of operations or the financial position of the Company.

13. SEGMENT REPORTING

The Company is part of the Network Services product segment of GTE's National Operations. Network Services provides wireline communication services within franchised areas. These services include local telephone service and toll calls as well as access services that enable long-distance carriers to complete calls to or from locations outside of the Company's operating areas. Network Services also provides complex voice and data services to businesses, billing and collection, and operator assistance services to other telecommunications companies and receives revenues in the form of publication rights from an affiliate that publishes telephone directories in its operating areas.

The Company has two reportable segments, Telephone Operations and GTE Funding. The Telephone Operations segment primarily provides wireline communication services to local markets. The GTE Funding segment provides short-term financing and investment vehicles and cash management services for the Company and six other of GTE's domestic telephone operating subsidiaries, each of which is contractually obligated to repay all amounts borrowed from GTE Funding.

GTE Funding has no reportable revenue or net income. Its interest expense is approximately equal to the interest income received on affiliate notes between GTE Funding and the various domestic telephone operating subsidiaries.

Accounting policies of the segments, as applicable, are the same as those described in Note 1 ("Description of Business and Summary of Significant Accounting Policies").

Segment results for the years ended or at December 31 were as follows:

	1999	1998
	(Dollars in Millions)	
Telephone Operations:		
Total external revenues	$ 1,701.5	$ 1,617.3
Operating income	509.7	369.3
Depreciation and amortization	365.0	361.9
Interest expense	69.9	71.7
Interest income	0.4	1.7
Capital expenditures	316.1	427.7
Total assets	2,723.6	2,651.2
GTE Funding:		
Operating loss	$ --	$ (2.9)
Interest expense	83.8	96.8
Interest income	83.8	99.7
Total assets (a)	1,732.3	1,655.8
Consolidated Revenues	**$ 1,701.5**	**$ 1,617.3**
Consolidated Operating Income	**509.7**	**366.4**
Consolidated Assets	**4,283.9**	**3,927.4**

(a) Assets consist primarily of cash and cash equivalents and notes receivable from affiliates.

14. QUARTERLY FINANCIAL DATA (Unaudited)

Summarized 1999 and 1998 quarterly financial data was as follows:

	Revenues And Sales	Operating Income	Net Income
	(Dollars in Millions)		
1999			
First Quarter	$ 396.8	$ 74.2	$ 35.1
Second Quarter	444.2	117.8	64.5
Third Quarter	412.8	128.7	68.2
Fourth Quarter	447.7	189.0	101.5
Total	$ 1,701.5	$ 509.7	$ 269.3
1998			
First Quarter	$ 361.6	$ 51.4	$ 17.8
Second Quarter	417.3	110.5	57.9
Third Quarter	407.3	107.7	54.5
Fourth Quarter	431.1	96.8	54.3
Total	$ 1,617.3	$ 366.4	$ 184.5

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholder of
GTE Florida Incorporated:

We have audited the accompanying consolidated balance sheets of GTE Florida Incorporated (a Florida corporation and wholly-owned subsidiary of GTE Corporation) and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1999, as set forth under Item 8 and Schedule II of this report. These financial statements and the schedule and exhibit referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the schedule and exhibit based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GTE Florida Incorporated and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supporting schedule and exhibit listed under Item 14 are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. The supporting schedule and exhibit have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Dallas, Texas
January 27, 2000

ARTHUR ANDERSEN LLP

MANAGEMENT REPORT

To Our Shareholder:

The management of GTE Florida Incorporated (the Company) is responsible for the integrity and objectivity of the financial and operating information contained in this Annual Report on Form 10-K, including the consolidated financial statements covered by the Report of Independent Public Accountants. These statements were prepared in conformity with generally accepted accounting principles and include amounts that are based on the best estimates and judgments of management.

The Company has a system of internal accounting controls which provides management with reasonable assurance that transactions are recorded and executed in accordance with its authorizations, that assets are properly safeguarded and accounted for, and that financial records are maintained so as to permit preparation of financial statements in accordance with generally accepted accounting principles. This system includes written policies and procedures, an organizational structure that segregates duties, and a comprehensive program of periodic audits by the internal auditors. The Company has also instituted policies and guidelines which require employees to maintain the highest level of ethical standards.

JOHN A. FERRELL
President

LAWRENCE R. WHITMAN
Vice President - Finance and Planning

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

The following items have been omitted in accordance with the relief provisions under General Instruction I (2) of Form 10-K:

10. Directors and Executive Officers of the Registrant

11. Executive Compensation

12. Security Ownership of Certain Beneficial Owners and Management

13. Certain Relationships and Related Transactions

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) (1) Financial Statements - See GTE Florida Incorporated's consolidated financial statements and report of independent public accountants thereon in the Financial Statements section included elsewhere herein.

(2) Financial Statement Schedules - Schedules supporting the consolidated financial statements for the years ended December 31, 1999-1997 (as required):

II - Valuation and Qualifying Accounts

Note: Schedules other than the one listed above are omitted as not applicable, not required, or the information is included in the consolidated financial statements or notes thereto.

(3) Exhibits - Included in this report or incorporated by reference.

3.1* Amended Articles of Incorporation (Exhibit 3.1 of the September 30, 1995 Form 10-Q)

3.2* Amended Bylaws (Exhibit 3.2 of the September 30, 1995 Form 10-Q)

4.1* Indenture dated as of November 1, 1993 between GTE Florida Incorporated and NationsBank of Georgia, National Association, as Trustee (Exhibit 4.1 of the Company's Registration Statement on Form S-3, File No. 33-50711)

4.2* First Supplemental Indenture dated as of January 1, 1998 between GTE Florida Incorporated and The Bank of New York, as Trustee (as successor trustee to NationsBank of Georgia, National Association) (Exhibit 4.2 of the Company's Registration Statement on Form S-3, File No. 333-43507, as amended)

10.1* Material Contracts - Severance Agreement between GTE Service Corporation and John C. Appel (Exhibit 10.1 of the 1998 Form 10-K)

10.2* Material Contracts - Severance Agreements between GTE Service Corporation and Richard L. Schaulin, Larry J. Sparrow and Lawrence R. Whitman (Exhibit 10.2 of the 1998 Form 10-K)

10.3* Material Contracts - Retention Agreement between GTE Service Corporation and John C. Appel (Exhibit 10.3 of the 1998 Form 10-K)

10.4* Material Contracts - Retention Agreements between GTE Service Corporation and Richard L. Schaulin, Larry J. Sparrow and Lawrence R. Whitman (Exhibit 10.4 of the 1998 Form 10-K)

10.5 Material Contracts - Retention Agreement between GTE Service Corporation and William M. Edwards, III

12 Statements re: Calculation of the Consolidated Ratio of Earnings to Fixed Charges

23 Consent of Independent Public Accountants

27 Financial Data Schedule

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the fourth quarter of 1999.

* Denotes exhibits incorporated herein by reference to previous filings with the Securities and Exchange Commission as designated.

GTE FLORIDA INCORPORATED AND SUBSIDIARIES

Schedule II - Valuation and Qualifying Accounts
For the Years Ended December 31, 1999, 1998 and 1997

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Year	Charged to Income	Charged to Other Accounts (Note a)	Deductions from Reserves (Note b)	Balance at Close of Year
		(Dollars in Millions)			
Allowance for uncollectible accounts for the years ended:					
December 31, 1999	$ 33.1	$ 38.5	$ 6.7	$ 44.3	$ 34.0
December 31, 1998	$ 30.2	$ 39.9	$ 12.9	$ 49.9	$ 33.1
December 31, 1997	$ 33.5	$ 39.9	$ 34.2	$ 77.4	$ 30.2

NOTES:

(a) Recoveries of previously written-off amounts.
(b) Charges for which reserve was created.

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.

GTE FLORIDA INCORPORATED
(Registrant)

Date March 29, 2000

By John A. Ferrell
John A. Ferrell
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report is signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

John A. Ferrell John A. Ferrell	President (Principal Executive Officer)	March 29, 2000
Lawrence R. Whitman Lawrence R. Whitman	Vice President - Finance and Planning and Director (Principal Financial Officer)	March 29, 2000
Stephen L. Shore Stephen L. Shore	Controller (Principal Accounting Officer)	March 29, 2000
John C. Appel John C. Appel	Director	March 29, 2000
Mateland L. Keith, Jr. Mateland L. Keith, Jr.	Director	March 29, 2000

00001652

Exhibit 12

GTE FLORIDA INCORPORATED AND SUBSIDIARIES

Statements of the Consolidated Ratio of Earnings to Fixed Charges

	Years Ended December 31,							
	1999	1999(a)	1998	1998(a)	1997	1997(a)	1996	1995
	(Dollars in Millions)							
Net earnings available for fixed charges:								
Income before extraordinary charges	$ 269.3	$ 269.3	$ 187.9	$ 187.9	$ 223.7	$ 223.7	$ 198.1	$ 175.5
Add - Income taxes	170.9	170.9	112.3	112.3	147.5	147.5	123.7	104.6
- Fixed charges	154.2	70.4	174.4	77.6	140.8	79.2	74.3	74.2
Adjusted earnings	$ 594.4	$ 510.6	$ 474.6	$ 377.8	$ 512.0	$ 450.4	$ 396.1	$ 354.3
Fixed charges:								
Interest expense	$ 146.2	$ 62.4	$ 164.8	$ 68.0	$ 130.3	$ 68.7	$ 64.8	$ 65.1
Portion of rent expense representing interest	8.0	8.0	9.6	9.6	10.5	10.5	9.5	9.1
Adjusted fixed charges	$ 154.2	$ 70.4	$ 174.4	$ 77.6	$ 140.8	$ 79.2	$ 74.3	$ 74.2
RATIO OF EARNINGS TO FIXED CHARGES	3.85	7.25	2.72	4.87	3.64	5.69	5.33	4.77

(a) Excludes $83.8 million, $96.8 million and $61.6 million of interest expense associated with commercial paper issued by the Company's wholly-owned subsidiary, GTE Funding Incorporated (GTE Funding), on behalf of GTE's other domestic telephone operating subsidiaries for 1999-1997, respectively. This interest expense is approximately equal to the interest income received by the Company on affiliate notes between GTE Funding and such domestic telephone operating subsidiaries. GTE Funding provides short-term financing and investment vehicles and cash management services for the Company and six other of GTE's domestic telephone operating subsidiaries.

