TC99-110

CH/H7

TC99-110

DOCKET NO.

In the Matter of IN THE MATTER OF THE APPLICATION OF BELL ATLANTIC COMMUNICATIONS, INC. FOR A CERTIFICATE OF AUTHORITY TO PROVIDE TELECOMMUNICATIONS SERVICES IN SOUTH DAKOTA

Public Utilities Commission of the State of South Dakota

DATE		MEMORANDA
11/29	99	Filed and Docketed;
12/2	99	Weekly Filing;
1/14	00	Revised Tariff Pages;
2/25	00	Surety Bond;
3/20	00	Order Granting COA;
3/20	00	Docket Closed.

TECHNOLOGIES MANAGEMENT INC

210 N. Park Ave.
Winter Park, FL
32789

P.O. Drawer 200
Winter Park, FL
32790-0200

Tel: 407-740-8575
Fax: 407-740-0613
tmi@tminc.com

November 26, 1999
Via Overnight Delivery

Mr. William Bullard, Jr.
Executive Director
South Dakota Public Utilities Commission
500 East Capitol
Pierre, South Dakota 57501

Re: Registration of Bell Atlantic Communications, Inc. for Authority to Provide Intrastate Telecommunications Services within the State of South Dakota

Dear Mr. Bullard:

Enclosed for filing are the original and ten (10) copies of a Registration for Authority to Provide Intrastate Telecommunications Services, filed on behalf of Bell Atlantic Communications, Inc. Also enclosed is a check for $250.00 to cover the filing fee.

Please return, date-stamped, the extra copy of this cover letter in the enclosed self-addressed stamped envelope provided for this purpose.

Any questions you may have regarding the above filing should be directed to me at (407) 740-8575.

Sincerely,

C.W.Wightman

Connie Wightman
Consultant to
Bell Atlantic Communications, Inc.

CW/dm

cc: John Broten, BACI
Calvin Whetstone, BACI
file: BACI - SD
tms: sdo9900

TC99-110

BEFORE THE
SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION

Application of	)	
Bell Atlantic Communications, Inc.	)	
for Authority to Provide Intrastate	)	Docket No.__________________
Telecommunications Services	)	
within South Dakota	)	

Pursuant to Rule 20:10:24:02 of the Commission's Telecommunications Services Rules, Bell Atlantic Communications, Inc. ("BACI" or "Applicant") submits the following application information:

1. The name, address and telephone number of the applicant.

Bell Atlantic Communications, Inc.
1320 N. Courthouse Road, 9th Floor
Arlington, Virginia 22201
Telephone: (703) 526-3075
Facsimile: (703) 526-3624

2. The name under which the Applicant will provide these services if different than in subdivision (1) of this section;

Not applicable.

3. If the applicant is a corporation:

(a) The state in which it is incorporated, the date of incorporation and a copy of its certificate of incorporation or, if it is an out-of-state corporation, a copy of its certificate of authority.

Bell Atlantic Communications, Inc. was incorporated in the State of Delaware on May 4, 1995. A copy of the Applicant's certificate of authority to operate in South Dakota is provided in Attachment I.

(b) The location of its principal office, if any, in this state and the name and address of its current registered agent.

Principal office in South Dakota:	None
Registered Agent:	CT Corporation System 319 S. Coteau Street Pierre, South Dakota 57501

(c) The names and addresses of any corporation, association, partnership, cooperative, or individual holding a 20 percent or greater ownership or management interest in the applicant corporation and the amount and character of the ownership or management interest;

BACI is a wholly owned subsidiary of Bell Atlantic Corporation.

(d) The names and addresses of subsidiaries owned or controlled by the applicant:

None

4. If the applicant is a partnership, the name, title and business address of each partner, both general and limited.

Not applicable.

5. A specific description of the telecommunications services the applicant intends to offer.

BACI intends to offer intrastate interexchange telecommunications services, including but not limited to: outbound intrastate toll service on a presubscribed basis to customers, and operator services. BACI also intends to offer travel card service for intrastate calls. Service is to be provided through underlying carrier(s) who have been selected for the best combination of quality and price. BACI plans to use Sprint Communications Company, L.P. to provide intrastate interexchange network and operator services in South Dakota - BACI may also use other network and operator service providers. Each customer will be presubscribed to BACI's CIC code which is routed to the underlying carrier's network. In turn, the underlying carrier will identify the ANI of the BACI customer and periodically send the call detail to BACI for billing. BACI's name and customer contact information will appear on customer bills.

A copy of BACI's services are described more fully in its proposed tariff provided as Attachment. IV.

6. **A detailed statement of the means by which the applicant will provide its services, including the type and quantity of equipment to be used in the operation, the capacity, and the expected used of the equipment.**

BACI does not intend to install or operate any switching or transmission facilities in South Dakota. The Company will resell transmission services of other carriers.

7. **The geographic areas in which the services are, or will be, offered, including a map describing the service boundaries.**

BACI intends to offer service throughout the State of South Dakota.

8. **A current balance sheet and income statement; a copy of the applicant's latest annual report; a copy of the applicant's report to stockholders; and a copy of the applicant's tariff with the terms and conditions of service.**

BACI is a relatively new enterprise which began marketing its long distance services on a limited basis outside the mid-Atlantic and Northeastern states on July 31, 1996. BACI receives financing through Bell Atlantic Financial Services, Inc., a nonregulated financial services subsidiary of BACI's parent company, Bell Atlantic Corporation. The most recent annual report and consolidated financial disclosure statements of Bell Atlantic Corporation are provided in Attachment III. The switchless reseller operations of BACI in South Dakota will not require a significant outlay of funds from the company. The underlying carrier expenses will be the only significant cost to BACI since BACI's capital investment requirements for adding this incremental traffic is low.

The terms and conditions of service as well as all rates are provided in the Applicant's proposed tariff in Attachment IV.

9. The names and addresses of the applicant's representatives to whom all inquiries should be made regarding complaints and regulatory matters, and a description of how the applicant handles customer billings and customer service matters.

For inquiries regarding this application and tariff, contact:

Connie Wightman
Consultant to Bell Atlantic Communications, Inc.
Technologies Management, Inc.
P.O. Box 200
Winter Park, Florida 32790-0200
Telephone: (407) 740-8575
Facsimile: (407) 740-0613
cwightman@tminc.com

For all other matters, contact:

Dorothy L. Jones, Acting Director - Regulatory
Bell Atlantic Communications, Inc.
1320 N. Courthouse Road, 9th Floor
Arlington, Virginia 22201
Telephone: (703) 526-3356
Facsimile: (703) 526-3624
Email: djones@ba-ld.com

BACI will bill customers for its services, either directly or on a local exchange company bill. BACI's name and toll free number for inquiries will appear on all direct bills and on all local exchange company bills where the billing company has the capability of listing the carrier. BACI plans to use billing and collection services provided by experienced billing and collection services providers, e.g., Affiliated Computer Services, Inc. and Zero Plus Dialing, Inc., d/b/a US Billing.

10. A list of the states in which the applicant is registered or certified to do business and if the applicant has ever been denied registration or certification in any state and the reasons for the denial.

The following is a list of states where BACI is authorized to provide telecommunications services or has an application for certification or registration pending:

STATE	APPROVAL DATE
Alabama	11/4/99
Arizona	7/21/99
Arkansas	9/14/99
California	2/5/97
Colorado	8/21/96
Florida	5/29/96
Illinois	4/10/96
Idaho	10/28/99
Indiana	1/22/97
Iowa	No authorization required
Kansas	9/20/99
Kentucky	10/30/96
Louisiana	3/3/97
Michigan	4/12/96
Minnesota	10/27/99
Mississippi	11/8/99
Missouri	12/12/97
Montana	No authorization required
Nebraska	10/6/99
New Mexico	10/19/99
North Carolina	3/11/96
North Dakota	8/11/99
Ohio	4/18/96

Cont'd.

STATE	APPROVAL DATE
Oregon	4/2/96
South Carolina	6/10/96
Tennessee	6/26/96
Texas	5/1/96
Utah	9/30/96
Washington	12/11/96
Wisconsin	10/17/96
Wyoming	10/18/99

BACI is also seeking certification in several additional state jurisdictions.

BACI has not been denied certification by any state utility commission nor has its certificate been revoked in any state. BACI is also authorized to provide domestic interstate interexchange services and international services. International authority was granted on July 24, 1996. International facilities-based authority was granted on February 7, 1997.

11. A detailed description of how the applicant intends to market its services, the qualifications of its marketing sales personnel, its target market, whether the applicant engages in any multilevel marketing and copies of any company brochures used to assist in the sale of services.

BACI does not have plans in place for directly marketing to South Dakota customers. BACI seeks authority to provide telecommunications services in South Dakota as part of the Company's objective to become a nationwide service provider. By serving the entire country, BACI can more effectively serve Customers who also operate in multiple states, as well as those Customers who travel extensively. No marketing materials are available as of the date of this filing. Qualifications of key management personnel, including marketing and sales personnel, are set forth in Attachment VII. BACI does not engage in multilevel marketing of its services at this time and does not plan to do so in South Dakota.

12. Cost support for rates shown in the company's tariff for all noncompetitive or emerging competitive services.

Cost support information is provided in Attachment VI.

As evidenced by the foregoing application, Bell Atlantic Communications, Inc. is fully qualified to offer and provide long distance service within the State of South Dakota. Therefore, BACI respectfully requests that the Commission grant this application at its earliest convenience.

Dated this ___ day of __________________ 1999.

Respectfully Submitted,

Maura C. Breen

Maura C. Breen
President and CEO
Bell Atlantic Communications, Inc.

ATTACHMENT I

Bell Atlantic Communications, Inc.