Exhibit 23

CONSENT OF INDEPENDENT ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report, dated January 27, 2000, on the consolidated financial statements and supporting schedule and exhibit of GTE Florida Incorporated included in this Form 10-K, into the following previously filed Registration Statements:

1. Form S-3 of GTE Florida Incorporated (File No. 333-43507)
2. Form S-3 of GTE Florida Incorporated (File No. 333-65241)

Dallas, Texas
March 29, 2000

ARTHUR ANDERSEN LLP

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark one)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2000

OR

[ ] 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 1-3090

VERIZON FLORIDA INC.

A Florida Corporation I.R.S. Employer Identification No. 59-0397520

1255 Corporate Drive, SVC04C08, Irving, Texas 75038

Telephone Number (972) 507-5000

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

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

THE REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION I(1)(a) AND (b) OF FORM 10-K AND IS THEREFORE FILING THIS FORM WITH REDUCED DISCLOSURE FORMAT PURSUANT TO GENERAL INSTRUCTION I(2).

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 _X_ No

Verizon Florida Inc.

TABLE OF CONTENTS

UNLESS OTHERWISE INDICATED, ALL INFORMATION IS AS OF MARCH 27, 2001.

PART I

Item 1. *Business*

GENERAL

Verizon Florida Inc. was incorporated in 1901, as a corporation for profit pursuant to the general corporation laws of the state of Florida. We are a wholly owned subsidiary of GTE Corporation (GTE), which is a wholly owned subsidiary of Verizon Communications Inc. (Verizon).

Our telephone operations range from local telephone service for the home and office to highly complex voice and data services for various industries. We provide local telephone service within our franchise area and intraLATA (Local Access Transport Area) toll service between our facilities and the facilities of other telephone companies within our LATA. InterLATA service to other points in and out of the state in which we operate is provided through connection with long-distance carriers. These other carriers are charged fees (access charges) for interconnection to our local facilities. Business and residential customers also pay access charges to connect to the local network to obtain long-distance service. We earn other revenues by providing such services as billing and collection and operator services to long-distance carriers.

Our funding operations provide short-term financing and investment vehicles and cash management services for seven of Verizon Communications' domestic operating telephone companies, including our Company.

BELL ATLANTIC-GTE MERGER

On June 30, 2000, Bell Atlantic Corporation (Bell Atlantic) and GTE completed a merger under a definitive merger agreement dated as of July 27, 1998 and began doing business as Verizon. The merger qualified as a tax-free reorganization and has been accounted for as a pooling-of-interests business combination.

OPERATIONS

We are one of 16 public operating telephone companies owned by Verizon. Verizon has organized certain telecommunications group functions into marketing units operating across its operating telephone subsidiaries. The units focus on specific market segments. Each of the operating telephone subsidiaries, including us, remains responsible within its respective service area for the provision of telephone services, financial performance and regulatory matters. Verizon's five strategic marketing units are comprised of the following:

The *Enterprise* unit markets communications and information technology and services to large businesses and to departments, agencies and offices of the executive, judicial and legislative branches of the federal and state government. These services include voice switching/processing services (e.g., dedicated private lines, custom Centrex, call management, and voice messaging), end-user networking (e.g., credit and debit card transactions and personal computer-based conferencing, including data and video), internetworking (establishing links between the geographically disparate networks of two or more companies or within the same company), network optimization (disaster avoidance, 911 service, and intelligent vehicle highway systems) and other communications services such as distance learning, telemedicine, videoconferencing and interactive multimedia applications. The Enterprise unit also includes Verizon's Data Solutions Group which provides data transmission and network integration services (integrating multiple geographically disparate networks into one system) and Verizon's Strategic Markets unit which operates as a provider of network monitoring services and telecommunications equipment sales to medium and large businesses.

The *Retail* unit markets communications and information services to residential customers and to small and medium-sized businesses within our territory. This unit also provides operator and pay telephone services. The Retail unit includes Verizon Avenue, a subsidiary of Verizon that markets to customers located in multi-tenant buildings and Teleproducts, a subsidiary of Verizon that markets customer premises equipment to the end-user.

The *Wholesale* unit markets (i) switched and special access to the telephone subsidiaries' local exchange networks, and (ii) billing and collection services, including recording, rating, bill processing, bill rendering, CLEC services and wireless interconnection. This unit also includes various technical planning groups that provide strategic technology and network planning, new service creation, and emerging business management.

The *Advanced Services* unit markets Verizon's long distance, data and Internet access services. In certain states, Verizon's long distance subsidiaries operate as a reseller of national and international long-distance services and provide service in all 50 states to residential and business customers, including long distance services, calling cards, 800 services and operator services to its customers. Verizon's Global Networks unit is building a next generation long distance network using ATM (asynchronous transfer mode) technology.

The *National Operations* unit markets Verizon's Communications and Construction services that supply installation and repair labor and manages Verizon's Supply unit that is responsible for the procurement and management of inventory and supplies for the operating telephone companies, as well as other subsidiaries. The Supply unit also sells material and logistic services to third parties.

Telecommunications Act of 1996

The Telecommunications Act of 1996 (1996 Act) became effective on February 8, 1996. In general, the 1996 Act includes provisions that open local exchange markets to competition. We are unable to predict definitively the impact that the 1996 Act will ultimately have on our business, results of operations, or financial condition. The financial impact will depend on several factors, including the timing, extent and success of competition in our markets, the timing and outcome of various regulatory proceedings and any appeals, and the timing, extent and success of our pursuit of new opportunities resulting from the 1996 Act.

FCC Regulation and Interstate Rates

We are subject to the jurisdiction of the Federal Communications Commission (FCC) with respect to interstate services and related matters. In 2000, the FCC continued to implement reforms to the interstate access charge system and to implement the "universal service" and other requirements of the 1996 Act.

Access Charges

Interstate access charges are the rates long distance carriers pay for use and availability of our facilities for the origination and termination of interstate service. The FCC required a phased restructuring of access charges, from January 1998 until January 2000, pursuant to which we recover non-usage-sensitive costs from long distance carriers and end-users through flat rate charges, and usage-sensitive costs from long distance carriers through usage-based rates.

On May 31, 2000, the FCC adopted a plan advanced by members of the industry (The Coalition for Affordable Local and Long Distance Service, or "CALLS") as a comprehensive five-year plan for regulation of interstate access charges. The CALLS plan has three main components. First, it establishes a portable interstate access universal service support of $650 million for the industry. Of that amount, Verizon expects approximately $340 million to be used to support interstate access services in the operating telephone subsidiaries' service territory. This explicit support replaces implicit support embedded in interstate access charges. Second, the plan simplifies the patchwork of common line charges into one subscriber line charge (SLC) and provides for de-averaging of the SLC by zones and class of customers in a manner that will not undermine comparable and affordable universal service. Third, the plan sets into place a mechanism to transition to a set target of $.0055 per minute for switched access services. Once that target rate is reached, local exchange carriers are no longer required to make further annual price cap reductions to their switched access prices.

As of September 14, 2000, Verizon formally elected to participate in the full five-year term of the CALLS plan. As a result of this decision, price caps on our interstate access charges will be set according to the conditions of the FCC order on the CALLS plan. Under the plan, direct end-user access charges are increased while access charges to long distance carriers are reduced. While the plan continues the 6.5% (less inflation) annual reductions for most interstate access charges, it provides for a price freeze when switched access service prices reach $0.0055 per-minute. As a result of tariff adjustments which became effective in August 2000, we reached the $0.0055 benchmark.

The FCC has adopted rules for special access services that provide for pricing flexibility and ultimately the removal of services from price regulation when competitive thresholds are met. In order to use these rules, carriers must forego the ability to take advantage of provisions in the current rules that provide relief in the event earnings fall below prescribed thresholds. In November and December 2000, Verizon made filings to obtain this added pricing flexibility. On March 14, 2001, the FCC released an Order in which it approved pricing flexibility for 46 Metropolitan Statistical Areas (MSAs) and three states (Delaware, Vermont and Maryland) served by Verizon. In ten of the MSAs and the state of Delaware, the services were awarded complete pricing flexibility and were removed from price regulation. Partial pricing flexibility was granted in the remaining MSAs and the two other states.

Universal Service

As a result of a July 1999 decision of the U.S. Court of Appeals, Verizon's contributions to the universal service fund were reduced by approximately $107 million annually beginning on November 1, 1999, and interstate access rates were reduced accordingly because we will no longer have to recover these contributions in our rates. Last year, the petitions asking the U.S. Supreme Court to review the court of appeals decision were either withdrawn or rejected.

In November 1999, the FCC adopted a new mechanism for providing universal service support to high cost areas served by large local telephone companies. This funding mechanism provides additional support for local telephone services in several states served by Verizon. This system has been supplemented by the new FCC access charge plan described above.

On October 18, 2000, Verizon asked the U.S. Supreme Court to dismiss its pending review of the FCC's use of a theoretical model as one factor to determine the appropriate size of federal support for a fund for intrastate high cost areas. The review was no longer necessary because, subsequent to Verizon's petition to the U.S. Supreme Court, the FCC expressly disclaimed supervisory authority over the states' universal service activities.

The FCC is currently considering two modifications to its universal service programs, both relating to support for rural carriers. The first, a proposal by an appointed policy task force, would provide additional support for intrastate services provided by rural carriers. The second, a proposal by a coalition of rural carriers, would make explicit support for interstate access services provided by rural carriers. The FCC is likely to address both these proposals in 2001.

Unbundling of Network Elements

In November 1999, the FCC announced its decision setting forth new unbundling requirements, eliminating elements that it had previously required to be unbundled, limiting the obligation to provide others and adding new elements. Appeals from this decision are pending.

In addition to the unbundling requirements released in November 1999, the FCC released an order in a separate proceeding in December 1999, requiring incumbent local exchange companies also to unbundle and provide to competitors the higher frequency portion of their local loop. This provides competitors with the ability to provision data services on top of incumbent carriers' voice services. Appeals from this order are also pending.

In July 2000, the U.S. Court of Appeals for the Eighth Circuit found that some aspects of the FCC's requirements for pricing UNEs were inconsistent with the 1996 Act. In particular, it found that the FCC was wrong to require incumbent carriers to base these prices not on their real costs but on the imaginary costs of the most efficient equipment and the most efficient network configuration. The court upheld the FCC's decision that unbundled network elements (UNEs) be priced based on a forward-looking cost model which ignores actual historical costs. The U.S. Supreme Court has accepted this decision for review in a case to be heard in the fall term of 2001. That portion of the court of appeals' decision has been stayed pending that review.