Authority to Operate in South Dakota

State of South Dakota

OFFICE OF THE SECRETARY OF STATE

CERTIFICATE OF AUTHORITY

I, JOYCE HAZELTINE, Secretary of State of the State of South Dakota, hereby certify that the Application for a Certificate of Authority of BELL ATLANTIC COMMUNICATIONS, INC. (DE) to transact business in this state duly signed and verified pursuant to the provisions of the South Dakota Corporation Acts, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I hereby issue this Certificate of Authority and attach hereto a duplicate of the application to transact business in this state under the name of BELL ATLANTIC COMMUNICATIONS, INC.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this April 18, 1996.

JOYCE HAZELTINE
Secretary of State

ATTACHMENT II

Bell Atlantic Communications, Inc.

Articles of Incorporation

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "BELL ATLANTIC COMMUNICATIONS, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE NINTH DAY OF AUGUST, A.D. 1996.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.

GREAT SEAL OF THE STATE OF DELAWARE · 1793 · 1847 · 1907 ·

LIBERTY AND INDEPENDENCE

Edward J. Freel

Edward J. Freel, Secretary of State

2504193 8300

AUTHENTICATION: 8062222

960233320

DATE: 08-09-96

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "BELL ATLANTIC LONG DISTANCE, INC.", CHANGING ITS NAME FROM "BELL ATLANTIC LONG DISTANCE, INC." TO "BELL ATLANTIC COMMUNICATIONS, INC.", FILED IN THIS OFFICE ON THE SEVENTEENTH DAY OF OCTOBER, A.D. 1995, AT 9 O'CLOCK A.M.

GREAT SEAL OF THE STATE OF DELAWARE
LIBERTY AND INDEPENDENCE
1793 · 1847 · 1907

Edward J. Freel

Edward J. Freel, Secretary of State

2504193 8100

960233320

AUTHENTICATION: 8062217

DATE: 08-09-96

10-17-95

CERTIFICATE OF AMENDMENT OF
CERTIFICATE OF INCORPORATION OF
BELL ATLANTIC LONG DISTANCE, INC.

Bell Atlantic Long Distance, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation") does hereby certify that the amendment to the Corporation's Certificate of Incorporation set forth in the following resolution approved by the Corporation's Board of Directors and Sole Stockholder was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware:

RESOLVED, that the Certificate of Incorporation of the Corporation be amended by striking Article 1 in its entirety and replacing therefor:

"1. The name of the Corporation is Bell Atlantic Communications, Inc."

IN WITNESS WHEREOF, Bell Atlantic Long Distance, Inc. has caused this Certificate to be signed and attested by a duly authorized officer this 6th day of October, 1995.

BELL ATLANTIC LONG DISTANCE, INC.

By: Barbara E. Grafton
Barbara E. Grafton
Assistant Secretary

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "BELL ATLANTIC LONG DISTANCE, INC.", FILED IN THIS OFFICE ON THE FOURTH DAY OF MAY, A.D. 1995, AT 9:30 O'CLOCK A.M.

Edward J. Freel, Secretary of State

2504193 8100

960233320

AUTHENTICATION: 8062215

DATE: 08-09-96

5-4-95

CERTIFICATE OF INCORPORATION

OF

BELL ATLANTIC LONG DISTANCE, INC.

1. The name of the corporation is Bell Atlantic Long Distance, Inc.

2. The address of its registered office in the State of Delaware is 1209 Orange Street in the city of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

3. The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

4. The total number of shares of all classes of stock which the corporation shall have authority to issue is one share of Common Stock without par value.

5. The name and mailing address of the incorporator are as follows:

Barbara E. Grafton
1717 Arch Street, 32nd Floor South
Philadelphia, PA 19103

6. The business and affairs of the corporation shall be managed under the direction of the Board of Directors.

7. The Board of Directors is expressly authorized from time to time to make, alter or repeal the by-laws of the corporation.

8. Election of directors need not be by written ballot unless the by-laws of the corporation shall so provide.

9. To the fullest extent that the General Corporation Law of the State of Delaware, as it exists on the date hereof or as it may hereafter be amended, permits the limitation or elimination of the liability of directors, no director of this Corporation shall be liable to this Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. No amendment to or repeal of this Article shall apply to or have any effect on the liability or alleged liability of any director of this Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

10. The corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate of incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

THE UNDERSIGNED, being the incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, does make this certificate, hereby declaring and certifying that this is her act and deed and the facts herein stated are true, and accordingly has caused to be set hereunto her hand, this 4th day of May, 1995.

Barbara E. Grafton

Barbara E. Grafton

ATTACHMENT III

Bell Atlantic Communications, Inc.

Financial Information

BACI is a relatively new enterprise which began marketing its long distance services on a limited basis outside the mid-Atlantic states on July 31, 1996. BACI receives financing through Bell Atlantic Financial Services, Inc., a nonregulated financial services subsidiary of BACI's parent company, Bell Atlantic Corporation. The most recent annual report and consolidated financial disclosure statements of Bell Atlantic Corporation are provided in Attachment III. The switchless reseller operations of BACI in South Dakota will not require a significant outlay of funds from the company. The underlying carrier expenses will be the only significant cost to BACI since BACI's capital investment requirements for adding this incremental traffic is low.

United States
Securities and Exchange Commission
Washington, D.C. 20549

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 1-8606

Bell Atlantic Corporation

(Exact name of registrant as specified in its charter)

Delaware *(State of incorporation)*	**Securities registered pursuant to Section 12(b) of the Act:**
1095 Avenue of the Americas New York, New York 10036 *(Address of principal executive offices)* *(Zip Code)*	*Title of each class* Common Stock, $.10 par value
23-2259884 *(I.R.S. Employer Identification No.)*	*Name of each exchange on which registered* New York, Philadelphia, Boston, Chicago and Pacific Stock Exchanges
Registrant's telephone number, including area code: (212) 395-2121	**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 ✓ 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.__

At January 31, 1999, the aggregate market value of the registrant's voting stock held by nonaffiliates was approximately $93,149,000,000.

At January 31, 1999, 1,553,258,804 shares of the registrant's Common Stock were outstanding, after deducting 22,987,521 shares held in treasury.

Documents incorporated by reference:

Portions of the registrant's Proxy Statement prepared in connection with the 1999 Annual Meeting of Shareowners (Part III).

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Unless otherwise indicated, all information is as of March 29, 1999

Part I

Item 1. Business

Bell Atlantic Corporation was incorporated in 1983 under the laws of the State of Delaware and completed a merger with NYNEX Corporation on August 14, 1997. Our principal executive offices are located at 1095 Avenue of the Americas, New York, New York 10036 (telephone number 212-395-2121).

Bell Atlantic is a telecommunications company that operates in a region stretching from Maine to Virginia. Our principal operating subsidiaries are: New York Telephone Company, Bell Atlantic - New Jersey, Inc., Bell Atlantic - Pennsylvania, Inc., New England Telephone and Telegraph Company, Bell Atlantic - Maryland, Inc., Bell Atlantic - Virginia, Inc., Bell Atlantic - West Virginia, Inc., Bell Atlantic - Delaware, Inc., Bell Atlantic - Washington, D.C., Inc. and Bell Atlantic Mobile.

We have four reportable segments, which we operate and manage as strategic business units and we organize by products and services. Our segments and their principal activities consist of the following:

Domestic Telecom	Domestic wireline telecommunications services – primarily our nine operating telephone subsidiaries that provide local telephone services from Maine to Virginia, including voice and data transport, enhanced and custom calling features, network access, directory assistance, private lines and public telephones. This segment also provides customer premises equipment distribution, systems integration, billing and collections, and Internet access services.
Global Wireless	Wireless telecommunications services to customers in 24 states in the United States and foreign wireless investments servicing customers in Latin America, Europe and the Pacific Rim.
Directory	Domestic and international publishing businesses, including print directories and Internet-based shopping guides, as well as website creation and hosting and other electronic commerce services. This segment has operations principally in the United States and Central Europe.
Other Businesses	International wireline telecommunications investments primarily in Europe and the Pacific Rim and lease financing and other businesses.

You can find financial information with respect to our segments in Note 17 to the consolidated financial statements.

Proposed Bell Atlantic–GTE Merger

Bell Atlantic and GTE Corporation (GTE) have announced a proposed merger of equals under a definitive merger agreement dated as of 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 that they own. Bell Atlantic shareholders will continue to own their existing shares after the merger.

We expect the merger to qualify as a pooling of interests, which means that for accounting and financial 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, receipt of opinions that the merger will be tax-free, and the approval of the shareholders of both Bell Atlantic and GTE.

We believe that the merger will result in significant opportunities for cost savings, revenue growth, technological development and other benefits. The combined company will achieve synergies through economies of scope and scale, the elimination of duplicative expenditures and the consistent use of the best practices of Bell Atlantic and GTE in cost control and product offerings.

Based on anticipated revenue and expense synergies, we expect that the merger will improve earnings per share, excluding merger-related charges, in the first year following the completion. We estimate that the merger will also generate significant capital synergies, producing higher capital efficiency and higher cash flow and margin growth. By the third year following the completion of the merger, we expect:

- annual revenue synergies of approximately $2 billion, primarily from improved market penetration for value-added services and faster development of our data and long distance businesses, which, at an estimated operating margin of 25%, will produce $500 million in incremental operating income;
- annual expense savings of approximately $2 billion, with savings generated from operating and procurement synergies, reduced corporate overheads, the migration of long distance traffic onto GTE's network, and greater efficiency in wireless operations; and
- annual capital synergies of approximately $500 million through volume purchasing and the elimination of certain capital costs associated with building a data network in our current territory.