Compensation for Internet Traffic

In March 2000, the Washington, D.C. Circuit Court of Appeals reversed and remanded the FCC's February 1999 order that concluded that calls to the Internet through Internet service providers (ISPs) do not terminate at the ISP but are single interstate calls. The court found that the FCC had inadequately explained why these Internet calls were not two calls. Under the FCC's decision, it was left to carrier agreements and state regulators to determine which traffic is subject to reciprocal compensation. The FCC is currently considering a new order to address the issue in light of the court remand.

State Regulation of Rates and Services

Florida statutes govern the price cap plan. Beginning January 1, 2001, we can raise basic local rates on 30 days notice once in any 12-month period not to exceed the GDP-PI less one percent. Beginning January 1, 2001, we may increase intrastate access rates by the increase in the GDP-PI or 3% per year, whichever is less, provided intrastate access rates have reached parity with interstate rates. We may increase rates for non-basic services but increases for any category cannot exceed 6% in any 12-month period unless another company is providing service in a given exchange, at which time we can increase our price up to 20% in a 12-month period. Earnings are not regulated.

Competition

Legislative changes, including provisions of the 1996 Act discussed above under the section "Telecommunications Act of 1996," regulatory changes and new technology are continuing to expand the types of available communications services and equipment and the number of competitors offering such services. We anticipate that these industry changes, together with the rapid growth, enormous size and global scope of these markets, will attract new entrants and encourage existing competitors to broaden their offerings. Current and potential competitors in telecommunication services include long distance companies, other local telephone companies, cable companies, wireless service providers, foreign telecommunications providers, electric utilities, Internet service providers and other companies that offer network services. Many of these companies have a strong market presence, brand recognition and existing customer relationships, all of which contribute to intensifying competition and may affect our future revenue growth. In addition, a number of major industry participants have announced mergers, acquisitions and joint ventures which could substantially affect the development and nature of some or all of our markets.

Local Exchange Services

The ability to offer local exchange services has historically been subject to regulation by state regulatory commissions. Applications from competitors to provide and resell local exchange services have been approved in the jurisdiction in which we operate. The 1996 Act has significantly increased the level of competition in our local exchange markets.

One of the purposes of the 1996 Act was to ensure, and accelerate, the emergence of competition in local exchange markets. Toward this end, the 1996 Act requires most existing local exchange carriers (incumbent local exchange carriers, or ILECs), including our company, to permit potential competitors (competitive local exchange carriers, or CLECs) to:

- purchase service from the ILEC for resale to CLEC customers
- purchase unbundled network elements from the ILEC, and/or
- interconnect the CLEC's network with the ILEC's network.

The 1996 Act provides for arbitration by the state public utility commission if an ILEC and a CLEC are unable to reach agreement on the terms of the arrangement sought by the CLEC.

Our negotiations with various CLECs, and arbitrations before our state regulator, have continued. We expect that these agreements, and the 1996 Act, will continue to lead to substantially increased competition in our local exchange markets in 2001 and subsequent years. We believe that this competition will be both on a facilities basis and in the form of resale by CLECs of our service. Under the various agreements and arbitrations discussed above, we are generally required to sell our services to CLECs at discounts from the prices we charge our retail customers.

IntraLATA Toll Services

IntraLATA toll calls originate and terminate within the same LATA, but generally cover a greater distance than a local call. State regulatory commissions rather than federal authorities generally regulate these services. The state regulatory commission permits other carriers to offer intraLATA toll services within the state.

Until the implementation of "presubscription," we completed intraLATA toll calls unless the customer dialed a code to access a competing carrier. Presubscription changed this dialing method and enabled customers to make these toll calls using another carrier without having to dial an access code. We have implemented presubscription.

Implementation of presubscription for intraLATA toll services has had a material negative effect on intraLATA toll service revenues. However, the negative effect has been partially mitigated by an increase in intraLATA network access revenues.

Alternative Access

A substantial portion of our revenues from business and government customers is derived from a relatively small number of large, multiple-line subscribers.

We face competition from alternative communications systems, constructed by large end-users, interexchange carriers and alternative access vendors, which are capable of originating and/or terminating calls without the use of our plant. The FCC's orders requiring us to offer collocated interconnection for special and switched access services have enhanced the ability of such alternative access providers to compete with us.

Other potential sources of competition include cable television systems, shared tenant services and other noncarrier systems which are capable of bypassing our local plant, either partially or completely, through substitution of special access for switched access or through concentration of telecommunications traffic on fewer of our lines.

Wireless Services

Wireless services also constitute potential sources of competition to our wireline telecommunications services, especially as wireless carriers continue to lower their prices to end-users. Wireless telephone services employ analog and digital technology that allows customers to make and receive telephone calls from any location using small handsets, and can also be used for data transmission.

Public Telephone Services

We face increasing competition in the provision of pay telephone services from other providers. In addition, the growth of wireless communications decreases usage of public telephones.

Operator Services

Alternative operator services providers have entered into competition with our operator services product line.

EMPLOYEES

As of December 31, 2000, we had approximately 7,600 employees.

Item 2. ***Properties***

GENERAL

Our principal properties do not lend themselves to simple description by character and location. Our investment in plant, property and equipment consisted of the following at December 31:

	2000	1999
Central office equipment	39%	39%
Outside communications plant	48	49
Land and buildings	5	5
Furniture, vehicles and other work equipment	6	6
Other	2	1
	100%	100%

"Central office equipment" consists of switching equipment, transmission equipment and related facilities. "Outside communications plant" consists primarily of aerial cable, underground cable, conduit and wiring, and telephone poles. "Land and buildings" consists of land and land improvements, and principally central office buildings. "Furniture, vehicles and other work equipment" consists of public telephone instruments and telephone equipment, furniture, office equipment, motor vehicles and other work equipment. "Other" property consists primarily of plant under construction, capital leases, capitalized computer software costs and leasehold improvements.

All of our properties, located in the state of Florida, are generally in good operating condition and are adequate to satisfy the needs of our business.

Our customers are served by electronic switching systems that provide a wide variety of services. Since December 31, 1994, our network has been fully transitioned from an analog to a digital network, which provides the capabilities to furnish advanced data transmission and information management services.

CAPITAL EXPENDITURES

We have been making and expect to continue to make significant capital expenditures to meet the demand for communications services and to further improve such services. Capital expenditures were approximately $397 million in 2000, $316 million in 1999 and $409 million in 1998. Capital expenditures exclude additions under capital lease. Our total investment in plant, property and equipment was approximately $5.0 billion at December 31, 2000, $4.8 billion at December 31, 1999, and $4.6 billion at December 31, 1998, including the effect of retirements, but before deducting accumulated depreciation.

Item 3. ***Legal Proceedings***

There were no proceedings reportable under Item 3.

Item 4. ***Submission of Matters to a Vote of Security Holders***

(Omitted pursuant to General Instruction I(2).)

PART II

Item 5. *Market for Registrant's Common Equity and Related Stockholder Matters*

Not applicable.

Item 6. *Selected Financial Data*

(Omitted pursuant to General Instruction I(2).)

Item 7. ***Management's Discussion and Analysis of Results of Operations (Abbreviated pursuant to General Instruction I(2).)***

This discussion should be read in conjunction with the Financial Statements and Notes to Financial Statements listed in the index set forth on page F-1.

The communications services we provide are subject to regulation by the Florida Public Service Commission with respect to intrastate rates and services and certain other matters. For a further discussion of the company and our regulatory plan, see Item 1 - "Description of Business."

RESULTS OF OPERATIONS

We reported net income of $166.6 million in 2000, compared to net income of $273.6 million in 1999.

Our results for 2000 and 1999 were affected by special items. The special items included our allocated share of charges from Verizon Services Corp. (Verizon Services), an affiliate that provides centralized services on a contract basis.

The following table shows how special items are reflected in our consolidated statements of income for each period:

	(Dollars in Millions)	
Years Ended December 31,	**2000**	**1999**
Operating Revenues		
Other charges and special items	$1.5	$ --
Regulatory contingency	1.0	--
	2.5	--
Operations and Support Expenses		
Bell Atlantic-GTE merger direct incremental costs	18.2	--
Bell Atlantic-GTE merger severance costs	29.0	--
Bell Atlantic-GTE merger transition costs	4.8	--
Other charges and special items	5.5	--
	57.5	--
Depreciation and Amortization Expenses		
Bell Atlantic- GTE merger accounting conformity adjustments	(3.5)	(7.0)
Interest Expense		
Regulatory contingency	.3	--
Net impact on pre-tax income	$56.8	$(7.0)

What follows is a further explanation of the nature of these special items.

Bell Atlantic - GTE Merger

On June 30, 2000, Bell Atlantic and GTE completed a merger under a definitive merger agreement dated as of July 27, 1998. Under the terms of the agreement, GTE became a wholly owned subsidiary of Bell Atlantic. With the closing of the merger, the combined company began doing business as Verizon Communications Inc. (Verizon Communications). The merger qualified as a tax-free reorganization and has been accounted for as a pooling-of-interests business combination. Under this method of accounting, Bell Atlantic and GTE are treated as if they had always been combined for accounting and financial reporting purposes.

Merger-Related Charges

Direct Incremental Costs

Direct incremental costs related to the Bell Atlantic-GTE merger of $18.2 million (all of which was allocated from Verizon Services) include compensation, professional services and other costs. Compensation includes retention payments to employees that were contingent on the close of the merger. Professional services include investment banking, legal, accounting, consulting and other advisory fees incurred to obtain federal and state regulatory approvals and take other actions necessary to complete the merger. Other includes costs incurred to obtain shareholder approval of the merger, register securities and communicate with shareholders, employees and regulatory authorities regarding merger issues. Substantially all of the Bell Atlantic-GTE merger direct incremental costs have been paid as of December 31, 2000.

Employee Severance Costs

Employee severance costs related to the Bell Atlantic-GTE merger of $29.0 million (all of which was allocated from Verizon Services), as recorded under SFAS No. 112, "Employers' Accounting for Postemployment Benefits," represent the benefit costs for the separation of management employees who are entitled to benefits under pre-existing separation plans, as well as an accrual for ongoing SFAS No. 112 obligations for former GTE employees. The separations either have or are expected to occur as a result of consolidations and process enhancements within our company. Accrued postemployment benefit liabilities for those employees are included in our balance sheets as a component of Accounts Payable and Accrued Liabilities - Other.

Transition Costs

In addition to the direct merger-related and severance costs discussed above, from the date of the Bell Atlantic-GTE merger, we expect to incur transition costs over the next several years related to the Bell Atlantic-GTE merger. These costs will be incurred to integrate systems, consolidate real estate, relocate employees and meet certain regulatory conditions of the merger. They also include costs for advertising and other costs to establish the Verizon brand. Transition costs related to the Bell Atlantic-GTE merger were $4.8 million in 2000 (including $2.6 million allocated from Verizon Services).

Accounting Conformity Adjustments

Results of operations also included adjustments that were required to conform our accounting methods and presentation to that of Verizon Communications. These conforming adjustments are differences in capitalization policies. As a result of these adjustments, operating income increased $3.5 million and $7.0 million for the years ended 2000 and 1999, respectively.

Other Charges and Special Items

Regulatory Contingency

In the second quarter of 2000, we recognized a pre-tax charge for a regulatory matter totaling $1.3 million. We recorded a reduction to operating revenue in the amount of $1.0 million and a charge to interest expense of $.3 million. This matter relates to a specific issue currently under investigation by the Federal Communications Commission (FCC). We believe that it is probable that the ultimate resolution of this matter will result in refunds to customers, including interest.

Other Items

In the second quarter of 2000, we also recorded other charges and special items totaling approximately $7.0 million pre-tax.

These and other items affecting the comparison of our results of operations for the years ended December 31, 2000 and 1999 are discussed in the following sections.

Results of Operations

We have two reportable segments, which provides domestic wireline telecommunications services. You can find additional information about segment reporting in Note 13 to the financial statements.

OPERATING REVENUE STATISTICS

	2000	1999	% Change
At Year-End			
*Access Lines in Service (in thousands)**			
Residence	1,711	1,686	1.5%
Business	744	732	1.6
Public	20	22	(9.1)
	2,475	2,440	1.4
For the year,			
Access Minutes of Use (in millions)	11,396	11,322	0.6%

*1999 reflects a restatement of access lines in service.

OPERATING REVENUES
(Dollars in Millions)

Years Ended December 31,	2000	1999
Local services	$ 839.0	$ 803.4
Network access services	624.6	604.1
Long distance services	28.6	29.0
Other services	178.1	265.0
Total	$ 1,670.3	$ 1,701.5

LOCAL SERVICES

	Increase	
2000 - 1999	$35.6	4.4%

Local service revenues are earned from the provision of local exchange, local private line, wire maintenance, voice messaging and value-added services. Value-added services are a family of services that expand the utilization of the network, including products such as Caller ID, Call Waiting and Return Call. Local services also includes wholesale revenues from unbundled network element (UNE) platforms, certain data transport revenues, and wireless interconnection revenues.

Growth in local service revenues in 2000 was primarily due to increased demand for inside wire maintenance and directory and operator assistance services. Increased demand for our enhanced customer calling services, such as SmartCall® and CLASS services further contributed to the increase. Furthermore, as a result of higher usage of our network, access lines grew 1.4% in 2000 compared to 1999, generating additional revenues from basic local services, CentraNet® services, Integrated Services Digital Network and Digital Channel Services.

NETWORK ACCESS SERVICES

	Increase	
2000 - 1999	$20.5	3.4%

Network access revenues are earned from end-user subscribers and from long distance and other competing carriers who use our local exchange facilities to provide usage services to their customers. Switched access revenues are derived from fixed and usage-based charges paid by carriers for access to our local network. Special access revenues originate from carriers and end-users that buy dedicated local exchange capacity to support their private networks. End-user access revenues are earned from our customers and from resellers who purchase dial-tone services.

Increased demand for special access services, reflecting a greater utilization of our network, was the primary reason for the increase in network access services revenues in 2000.

Special access related revenue growth was largely offset by price reductions associated with mandated interstate and intrastate access price reductions and other regulatory decisions. The FCC regulates rates that we charge long distance carriers and end-user subscribers for interstate access services. We are required to file new access rates with the FCC each year. In July 2000, we implemented the Coalition for Affordable Local and Long Distance Service (CALLS) plan. Rates included in the July 2000 CALLS plan will be in effect through June 2001. You can find additional information on FCC rulemakings concerning federal access rates, universal service and unbundling network elements in Item 1 - "Description of Business, Operations - FCC Regulation and Interstate Rates." Further offsetting the increase was a decrease associated with a special charge recorded in 2000 for a regulatory matter.

LONG DISTANCE SERVICES

	(Decrease)	
2000 - 1999	$(0.4)	(1.4)%

Long distance revenues are earned primarily from calls made to points outside a customer's local calling area, but within our service area (intraLATA toll). IntraLATA toll calls originate and terminate within the same LATA, but generally cover a greater distance than a local call. These services are regulated by state regulatory commissions except where they cross state lines. Other long distance services that we provide include 800 services and Wide Area Telephone Service (WATS).

The decline in long distance revenues in 2000 was principally caused by a decrease in revenues from private network lines and the competitive effects of other providers of long distance services. Partially offsetting this decrease were higher revenues from the resale of intraLATA long distance services.

OTHER SERVICES

	(Decrease)	
2000 - 1999	$(86.9)	(32.8)%

Our other services include such services as billing and collections for long distance carriers and affiliates, facilities rentals to affiliates and nonaffiliates, collocation for competitive local exchange carriers, usage of separately priced (unbundled) components of our network by competitive local exchange carriers, public (coin) telephone and customer premises equipment (CPE). Other services revenues also include directory services revenues.

The decrease in other services revenues in 2000 was principally due to the impact of a change in the recognition of directory publishing revenues which resulted in a decrease in revenues (for additional information see Note 1 - Directory Publishing Revenues). Further contributing to the decrease was a special charge recorded in 2000.

Partially offsetting these decreases were higher revenues from competitive local exchange carriers for interconnection of their networks with our network.

OPERATING EXPENSES

(Dollars in Millions)

OPERATIONS AND SUPPORT

	Increase	
2000 - 1999	$128.6	15.6%

Operations and support expenses consist of employee costs and other operating expenses. Employee costs consist of salaries, wages and other employee compensation, employee benefits and payroll taxes. Other operating expenses consist of contract services including centralized services expenses allocated from Verizon Services, rent, network software costs, operating taxes other than income, the provision for uncollectible accounts receivable, and other costs.

The increase in operations and support expenses was primarily due to merger-related costs, the effect of higher work force levels, and annual salary and wage increases for management and associate employees. Partially offsetting these decreases were lower benefit costs principally due to a gain associated with lump-sum settlements of pension obligations for former GTE employees and the effect of a charge in 1999 for an employee reduction program.

DEPRECIATION AND AMORTIZATION

	Increase	
2000 - 1999	$12.9	3.6 %

Depreciation and amortization expense increased primarily due to continued investment in our network. Partially affecting the increase in depreciation and amortization expense were adjustments made to conform the accounting policies of Bell Atlantic and GTE as a result of the merger.

OTHER INCOME, NET

	(Decrease)	
2000 - 1999	$(3.1)	(4.1)%

The decrease in other income, net was primarily attributable to a decrease in interest income from an affiliate due to lower levels of activity.

INTEREST EXPENSE

	(Decrease)	
2000 - 1999	$(2.6)	(1.8)%

Interest expense includes costs associated with borrowing and capital leases, net of interest capitalized as a cost of acquiring or constructing plant assets.

Interest expense decreased in 2000 primarily due to lower levels of average debt.

EFFECTIVE INCOME TAX RATES

Years Ended December 31,	
2000	39.2%
1999	38.8%

The effective income tax rate is the provision for income taxes as a percentage of income before provision for income taxes, extraordinary items and cumulative effect of change in accounting principle. Our effective income tax rate was higher for the year ended December 31, 2000 compared to 1999 primarily due to the decrease in 2000 pre-tax income and nonrecurring income tax expenses recorded in 2000, slightly offset by a decrease in preferred dividends.

You can find a reconciliation of the statutory federal income tax rate to the effective income tax rate for each period in Note 9 to the consolidated financial statements.

OTHER MATTERS

Recent Accounting Pronouncements - Derivatives and Hedging Activities

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement requires that all derivatives be measured at fair value and recognized as either assets or liabilities in our balance sheet. Changes in the fair values of derivative instruments not used as hedges will be recognized in earnings immediately. Changes in the fair values of derivative instruments used effectively as hedges will be recognized either in earnings for hedges of changes in fair value or in Other Comprehensive Income (Loss) for hedges of changes in cash flows. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings.

In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," which amended SFAS No. 133. The amendments in SFAS No. 138 address certain implementation issues and relate to such matters as the normal purchases and normal sales exception, the definition of interest rate risk, hedging recognized foreign-currency-denominated assets and liabilities, and intercompany derivatives.

Effective January 1, 2001, we will adopt SFAS No. 133 and SFAS No. 138. The initial impact of adoption on our financial statements will not be material. The ongoing effect of adoption on our financial statements will be determined each quarter by several factors, including the specific hedging instruments in place and their relationships to hedged items, as well as market conditions at the end of each period.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

We are exposed to interest rate risk in the normal course of our business. The majority of our debt is fixed rate debt and we did not have any derivatives as of December 31, 2000 and 1999. Our short-term borrowings from an affiliate expose our earnings to changes in short-term interest rates since the interest rate charged on such borrowings is typically fixed for less than one month.

The following table summarizes the fair values of our long-term debt as of December 31, 2000 and 1999. The table also provides a sensitivity analysis of the estimated fair values of these financial instruments assuming 100-basis-point upward and downward parallel shifts in the yield curve. The sensitivity analysis did not include the fair values of our short-term borrowings from an affiliate since they are not significantly affected by changes in market interest rates.

	December 31	
(Dollars in Millions)	**2000**	**1999**
Fair value of long-term debt	$856.1	$844.5
Fair value assuming a +100-basis-point shift	794.1	781.7
Fair value assuming a –100-basis-point shift	924.9	914.2

Item 8. ***Financial Statements and Supplementary Data***

The information required by this Item is set forth on Pages F-1 through F-22.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

The information required by this item regarding a change in accountants is included in a Current Report on Form 8-K dated September 7, 2000.