We are targeting revenue growth of 8-10% and earnings per share growth of 13-15% (excluding merger-related charges) in each of the first two years following the completion of the merger. By the third year after the completion of the merger, we are targeting revenue growth in excess of 10% and earnings per share growth in excess of 15% (excluding merger-related charges).

As a result of the merger, the combined company will incur direct incremental and transition costs currently estimated at $1.6 billion to $2.0 billion (pre-tax) in connection with completing the transaction and integrating the operations of GTE and Bell Atlantic. These costs consist principally of systems modification costs, costs associated with the elimination and consolidation of duplicate facilities, employee severance and relocation resulting from the merger, branding, compensation arrangements, and professional and registration fees. While the exact timing, nature and amount of these costs is subject to change, we anticipate that the combined company will record a charge of approximately $375 million (pre-tax) for direct incremental costs in the quarter in which the merger is completed. Transition costs of approximately $1.2 billion to $1.6 billion (pre-tax) will be incurred over the three years following completion of the merger.

Domestic Telecom

OPERATIONS

Our Domestic Telecom segment, primarily comprised of our nine operating telephone subsidiaries, provided approximately 81% of 1998 operating revenues. The operating telephone subsidiaries presently serve a territory consisting of 31 LATAs, or local access and transport areas, and provide mainly two types of telecommunications services: exchange telecommunications and exchange access.

- Exchange telecommunications service is the transmission of telecommunications among customers located within a local calling area within a LATA. Examples of exchange telecommunications services include switched local residential and business services, local private line voice and data services, and Centrex services. We also provide toll services within a LATA, including Wide Area Telecommunications Service and intraLATA toll (long distance) service.
- Exchange access service links a customer's premises and the transmission facilities of other telecommunications carriers, generally interLATA (long distance) carriers. Examples of exchange access services include switched access and special access services.

We have organized our Domestic Telecom segment into business units operating across our telephone subsidiaries. The business units focus on specific market segments. We are not dependent on any single customer. The telephone subsidiaries remain responsible within their respective service areas for the provision of telephone services, financial performance and regulatory matters.

The *Consumer* unit markets communications services to residential customers, as well as operator services, within our territory (22 million households and 63 million people). 1998 revenues were approximately $10 billion, representing approximately 39% of Domestic Telecom's aggregate revenues. These revenues were derived primarily from the provision of telephone services to residential users.

The *General Business* unit markets communications and information services to small and medium-sized businesses, as well as pay telephone services, within our territory. The General Business unit has approximately 2.1 million customers in our territory and generated approximately $5 billion in revenues in 1998, representing approximately 19% of Domestic Telecom's aggregate revenues.

The *Enterprise Business* 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, intelligent vehicle highway systems), video services (distance learning, telemedicine, videoconferencing) and interactive multimedia applications services. The Enterprises Business unit also includes the Data Solutions Group which provides data transmission and network integration services (integrating multiple geographically disparate networks into one system), as well as IP based solutions (communications using internet protocol and internet services, including high-speed internet access and web hosting). Global Networks, a unit of Data Solutions Group, is building a next generation long distance network using ATM (asynchronous transfer mode) technology. 1998 revenues were approximately $5 billion, representing approximately 19% of Domestic Telecom's aggregate revenues.

The *Network Services* 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 and bill rendering. 1998 revenues were approximately $6 billion, representing approximately 23% of Domestic Telecom's aggregate revenues. Approximately 75% of total Network Services revenues were derived from interexchange carriers. Most of the remaining revenues came from business customers and government agencies with their own special access network connections, wireless companies and other local exchange carriers which resell network connections to their own customers.

TELECOMMUNICATIONS ACT OF 1996

The Telecommunications Act of 1996 (the "1996 Act") became effective on February 8, 1996, and replaced the Modification of Final Judgment (the "MFJ"), a consent decree that arose out of an antitrust action brought by the United States Department of Justice against AT&T. In general, the 1996 Act includes provisions that open local exchange markets to competition and permit Bell Operating Companies (BOC), including ours, to engage in manufacturing and to provide long distance service under certain conditions.

First, the 1996 Act permitted us to apply immediately for state approval to offer long distance services originating outside of the states where our operating telephone subsidiaries operate as local exchange carriers. Our wireless businesses also were permitted to immediately offer long distance services without having to comply with the conditions imposed in waivers granted under the MFJ.

Second, the 1996 Act permits us to offer in-region long distance services (that is, services originating in the states where our telephone subsidiaries operate as local exchange carriers), once we have demonstrated to the Federal Communications Commission ("FCC") that we have satisfied certain requirements. The requirements include a 14-point "competitive checklist" of steps which we must take to help competitors offer local services through resale, through purchase of unbundled network elements, or through their own networks. We must also demonstrate to the FCC that our entry into the in-region long distance market would be in the public interest.