PART III

Item 10. ***Directors and Executive Officers of Registrant***

(Omitted pursuant to General Instruction I(2).)

Item 11. ***Executive Compensation***

(Omitted pursuant to General Instruction I(2).)

Item 12. ***Security Ownership of Certain Beneficial Owners and Management***

(Omitted pursuant to General Instruction I(2).)

Item 13. ***Certain Relationships and Related Transactions***

(Omitted pursuant to General Instruction I(2).)

PART IV

Item 14. ***Exhibits, Financial Statement Schedules, and Reports on Form 8-K***

(a) The following documents are filed as part of this report:

(1) Financial Statements

See Index to Financial Statements and Financial Statement Schedule appearing on Page F-1.

(2) Financial Statement Schedules

See Index to Financial Statements and Financial Statement Schedule appearing on Page F-1.

(3) Exhibits

Exhibits identified in parentheses below, on file with the Securities and Exchange Commission (SEC), are incorporated herein by reference as exhibits hereto.

3.1 Amended Articles of Incorporation. (Exhibit 3.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995, File No. 1-3090.)

3.2 Amended Bylaws. (Exhibit 3.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995, File No. 1-3090.)

3.3 Amended Articles of Incorporation. (Exhibit 3.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, File No. 1-3090.)

4.1 Indenture dated as of November 1, 1993 between GTE Florida Incorporated and NationsBank of Georgia, National Association, as Trustee. (Exhibit 4.1 of the Company's Registration Statement on Form S-3, File No. 33-50711.)

4.2 First Supplemental Indenture dated as of January 1, 1998 between GTE Florida Incorporated and The Bank of New York, as Trustee (as successor trustee to NationsBank of Georgia, National Association). (Exhibit 4.2 of the Company's Registration Statement on Form S-3, File No. 333-43507, as amended.)

23.1 Consent of Independent Auditors.

23.2 Consent of Independent Public Accountants.

(b) Reports on Form 8-K:

There were no Current Reports on Form 8-K filed during the quarter ended December 31, 2000.

Verizon Florida Inc.

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.

Verizon Florida Inc.

Date: March 30, 2001

By /s/ Edwin F. Hall
Edwin F. Hall
Controller

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 date indicated.

Signature	Title	Date
/s/ John P. Blanchard John P. Blanchard	President and Director (Principal Executive Officer)	March 30, 2001
/s/ Lawrence R. Whitman Lawrence R. Whitman	Vice President-Finance & Planning (Principal Financial Officer)	March 30, 2001
/s/ Edwin F. Hall Edwin F. Hall	Controller	March 30, 2001
/s/ Kimberly Caswell Kimberly Caswell	Director	March 30, 2001
/s/ John A. Ferrell John A. Ferrell	Director	March 30, 2001

Verizon Florida Inc.

Index to Financial Statements and Financial Statement Schedule

Financial statement schedules other than that listed above have been omitted because such schedules are not required or applicable.

Verizon Florida Inc.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareowner
Verizon Florida Inc.

We have audited the accompanying consolidated balance sheet of Verizon Florida Inc. (the Company) as of December 31, 2000 and the related consolidated statements of income, shareowner's investment, and cash flows for the year then ended. Our audit also included the financial statement schedule listed in the index at Item 14(a). These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Verizon Florida Inc. at December 31, 2000, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

New York, New York
February 1, 2001

Verizon Florida Inc.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareowner of
Verizon Florida Inc.:

We have audited the accompanying consolidated balance sheet of Verizon Florida Inc. (a Florida corporation and wholly owned subsidiary of Verizon Communications Inc.) and subsidiary as of December 31, 1999, and the related consolidated statements of income, changes in shareowner's investment and cash flows for each of the two years in the period then ended, as set forth under Item 14 of this report. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Verizon Florida Inc. and subsidiary as of December 31, 1999, and the results of their operations and their cash flows for each of the two years in the period then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for computer software costs in accordance with AICPA Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," effective January 1, 1999.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The 1999 and 1998 supporting schedule listed under Item 14 is presented for the purpose of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. The 1999 and 1998 supporting schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the related financial statements taken as a whole.

/s/Arthur Andersen LLP

Dallas, Texas,
June 30, 2000

Verizon Florida Inc.

CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31
(Dollars in Millions)

	2000	1999	1998
OPERATING REVENUES (including $.5, $101.9, and $104.7 from affiliate)	$1,670.3	$1,701.5	$1,617.3
OPERATING EXPENSES			
Operations and support (including $258.3, $199.8 and $234.8 to affiliates)	955.4	826.8	906.9
Depreciation and amortization	370.9	358.0	358.2
	1,326.3	1,184.8	1,265.1
OPERATING INCOME	344.0	516.7	352.2
OTHER INCOME, NET (including $72.2, $83.8 and $99.7 from affiliates)	72.4	75.5	95.8
INTEREST EXPENSE (including $26.7, $13.8 and $6.4 to affiliates)	142.4	145.0	163.0
INCOME BEFORE PROVISION FOR INCOME TAXES AND EXTRAORDINARY ITEM	274.0	447.2	285.0
PROVISION FOR INCOME TAXES	107.4	173.6	106.5
INCOME BEFORE EXTRAORDINARY ITEM	166.6	273.6	178.5
EXTRAORDINARY ITEM			
Early extinguishment of debt, net of tax	--	--	(3.4)
NET INCOME	$ 166.6	$ 273.6	$ 175.1

See Notes to Consolidated Financial Statements.

Verizon Florida Inc.

CONSOLIDATED BALANCE SHEETS
(Dollars in Millions)

ASSETS

	December 31 2000	1999
CURRENT ASSETS		
Cash	$ 71.9	$ 127.6
Short-term investments	54.2	23.0
Accounts receivable:		
Trade and other, net of allowances for uncollectibles of $27.7 and $34.0	289.9	404.7
Affiliates	27.7	15.1
Notes receivable from affiliates	884.7	1,422.8
Material and supplies	19.8	17.5
Prepaid expenses	52.4	22.6
Deferred income taxes	10.6	5.2
Other	33.5	--
	1,444.7	2,038.5
PLANT, PROPERTY AND EQUIPMENT	4,998.6	4,784.7
Less accumulated depreciation	3,077.3	2,873.3
	1,921.3	1,911.4
PREPAID PENSION ASSET	398.8	293.9
OTHER ASSETS	127.0	10.7
TOTAL ASSETS	$ 3,891.8	$ 4,254.5

See Notes to Consolidated Financial Statements.

Verizon Florida Inc.

CONSOLIDATED BALANCE SHEETS
(Dollars in Millions, Except Per Share Amount)

LIABILITIES AND SHAREOWNER'S INVESTMENT

	December 31 2000	1999
CURRENT LIABILITIES		
Debt maturing within one year:		
Notes payable to affiliates	$1,173.3	$ 3.6
Other	2.2	1,730.5
Accounts payable and accrued liabilities:		
Affiliates	85.0	172.4
Other	159.3	127.0
Other current liabilities	106.3	63.2
	1,526.1	2,096.7
LONG-TERM DEBT	890.0	892.1
EMPLOYEE BENEFIT OBLIGATIONS	247.5	225.4
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred income taxes	263.9	214.2
Other	102.5	.6
	366.4	214.8
COMMITMENTS AND CONTINGENCIES (Notes 4 and 12)		
SHAREOWNER'S INVESTMENT		
Preferred stock	--	21.2
Common stock - $25 par value per share	585.0	585.0
Authorized shares: 50,000,000		
Outstanding shares: 23,400,000		
Contributed capital	175.9	57.6
Reinvested earnings	100.9	161.7
	861.8	825.5
TOTAL LIABILITIES AND SHAREOWNER'S INVESTMENT	$3,891.8	$4,254.5

See Notes to Consolidated Financial Statements.

Verizon Florida Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREOWNER'S INVESTMENT
For the Years Ended December 31
(Dollars in Millions)

	2000	1999	1998
COMMON STOCK			
Balance at beginning of year	$585.0	$585.0	$585.0
Balance at end of year	585.0	585.0	585.0
CONTRIBUTED CAPITAL			
Balance at beginning of year	57.6	50.3	50.3
Tax benefit from exercise of stock options	.6	7.3	--
Capital contribution in connection with merger	117.7	--	--
Balance at end of year	175.9	57.6	50.3
REINVESTED EARNINGS			
Balance at beginning of year	161.7	108.2	88.0
Net income	166.6	273.6	175.1
Dividends declared	(110.2)	(220.1)	(154.9)
Dividend paid in connection with merger	(117.7)	--	--
Other	.5	--	--
Balance at end of year	100.9	161.7	108.2
REDEEMABLE PREFERRED STOCK			
Balance at beginning of year	21.2	21.2	21.2
Redemption of preferred stock	(21.2)	--	--
Balance at end of year	--	21.2	21.2
TOTAL SHAREOWNER'S INVESTMENT	$861.8	$825.5	$764.7

See Notes to Consolidated Financial Statements.

Verizon Florida Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31
(Dollars in Millions)

	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$166.6	$273.6	$175.1
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	370.9	358.0	358.2
Extraordinary item, net of tax	--	--	3.4
Equity loss from affiliate	.3	--	--
Deferred taxes and investment tax credits, net	44.7	23.0	(26.1)
Employee retirement benefits	(95.3)	(86.7)	(21.8)
Provision for uncollectibles	28.8	38.5	39.9
Gain on sale of operating assets	(1.9)	--	--
Other items, net	23.1	29.1	38.0
Changes in certain assets and liabilities:			
Accounts receivable	71.8	(117.7)	129.8
Material and supplies	(2.3)	4.1	9.5
Other assets	(37.8)	(13.8)	(15.8)
Accounts payable and accrued liabilities	.4	3.3	43.8
Other current liabilities	43.0	(22.8)	(46.6)
Net cash provided by operating activities	612.3	488.6	687.4
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of short-term investments	(31.2)	--	--
Net change in notes receivable from affiliates	538.1	--	--
Capital expenditures	(396.7)	(316.1)	(408.7)
Other, net	(21.1)	.4	.3
Net cash provided by (used in) investing activities	89.1	(315.7)	(408.4)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	--	--	297.0
Long-term debt and preferred stock retired, including premiums paid on early retirement	(24.2)	--	(137.3)
Net change in note payable to affiliate	1,169.7	(306.6)	(17.6)
Dividends paid	(174.3)	(184.1)	(167.7)
Increase (decrease) in short-term obligations, excluding current maturities	(1,728.3)	331.9	(197.6)
Net cash used in financing activities	(757.1)	(158.8)	(223.2)
NET CHANGE IN CASH	(55.7)	14.1	55.8
CASH, BEGINNING OF YEAR	127.6	113.5	57.7
CASH, END OF YEAR	$ 71.9	$127.6	$113.5

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Verizon Florida Inc. is a wholly owned subsidiary of GTE Corporation (GTE), which is a wholly owned subsidiary of Verizon Communications Inc. (Verizon Communications). We have two reportable segments (see Note 13).

Our telephone operations range from local telephone service for the home and office to highly complex voice and data services for various industries. We provide local telephone service within our franchise area and intraLATA (Local Access Transport Area) toll service between our facilities and the facilities of other telephone companies within our LATA. InterLATA service to other points in and out of the state in which we operate is provided through connection with long-distance carriers. These carriers are charged fees (access charges) for interconnection to our local facilities. Business and residential customers also pay access charges to connect to the local network to obtain long-distance service. We earn other revenues by providing such services as billing and collection and operator services to long-distance carriers.

Our funding operations (GTE Funding, a wholly owned subsidiary of Verizon Florida Inc.) provide short-term financing and investment vehicles and cash management services for seven of Verizon Communications' domestic operating telephone companies, including our Company.

Basis of Presentation

We prepare our financial statements using generally accepted accounting principles which require management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

The consolidated financial statements include the accounts of Verizon Florida Inc. and its wholly owned subsidiary, GTE Funding Incorporated (GTE Funding). All significant intercompany accounts and transactions have been eliminated.

Our investment in Verizon Advanced Data Inc. (VADI), an affiliated company which provides new exchange access services, is accounted for using the equity method of accounting. At December 31, 2000, our ownership interest in VADI was 1.56%.

We have reclassified certain amounts from prior periods to conform with our current presentation.

Revenue Recognition

We recognize revenues when services are rendered based on usage of our local exchange network and facilities. For other products and services, revenues are generally recognized when services are rendered or products are delivered to customers.

We adopted the provisions of the Securities and Exchange Commission (SEC) Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements," in the fourth quarter, retroactive to January 1, 2000, as required by the SEC. As a result of the adoption of SAB No. 101, we now defer nonrecurring service activation revenues and costs and amortize them over the expected term of the customer relationship. Previously, these revenues and costs were recognized when the activation service was performed. This change in accounting did not have a material impact on our results of operations for 2000. Our balance sheet at December 31, 2000 includes deferred activation costs as a component of Current assets – other ($26.0 million) and Other Assets ($103.9 million) and deferred activation revenues as a component of Current liabilities – other ($26.0 million) and Deferred credits and other liabilities – other ($103.9 million).

Maintenance and Repairs

We charge the cost of maintenance and repairs, including the cost of replacing minor items not constituting substantial betterments, to Operations and Support Expenses.

Cash and Cash Equivalents

We consider all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents, except cash equivalents held as short-term investments. Cash equivalents are stated at cost, which approximates market value.

Short-term Investments

Our short-term investments consist of cash equivalents held in trust to pay for certain employee benefits. Short-term investments are stated at cost, which approximates market value.

Material and Supplies

We include in inventory new and reusable materials which are stated principally at average original cost, except that specific costs are used in the case of large individual items.

Plant and Depreciation

We state plant, property, and equipment at historical cost. Depreciation expense is principally based on the composite group remaining life method and straight-line composite rates. This method provides for the recognition of the cost of the remaining net investment in telephone plant, less anticipated net salvage value, over the remaining asset lives. This method requires the periodic revision of depreciation rates. We used the following asset lives:

Average Lives (in years)	
Buildings	30 – 35
Central office equipment	8 – 10
Outside communications plant	15 – 40
Furniture, vehicles and other	3 – 10

When we replace or retire depreciable telephone plant, we deduct the carrying amount of such plant from the respective accounts and charge accumulated depreciation.

We capitalize interest associated with the acquisition or construction of plant assets. Capitalized interest is reported as a cost of plant and a reduction in interest expense.

Computer Software Costs

We capitalize the cost of internal-use software which has a useful life in excess of one year in accordance with Statement of Position (SOP) No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred. Also, we capitalize interest associated with the development of internal-use software. Capitalized computer software costs are amortized using the straight-line method over a period of 3 to 5 years. The effect of adopting SOP No. 98-1 for Verizon Communications was an increase in net income of approximately $560 million in 1999.

Prior to adopting SOP No. 98-1, we capitalized initial right-to-use fees for central office switching equipment, including initial operating system and initial application software costs. For non-central office equipment, only the initial operating system software was capitalized. Subsequent additions, modifications, or upgrades of initial software programs, whether operating or application packages, were expensed as incurred.

Income Taxes

Verizon Communications and its domestic subsidiaries, including us, file a consolidated federal income tax return.

Current and deferred tax expense is determined by applying the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," to each subsidiary as if it were a separate taxpayer.

Advertising Costs

We expense advertising costs as they are incurred.

Employee Benefit Plans

We participate in the Verizon Communications benefit plans. Under these plans, pension and postretirement health care and life insurance benefits earned during the year as well as interest on projected benefit obligations are accrued currently. Prior service costs and credits resulting from changes in plan benefits are amortized over the average remaining service period of the employees expected to receive benefits.

Directory Publishing Revenues

Consistent with industry practice, effective January 1, 2000, we changed our method of recognizing directory publishing revenues. Verizon Information Services Inc. (Directories), a wholly owned subsidiary of GTE, publishes telephone directories for which it receives advertising revenue. Under our previous method of revenue recognition, approximately 60% of the advertising revenue for directories published by Directories in our operating areas was recognized as revenue. The remaining 40% was recognized as revenue by Directories. Under the new method of revenue recognition, Directories now recognizes 100% of the directory publishing revenues. We, in turn, bill Directories for customer listing information and billing and collection services. As a result, our other services revenues and operating income for the year ended December 31, 2000 decreased $103.5 million and $95.3 million, respectively, compared to 1999.

Recent Accounting Pronouncements - Derivatives and Hedging Activities

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement requires that all derivatives be measured at fair value and recognized as either assets or liabilities in our balance sheet. Changes in the fair values of derivative instruments not used as hedges will be recognized in earnings immediately. Changes in the fair values of derivative instruments used effectively as hedges will be recognized either in earnings for hedges of changes in fair value or in Other Comprehensive Income (Loss) for hedges of changes in cash flows. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings.

In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," which amended SFAS No. 133. The amendments in SFAS No. 138 address certain implementation issues and relate to such matters as the normal purchases and normal sales exception, the definition of interest rate risk, hedging recognized foreign-currency-denominated assets and liabilities, and intercompany derivatives.

Effective January 1, 2001, we will adopt SFAS No. 133 and SFAS No. 138. The initial impact of adoption on our financial statements will not be material. The ongoing effect of adoption on our financial statements will be determined each quarter by several factors, including the specific hedging instruments in place and their relationships to hedged items, as well as market conditions at the end of each period.

Comprehensive Income

We had no comprehensive income components for the years ended December 31, 2000, 1999 and 1998. Therefore, comprehensive income is the same as net income for all three years.

2. COMPLETION OF MERGER

On June 30, 2000, Bell Atlantic and GTE completed a merger under a definitive merger agreement dated as of July 27, 1998. Under the terms of the agreement, GTE became a wholly owned subsidiary of Bell Atlantic. With the closing of the merger, the combined company began doing business as Verizon Communications. The merger qualified as a tax-free reorganization and has been accounted for as a pooling-of-interests business combination. Under this method of accounting, Bell Atlantic and GTE are treated as if they had always been combined for accounting and financial reporting purposes.

The following table summarizes the one-time charges incurred for the merger:

	(Dollars in Millions)
Year Ended December 31,	**2000**
Direct incremental costs	$18.2
Employee severance costs	29.0
Transition costs	4.8
Total Merger-Related Costs	$52.0

The following table provides a reconciliation of the liabilities associated with Bell Atlantic-GTE merger-related costs and other charges and special items described below:

(Dollars in Millions)
2000

	Charged to Expense or Revenue	**Payments**	**Asset Write-offs and Other**	**End of Year**
Merger-Related				
Direct incremental costs	$ 18.2	$ (17.9)	$ --	$ .3
Employee severance costs	29.0	(8.1)	.8	21.7
	$ 47.2	$ (26.0)	$ .8	$ 22.0

Merger-Related Charges

Direct Incremental Costs

Direct incremental costs related to the Bell Atlantic-GTE merger of $18.2 million (all of which was allocated from Verizon Services) include compensation, professional services and other costs. Compensation includes retention payments to employees that were contingent on the close of the merger. Professional services include investment banking, legal, accounting, consulting and other advisory fees incurred to obtain federal and state regulatory approvals and take other actions necessary to complete the merger. Other includes costs incurred to obtain shareholder approval of the merger, register securities and communicate with shareholders, employees and regulatory authorities regarding merger issues. Substantially all of the Bell Atlantic-GTE merger direct incremental costs have been paid as of December 31, 2000.

Employee Severance Costs

Employee severance costs related to the Bell Atlantic-GTE merger of $29.0 million (all of which was allocated from Verizon Services), as recorded under SFAS No. 112, "Employers' Accounting for Postemployment Benefits," represent the benefit costs for the separation of management employees who are entitled to benefits under pre-existing separation plans, as well as an accrual for ongoing SFAS No. 112 obligations for former GTE employees. The separations either have or are expected to occur as a result of consolidations and process enhancements within our company. Accrued postemployment benefit liabilities for those employees are included in our balance sheets as a component of Accounts Payable and Accrued Liabilities - Other.

Transition Costs

In addition to the direct merger-related and severance costs discussed above, from the date of the Bell Atlantic-GTE merger, we expect to incur transition costs over the next several years related to the Bell Atlantic-GTE merger. These costs will be incurred to integrate systems, consolidate real estate, relocate employees and meet certain regulatory conditions of the merger. They also include costs for advertising and other costs to establish the Verizon brand. Transition costs related to the Bell Atlantic-GTE merger were $4.8 million in 2000 (including $2.6 million allocated from Verizon Services).

Accounting Conformity Adjustments

Results of operations also included adjustments that were required to conform our accounting methods and presentation to that of Verizon Communications. These conforming adjustments are differences in capitalization policies. As a result of these adjustments, operating income increased $3.5 million in 2000 and $7.0 million in 1999, and decreased $15.2 million in 1998.