The U.S. Court of Appeals rejected a constitutional challenge to these provisions, and the Supreme Court recently declined to review that decision. During the period that the case was pending, we continued to work through the regulatory process at both the state and federal levels in order to be in a position to demonstrate compliance with the challenged provisions.

The U. S. Supreme Court recently reversed a U.S. Court of Appeals decision that had invalidated certain aspects of the FCC rules implementing provisions of the 1996 Act. In particular, the Supreme Court reinstated the FCC's authority to adopt rules governing the methodology to be used by state commissions in setting prices for local interconnection and resale arrangements, and reinstated rules that allow competitors to choose individual terms out of negotiated interconnection agreements and that prohibit incumbent local telephone companies from separating network elements that already are combined in the incumbent's own network.

The U. S. Supreme Court also decided that the FCC had applied the wrong standard in determining what elements of their networks incumbent local telephone companies are obligated to make available to competitors on an unbundled basis. Among other things, the FCC failed to account for the fact that some elements are available from other sources. As a result of the decision, the FCC must conduct a new proceeding to apply the correct standard. Pending that proceeding, we have informally agreed to continue offering the FCC's previously specified list of unbundled elements. In addition, a challenge to the substantive merits of the FCC's pricing rules remains pending in the U.S. Court of Appeals.

In April 1998, our operating telephone subsidiary in New York filed with the New York State Public Service Commission a statement setting forth additional commitments that we will make to the FCC in connection with our anticipated application for permission to enter the in-region long distance market in New York. Those commitments include terms under which we will offer combinations of unbundled network elements and an unbundled network element platform (UNE-P) to competitors wishing to provide basic local and ISDN-BRI service to business or residential customers. We will offer UNE-P for basic local and ISDN-BRI service throughout our New York operating area, but UNE-P will not be available to competitors for other services, or for service to business customers in those parts of New York City where there is a defined level of local competition from two or more competitive local exchange carriers. Our commitment to offer UNE-P will be for four years in New York City and other major urban areas and for six years in the rest of the state. We believe that the terms of these commitments generally are consistent with the recent Supreme Court decision.

We expect to file in the second quarter of 1999 an application with the FCC for permission to enter the in-region long distance market in New York. We hope to begin offering this service in the third quarter of 1999. Following our application for New York, we expect next to file applications with the FCC for Pennsylvania, Massachusetts, New Jersey, Virginia and Maryland and, subsequently, for the remaining states in our territory. The timing of our long distance entry in each of our 14 jurisdictions depends on the receipt of FCC approval.

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

The operating telephone subsidiaries are subject to the jurisdiction of the FCC with respect to interstate services and certain related matters. In 1998, 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 operating telephone subsidiaries' facilities for the origination and termination of interstate service. The FCC required a phased restructuring of access charges, which began in January 1998, so that the telephone subsidiaries' nonusage-sensitive costs will be recovered from long distance carriers and end-users through flat rate charges, and usage-sensitive costs will be recovered from long distance carriers through usage-based rates. In addition, the FCC has required that different levels of usage-based charges for originating and for terminating interstate traffic be established.

PRICE CAPS

Under the FCC price cap rules that apply to interstate access rates, each year our price cap index is adjusted downward by a fixed percentage intended to reflect increases in productivity (the productivity factor) and adjusted upward by an allowance for inflation (the GDP-PI). The current productivity factor is 6.5 percent. These changes will be reflected in tariff changes that will be filed to take effect on July 1, 1999.

In October 1998, the FCC initiated a proceeding with respect to its price cap rules to determine whether a change in the current productivity factor is warranted, whether to continue its "market based" approach of allowing market forces (supplemented by its price cap rules) to determine access charge levels, and whether to afford additional pricing flexibility for access services. In addition, we have petitioned the FCC to remove our special access services from price cap regulation on the grounds that customers of these services have competitive alternatives available, and a challenge to the FCC order establishing the 6.5 percent productivity factor is pending in the U.S. Court of Appeals. We are unable to predict the results of these further proceedings.

UNIVERSAL SERVICE

The FCC has adopted rules implementing the "universal service" provision of the 1996 Act. As of January 1, 1999, the rules require each of our operating telephone subsidiaries to contribute approximately 2% of its interstate retail revenues for high-cost and low-income subsidies. Each of our operating telephone subsidiaries are also required to contribute a portion of their total retail revenues for schools, libraries and not-for-profit health care. Our operating telephone subsidiaries will recover these contributions through interstate charges to long distance carriers and end-users. Our domestic wireless company is required to contribute to these universal service programs and will recover the cost of its contributions from end-users.

A new federal high-cost universal service support mechanism for nonrural carriers and an increase in the funding level for schools and libraries are expected to become effective in 1999. The FCC currently is considering, in conjunction with a recommendation from a joint board of federal and state regulators, a number of issues that could affect the size of the universal service fund for high cost areas and the amount of universal service costs that are assessed against our operating telephone subsidiaries and domestic cellular subsidiary for recovery.