3. PLANT, PROPERTY AND EQUIPMENT

The following table displays the details of plant, property and equipment, which is stated at cost:

(Dollars in Millions)	December 31 2000	1999
Land	$ 20.7	$ 20.4
Buildings	248.9	235.7
Central office equipment	1,942.2	1,845.8
Outside communications plant	2,421.8	2,329.0
Furniture, vehicles and other work equipment	277.1	292.7
Other	72.5	49.2
Construction-in-progress	15.4	11.9
	4,998.6	4,784.7
Accumulated depreciation	(3,077.3)	(2,873.3)
Total	$ 1,921.3	$ 1,911.4

4. LEASES

We lease certain facilities and equipment for use in our operations under both capital and operating leases. There were no significant capital lease obligations in 2000, 1999 and 1998.

Capital lease amounts included in plant, property and equipment are as follows:

(Dollars in Millions)	December 31 2000	1999
Capital leases	$ 5.1	$ 5.1
Accumulated amortization	(1.2)	(.2)
Total	$ 3.9	$ 4.9

Total rent expense amounted to $31.0 million in 2000, $24.0 million in 1999 and $28.8 million in 1998.

This table displays the aggregate minimum rental commitments under noncancelable leases for the periods shown at December 31, 2000:

(Dollars in Millions) Years	Capital Leases	Operating Leases
2001	$ 2.5	$ 17.0
2002	--	11.7
2003	--	8.3
2004	--	7.0
2005	--	5.0
Thereafter	--	43.4
Total minimum rental commitments	2.5	$ 92.4
Less interest and executory costs	.2	
Present value of minimum lease payments	2.3	
Less current installments	2.2	
Long-term obligation at December 31, 2000	$ .1	

5. DEBT

Debt Maturing Within One Year

Debt maturing within one year consists of the following at December 31:

(Dollars in Millions)	2000	1999
Commercial paper	$ --	$ 1,728.4
Note payable to affiliate (VNFC)	1,160.5	--
Note payable to affiliate (SW)	12.8	--
Note payable to affiliate (GTE)	--	3.6
Long-term debt maturing within one year	2.2	2.1
Total debt maturing within one year	$ 1,175.5	$ 1,734.1
Weighted average interest rate for note payable outstanding at year-end	6.57%	6.10%

Through our subsidiary GTE Funding, we have a contractual agreement with an affiliated company, Verizon Network Funding Corporation (VNFC), for the provision of short-term financing and cash management services. VNFC issues commercial paper and obtains bank loans to fund the working capital requirements of Verizon Communications' network services subsidiaries, including us, and invests funds in temporary investments on their behalf.

We participate with other affiliates in a $1.5 billion, 364-day syndicated revolving line of credit and have access to an additional $2.0 billion in short-term liquidity through GTE Funding's committed bi-lateral revolving lines of credit.

Our subsidiary, GTE Funding, provides short-term financing and investment vehicles and cash management services for us and six other domestic telephone operating subsidiaries. Each of these companies is contractually obligated to repay all amounts borrowed from GTE Funding. As of December 31, 2000, GTE Funding owed $12.8 million related to short-term financing activities provided on behalf of Verizon Southwest (SW). In 1999, we also obtained short-term financing through advances from an affiliated company, GTE.

Long-Term Debt

Long-term debt consists principally of debentures that we have issued. Interest rates and maturities of the amounts outstanding are as follows at December 31:

Description	Interest Rate	Maturity	2000	1999
			(Dollars in Millions)	
Nine year debenture	6.31%	2002	$200.0	$200.0
Ten year debenture	6.25	2005	100.0	100.0
Thirty year debenture	7.41	2023	200.0	200.0
Thirty year debenture	7.25	2025	100.0	100.0
Thirty year debenture	6.86	2028	300.0	300.0
			900.0	900.0
Unamortized discount and premium, net			(10.1)	(10.3)
Capital lease obligations – average rate 7.26% and 10.73%			2.3	4.5
Total long-term debt, including current maturities			892.2	894.2
Less maturing within one year			2.2	2.1
Total long-term debt			$890.0	$892.1

The aggregate principal amount of bonds and debentures that may be issued is subject to the restrictions and provisions of our indentures. None of the securities shown above were held in sinking or other special funds or pledged by us. Debt discounts and premiums on our outstanding long-term debt are amortized over the lives of the respective issues. Substantially all of our telephone plant is subject to the liens of the indentures under which the bonds listed above were issued.

6. FINANCIAL INSTRUMENTS

Concentrations of Credit Risk

Financial instruments that subject us to concentrations of credit risk consist primarily of short-term investments and trade receivables. Concentrations of credit risk with respect to trade receivables other than those from AT&T are limited due to the large number of customers. We generated revenues from services provided to AT&T (primarily network access and billing and collection) of $139.9 million in 2000, $127.4 million in 1999 and $159.5 million in 1998.

Fair Values of Financial Instruments

The table below provides additional information about our material financial instruments at December 31:

Financial Instrument	Valuation Method
Notes payable to affiliates (VNFC, SW, GTE) and short-term investments	Carrying amounts
Debt (excluding capital leases)	Future cash flows discounted at current rates

	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Dollars in Millions)			
Debt	$2,063.2	$2,029.3	$2,621.7	$2,576.5

7. REDEEMABLE PREFERRED STOCK

In March 2000, we redeemed all 847,800 outstanding shares of preferred stock and paid call premiums of $.8 million pretax on the early redemption.

Cumulative preferred stock, not subject to mandatory redemption and exclusive of amounts held in treasury, at December 31, 1999 was as follows:

(Dollars in Millions)			Shares	Amount
Authorized				
$25 par value			4,880,000	
Outstanding				
$1.30	Series B	$25 par value	475,900	$11.9
$1.25	Series	$25 par value	371,900	9.3
Total			847,800	$21.2

Prior to the March 2000 redemptions, in the event of non-payment of at least twelve months of accrued dividends, each class of preferred shareholders, voting as a class, were entitled to elect two directors in addition to those directors elected by GTE. Otherwise, the preferred shareholders had no voting rights. We were not in arrears in our dividend payments at December 31, 1999. No shares of preferred stock were reserved for officers and employees, or for options, warrants, conversions or other rights at December 31, 1999.

8. EMPLOYEE BENEFITS

We participate in the Verizon Communications benefit plans. Verizon Communications maintains noncontributory defined benefit pension plans for substantially all employees. The postretirement healthcare and life insurance plans for our retirees and their dependents are both contributory and noncontributory and include a limit on the company's share of cost for recent and future retirees. We also sponsor defined contribution savings plans to provide opportunities for eligible employees to save for retirement on a tax-deferred basis and to encourage employees to acquire and maintain an equity interest in Verizon Communications.

The structure of Verizon Communications' benefit plans does not provide for the separate determination of certain disclosures for our company. The required information is provided on a consolidated basis in Verizon Communications' Annual Report on Form 10-K for the year ended December 31, 2000.

Pension and Other Postretirement Benefits

Pension and other postretirement benefits for the majority of our employees are subject to collective bargaining agreements. Modifications in benefits have been bargained from time to time, and Verizon Communications may also periodically amend the benefits in the management plans.

Benefit Cost

				Years ended December 31		
	Pension			Healthcare and Life		
(Dollars in Millions)	2000	1999	1998	2000	1999	1998
Net periodic benefit (income) cost	$(38.9)	$(30.2)	$(25.9)	$32.8	$33.7	$23.1
Termination benefits, curtailments and other, net	(18.9)	6.6	---	---	---	---
Settlement gains	(46.9)	(74.5)	---	---	---	---
Subtotal	(65.8)	(67.9)	---	---	---	---
Total (income) cost	$(104.7)	$(98.1)	$(25.9)	$32.8	$33.7	$23.1

We recorded one-time costs for special termination benefits provided under voluntary and involuntary separation programs, curtailment losses and settlement gains. These curtailment losses and settlement gains are a result of the separation programs, as well as the required settlement gain or loss recognition, due to the fact that in 1999 and 2000, the Company's pension distributions surpassed the settlement threshold equal to the sum of service cost and interest cost requiring settlement gain or loss recognition for all cash settlements for the year.

Amounts recognized on the balance sheets consist of:

				December 31
	Pension		Healthcare and Life	
(Dollars in Millions)	2000	1999	2000	1999
Prepaid pension asset	$398.8	$293.9	---	---
Employee benefit obligations	(.6)	(1.1)	$(229.6)	$(218.2)

The changes in benefit obligations from year to year were caused by a number of factors, including changes in actuarial assumptions (see Assumptions) and plan amendments.

Assumptions

The actuarial assumptions used are based on market interest rates, past experience, and management's best estimate of future economic conditions. Changes in these assumptions may impact future benefit costs and obligations. The weighted-average assumptions used in determining expense and benefit obligations are as follows:

	Pension			Healthcare and Life		
	2000	1999	1998	2000	1999	1998
Discount rate at end of year	7.75%	8.00%	7.00%	7.75%	8.00%	7.00%
Long-term rate of return on plan assets for the year	9.25	9.00	9.00	8.00	8.00	8.00
Rate of future increases in compensation at end of year	5.00	5.50	4.75	---	---	---
Medical cost trend rate at end of year				5.00	6.50	6.75
Ultimate (year 2001)				5.00	5.50	5.50

Savings Plans and Employee Stock Ownership Plans

Substantially all of our employees are eligible to participate in savings plans maintained by Verizon Communications. Verizon Communications maintains a leveraged employee stock ownership plan (ESOP) for its management employees of the former GTE Companies. Under this plan, a certain percentage of eligible employee contributions are matched with shares of Verizon Communications' common stock. Verizon Communications recognizes leveraged ESOP cost based on the modified shares allocated method for this leveraged ESOP that held shares before December 31, 1989. We recognize savings plan cost based on our matching obligation attributed to our participating management employees. In addition to the ESOP, Verizon Communications also maintains a savings plan for non-management employees. We recorded total savings plan costs of $8.0 million in 2000, $5.8 million in 1999 and $5.0 million in 1998.

9. INCOME TAXES

The components of income tax expense (benefit) are presented in the following table:

	Years ended December 31		
(Dollars in Millions)	**2000**	**1999**	**1998**
Current:			
Federal	$ 55.7	$ 129.2	$ 112.1
State and local	7.0	21.4	20.5
	62.7	150.6	132.6
Deferred:			
Federal	36.8	19.8	(21.8)
State and local	7.9	3.2	(4.3)
	44.7	23.0	(26.1)
Total income tax expense	$ 107.4	$ 173.6	$ 106.5

The following table shows the primary reasons for the difference between the effective income tax rate and the statutory federal income tax rate:

	Years ended December 31		
	2000	**1999**	**1998**
Statutory federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefits	3.5	3.5	3.7
Other, net	.7	.3	(1.3)
Effective income tax rate	39.2%	38.8%	37.4%

Deferred taxes arise because of differences in the book and tax bases of certain assets and liabilities. Significant components of deferred tax liabilities (assets) are shown in the following table:

	December 31	
(Dollars in Millions)	**2000**	**1999**
Deferred tax liabilities:		
Depreciation	$ 192.1	$ 182.5
Pension	158.3	110.6
Other	23.9	20.0
	374.3	313.1
Deferred tax assets:		
Employee benefits	(97.5)	(88.3)
Investment tax credits	--	--
Other	(23.5)	(15.8)
	(121.0)	(104.1)
Net deferred tax liability	$ 253.3	$ 209.0

Deferred tax assets include approximately $83.4 million at December 31, 2000 and $75.5 million at December 31, 1999 related to postretirement benefit costs recognized under SFAS No. 106. This deferred tax asset will gradually be realized over the estimated lives of current retirees and employees.

10. ADDITIONAL FINANCIAL INFORMATION

The tables below provide additional financial information related to our financial statements:

(Dollars in Millions)	December 31 2000	1999
BALANCE SHEETS:		
Accounts payable and accrued liabilities:		
Accounts payable	$ 139.2	$ 137.3
Accrued vacation pay	25.5	20.8
Accrued expenses	62.7	27.0
Accrued taxes	6.7	38.3
Dividends payable	--	64.0
Interest payable	10.2	12.0
	$ 244.3	$ 299.4
Other current liabilities		
Advanced billings and customer deposits	50.5	49.3
Other	55.8	13.9
	$ 106.3	$ 63.2

(Dollars in Millions)	Years ended December 31 2000	1999	1998
STATEMENTS OF CASH FLOWS:			
Cash paid during the year for:			
Income taxes, net of amounts refunded	$ 135.3	$ 131.7	$ 102.8
Interest, net of amounts capitalized	148.2	134.3	162.8
STATEMENTS OF INCOME:			
Interest expense incurred, net of amounts capitalized	142.4	145.0	163.0
Capitalized interest	.6	1.2	1.8
Advertising expense	12.0	6.6	3.4

Advertising expense includes $11.8 million in 2000, $6.5 million in 1999 and $3.3 million in 1998 allocated to us by various affiliates

11. TRANSACTIONS WITH AFFILIATES

Our financial statements include transactions with GTE Communication Systems Corporation (GTE Communication Systems), Verizon Information Services Inc., Verizon Data Services Inc., Verizon Services Corp. (Verizon Services), GTE Funding, GTE and various other affiliates.

GTE Communication Systems provides construction and maintenance equipment, supplies and electronic repair services to us. We record these purchases and services at the lower of cost, including a return realized by GTE Communication Systems.

We have an agreement to provide subscriber lists, billing and collection and other services to Verizon Information Services Inc. (Directories). Effective in 2000, the directory publishing agreement was revised (see Note 1 – Directory Publishing Revenues). Directories bills us for printing and other costs associated with regulatory requirements included in the telephone directories, including the cost of any Extended Area Service sections in the directories. Directories also bills us for any advertising we place in the telephone directories.

Verizon Data Services Inc. provides data processing services, software application development and maintenance, which generally benefit Verizon Communications' operating telephone subsidiaries, including us. We are charged for these affiliated transactions based on proportional cost allocation methodologies.

The services provided by Verizon Services are divided into two broad categories. The first category is comprised of network related services which generally benefit only Verizon Communications' operating telephone subsidiaries. These services include marketing, sales, legal, accounting, finance, data processing, materials management, procurement, labor relations, and staff support for various network operations. The second category is comprised of overhead and support services which generally benefit all subsidiaries of Verizon Communications. Such services include corporate governance, corporate finance, external affairs, legal, media relations, employee communications, corporate advertising, human resources, and treasury. Cost may be either directly assigned to one subsidiary or allocated to more than one subsidiary based on functional reviews of the work performed.

Our subsidiary, GTE Funding, provides short-term financing, investing and cash management services to us and six other of Verizon Communications' domestic telephone operating subsidiaries. As of December 31, 2000, GTE Funding owes $12.1 million related to short-term financing activities provided on behalf of Verizon Southwest (SW). In 1999, we also obtained short-term financing through advances from an affiliated company, GTE. (See Notes 5 and 13).

In December 2000, we transferred our advanced data assets, with a net book value of approximately $4 million, for a 1.56% indirect ownership interest in Verizon Advanced Data Inc. (VADI). VADI is an affiliated company which provides new exchange access services. In connection with our investment, we record equity income/(losses).

Transactions with affiliates are summarized as follows:

	Years ended December 31		
(Dollars in Millions)	**2000**	**1999**	**1998**
Operating revenues:			
Verizon Information Services Inc.	$ .5	$101.9	$104.7
Operating expenses:			
GTE Communication Systems	38.7	43.9	42.1
Verizon Information Services Inc.	23.2	18.3	14.9
Verizon Data Services Inc.	42.4	37.4	52.8
Verizon Services	154.0	100.2	125.0
	258.3	199.8	234.8
Other income:			
Interest income from affiliates	72.0	83.7	79.3
Interest income from parent, GTE	.5	.1	20.4
Equity loss from VADI	(.3)	--	--
	72.2	83.8	99.7
Interest expense:			
Interest expense to affiliates	26.4	13.7	1.0
Interest expense to parent, GTE	.3	.1	5.4
	26.7	13.8	6.4
Dividends to parent, GTE:			
Dividends declared	110.2	220.1	154.9
Dividend declared in connection with merger	117.7	--	--
	227.9	220.1	154.9
Capital contribution from parent in connection with merger	117.7	--	--
Plant, property and equipment:			
Purchases from GTE Communication Systems	75.0	52.5	77.8

Outstanding balances with affiliates are reported on the balance sheets at December 31, 2000 and 1999 as Accounts Receivable - Affiliates, Note Payable to Affiliate, and Accounts Payable and Accrued Liabilities - Affiliates.

On February 1, 2001, we declared and paid a dividend in the amount of $40.0 million to our parent, GTE.

12. COMMITMENTS AND CONTINGENCIES

Various legal actions and regulatory proceedings are pending to which we are a party. We have established reserves for specific liabilities in connection with regulatory and legal matters which we currently deem to be probable and estimable. We do not expect that the ultimate resolution of pending regulatory and legal matters in future periods will have a material effect on our financial condition, but could have a material effect on our results of operations.

Several state and federal matters may require us to refund a portion of the revenues collected in the current and prior periods. The outcome of each pending matter, as well as the time frame within which each matter will be resolved, is not presently determinable.

Federal regulatory conditions to the Bell Atlantic – GTE merger include certain commitments to, among other things, promote competition and the widespread deployment of advanced services, while helping to ensure that consumers continue to receive high-quality, low cost telephone services. In some cases, there are significant penalties associated with not meeting these commitments. The cost of satisfying these commitments could have a significant impact on net income in future periods.

13. SEGMENT INFORMATION

We have two reportable segments, Telephone Operations and GTE Funding (see Note 1 for a description of these businesses).

GTE Funding has no reportable net income. Its interest expense is approximately equal to the interest income received on affiliate notes between GTE Funding and the various domestic telephone operating subsidiaries.

Accounting policies of the segments, as applicable, are the same as those described in Note 1 ("Description of Business and Summary of Significant Accounting Policies").

Segment results for the years ended or at December 31 were as follows:

(Dollars in Millions)	2000	1999
Telephone Operations:		
Total external revenues	$1,670.3	$1,701.5
Operating income	345.1	516.7
Depreciation and amortization	370.9	358.0
Interest expense	71.1	69.9
Interest income	.5	.4
Capital expenditures	396.7	316.1
Total assets	2,881.5	2,694.2
GTE Funding:		
Operating loss	$ (1.1)	$ --
Interest expense	80.1	83.8
Interest income	81.2	83.8
Total assets (a)	132.7	1,732.3
Consolidated Revenues	**$1,670.3**	**$1,701.5**
Consolidated Operating Income	**344.0**	**516.7**
Consolidated Assets	**3,891.8**	**4,254.5**

(a) Assets consist primarily of cash and cash equivalents and notes receivable from affiliates.

Verizon Florida Inc.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2000, 1999 and 1998
(Dollars in Millions)

Description	Balance at Beginning of Period	Additions: Charged to Expenses	Additions: Charged to Other Accounts Note(a)	Deductions Note (b)	Balance at End of Period
Allowance for Uncollectible Accounts Receivable:					
Year 2000	$34.0	$28.8	$30.9	$66.0	$27.7
Year 1999	$33.1	$38.5	$ 6.7	$44.3	$34.0
Year 1998	$30.2	$39.9	$12.9	$49.9	$33.1
Merger-Related Costs:					
Year 2000	$ --	$47.2	$ --	$25.2	$22.0

(a) (1) Allowance for Uncollectible Accounts Receivable includes amounts previously written off which were credited directly to this account when recovered, and (2) accruals charged to accounts payable for anticipated uncollectible charges on purchases of accounts receivable from others which we billed.

(b) Amounts written off as uncollectible, utilized, or paid.

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-3 No. 333-43507 and Form No. 333-65241) of Verizon Florida Inc. of our report dated February 1, 2001, with respect to the consolidated financial statements and the financial statement schedule of Verizon Florida Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2000.

/s/ Ernst & Young LLP

New York, New York
March 27, 2001

EXHIBIT 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report, dated June 30, 2000, on the consolidated financial statements and supporting schedule of Verizon Florida Inc. as of December 31, 1999 and for each of the two years in the period then ended included in this Form 10-K, in the following previously filed Registration Statements:

1. Form S-3 of Verizon Florida Inc. (File No. 333-43507)
2. Form S-3 of Verizon Florida Inc. (File No. 333-65241)

/s/Arthur Andersen LLP

Dallas, Texas
March 27, 2001