RECIPROCAL COMPENSATION

We have been required by certain state regulatory decisions to pay "reciprocal compensation" to competitive local exchange and other carriers to terminate calls on their networks, including a large volume of one-way traffic from our customers to internet service providers that are their customers. On February 26, 1999, the FCC confirmed that such traffic is interstate and interexchange in nature and not subject to the reciprocal compensation requirements of the 1996 Act. Because the previous state regulatory decisions were based upon a view that internet access calls are "local" rather than interstate and interexchange in nature, we have asked those state commissions to revisit their prior interpretations. Unless state regulators follow the FCC's interpretation, these reciprocal compensation payments, which were approximately $175 million higher in 1998, are expected to grow to approximately $350 million in 1999.

STATE REGULATION OF RATES AND SERVICES

State public utility commissions regulate our operating telephone subsidiaries with respect to certain intrastate rates and services and certain other matters. In most jurisdictions the telephone subsidiaries have been able to replace rate of return regulation with price regulation plans.

NEW YORK TELEPHONE

New York

The New York State Public Service Commission has regulated New York Telephone under the Performance Incentive Plan since 1995. The plan is performance-based, replacing rate of return regulation with a form of price regulation and incentives to improve service, and does not restrict New York Telephone's earnings. The plan

- caps prices at current rates for "basic" services such as residence and business exchange access, residence and business local calling and LifeLine service;
- establishes price reduction commitments for a number of services, including toll and intraLATA carrier access services;
- adjusts prices annually based on certain costs associated with state commission mandates and other defined "exogenous" events; and
- establishes service quality targets with stringent rebate provisions if New York Telephone is unable to meet some or all of the targets.

Connecticut

New York Telephone's operations are subject to rate of return regulation, but an incentive regulation plan which would eliminate regulation of earnings has been filed with the Connecticut Department of Public Utility Control.

BELL ATLANTIC – NEW JERSEY

Bell Atlantic–New Jersey is regulated under a Plan for Alternative Form of Regulation, which expires on December 31, 1999. A petition has been filed to extend the plan for another year. The plan divides Bell Atlantic - New Jersey's services into Competitive Services and Rate-Regulated Services.

- The prices for Competitive Services may be changed without regulatory involvement.
- Rate-Regulated Services are grouped in two categories:
  - "Protected Services": Basic residence and business service, Touch-Tone, access services and the ordering, installation and restoration of these services.
  - "Other Services": Custom Calling, Custom Local Area Signaling Services ("CLASS" services which utilize Signaling System 7), operator services and 911 enhanced service.
- There is a cap on basic residence service rates through 1999, but revenue-neutral rate restructuring is permitted.
- There is no cap on earnings for Rate-Regulated Services, but Bell Atlantic-New Jersey must share all earnings above a return on equity of 13.7% equally with customers.

BELL ATLANTIC – PENNSYLVANIA

The Pennsylvania Public Utility Commission regulates Bell Atlantic–Pennsylvania under an Alternative Regulation Plan approved in 1994. The plan provides for a pure price cap plan with no sharing of earnings with customers and replaces rate base, rate of return regulation.

- Competitive Services, including directory advertising, billing services, Centrex service, paging, speed calling, repeat calling, and HiCap are deregulated.
- All Noncompetitive Services are price regulated. The plan:
  - permits annual price increases up to, but not exceeding, the GDP-PI minus 2.93%.
  - requires annual price decreases when the GDP-PI falls below 2.93%.
  - caps prices for protected services, including residential and business basic exchange services, special access and switched access, through 1999.
  - permits revenue-neutral rate restructuring for noncompetitive services.

The plan requires Bell Atlantic - Pennsylvania to provide a Lifeline service for residential customers. The plan also requires deployment of a universal broadband network, which must be completed in phases: 20% by 1998; 50% by 2004; and 100% by 2015. Deployment must be reasonably balanced among urban, suburban and rural areas.

From September 1998 through February 1999, the commission sponsored a multi-party global telecommunications settlement proceeding aimed at resolving issues in a number of contentious telecommunications regulatory dockets at the commission. The formal negotiation period ended on March 1, 1999, without a settlement among all the negotiation parties having been reached. Since the close of negotiations, two group of participants, one of which includes us, two competitive local exchange carriers, and a number of small telephone companies, have proposed separate nonunanimous settlements for consideration by the commission in resolving some or all of the telecommunications dockets. The commission has not decided what procedures it will follow in addressing the issues raised in these settlement proposals.

NEW ENGLAND TELEPHONE

Maine

In 1995, the Maine Public Utilities Commission adopted a five-year price cap plan for New England Telephone, with the provision for a five-year extension after review by the state commission. Overall average prices and specific rate elements for most services are limited by a price cap formula of inflation minus a productivity factor plus or minus certain exogenous cost changes. There is no restriction on New England Telephone's earnings. The state commission also established a service quality index with penalties in the form of customer rebates to apply if service quality categories are missed.

Massachusetts

In 1995, the Massachusetts Department of Public Utilities approved a price regulation plan for New England Telephone through August 2001, with no restriction on earnings. Certain residence exchange rates are capped. Pricing rules limit New England Telephone's ability to increase prices for most services, including a ceiling on the weighted average price of all tariffed services based on a formula of inflation minus a productivity factor plus or minus certain exogenous changes. In addition, New England Telephone's service quality performance levels in any given month could result in an increase in the productivity offset by one-twelfth of one percent for purposes of the annual price cap filing.

New Hampshire

New England Telephone's operations are subject to rate of return regulation.

Rhode Island

In 1996, the Rhode Island Public Utilities Commission approved an incentive regulation plan for New England Telephone. The plan has no set term or expiration, although there are opportunities for annual review by the state commission, and there is no earnings cap or sharing mechanism. Other features of the plan include: more stringent service quality requirements, including a financial penalty, and no increase in residence or business basic exchange rates through 1999.

Vermont

New England Telephone's operations are subject to rate of return regulation, but an incentive plan has been filed with the Vermont Public Service Board which would eliminate regulations of earnings.

BELL ATLANTIC – MARYLAND

In 1996, the Public Service Commission of Maryland approved a price cap plan for regulating the intrastate services provided by Bell Atlantic–Maryland. Under the plan, services are divided into six categories: Access; Basic-Residential; Basic-Business; Discretionary; Competitive; and Miscellaneous. Rates for Access, Basic-Residential and Basic-Business are capped for a period of three years. After the cap period, rates for services in these three categories can be increased or decreased annually under a formula that is based upon changes in the GDP-PI minus a productivity offset based upon changes in the rate of inflation (CPI). Rates for Discretionary services may be increased under the same formula. Rates for competitive services may be increased without regulatory limits. Regulation of profits is eliminated.

BELL ATLANTIC – VIRGINIA

Effective in 1995, the Virginia State Corporation Commission approved an alternative regulatory plan that regulates Bell Atlantic–Virginia's noncompetitive services on a price cap basis and does not regulate Bell Atlantic - Virginia's competitive services. The plan includes a moratorium on rate increases for basic local telephone service until 2001 and eliminates regulation of profits.

BELL ATLANTIC – WEST VIRGINIA

In February 1998, the West Virginia Public Service Commission issued an order extending the Incentive Regulation Plan until December 31, 2000. The Incentive Regulation Plan includes pricing flexibility for competitive services. Bell Atlantic–West Virginia is committed to invest at least $225 million in its network over the three-year period from 1998 through 2000.

BELL ATLANTIC – DELAWARE

In 1994, Bell Atlantic–Delaware elected to be regulated under the alternative regulation provisions of the Delaware Telecommunications Technology Investment Act of 1993 (the "Delaware Telecommunications Act"). The Delaware Telecommunications Act provides that:

- the prices of "Basic Telephone Services" (e.g., dial-tone and local usage) will remain regulated and cannot change in any one year by more than the rate of inflation (GDP-PI) less 3%;
- the prices of "Discretionary Services" (e.g., Identa Ring℠ and Call Waiting) cannot increase more than 15% per year per service;
- the prices of "Competitive Services" (e.g., voice messaging and message toll service) are not subject to tariff or regulation; and
- Bell Atlantic - Delaware will develop a technology deployment plan with a commitment to invest a minimum of $250 million in Delaware's telecommunications network during the first five years of the plan.

The Delaware Telecommunications Act also provides protections to ensure that competitors will not be unfairly disadvantaged, including a prohibition on cross-subsidization, imputation rules, service unbundling and resale service availability requirements, and a review by the Delaware Public Service Commission during the fifth year of the plan. In March 1998, the state commission approved Bell Atlantic - Delaware's request to continue under the Delaware Telecommunications Act until March 2002.

BELL ATLANTIC–WASHINGTON, D.C.

In 1996, the District of Columbia Public Service Commission approved a price cap plan for intra-Washington, D.C. services provided by Bell Atlantic–Washington, D.C. Provisions of the plan include:

- a term of four years, through December 31, 1999;
- three service categories: basic, discretionary, and competitive;
- caps on certain basic residential rates for the term of the plan, with other basic rates to change with the GDP-PI minus 3%;
- discretionary service rate increases of up to 15% annually;
- elimination of price limits on competitive service rates; and
- elimination of the regulation of profits.

COMPETITION

Legislative changes, including provisions of the 1996 Act discussed above under "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 every jurisdiction in our territory. The 1996 Act is expected to significantly increase the level of competition in all of 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 operating telephone subsidiaries, 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 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.

Negotiations between the operating telephone subsidiaries and various CLECs, and arbitrations before state public utility commissions, have continued. As of January 31, 1999, the operating telephone subsidiaries had entered into approximately 897 agreements with CLECs covering all of our territory, of which 664 have been approved by state regulators.

We expect that these agreements, and the 1996 Act, will continue to lead to substantially increased competition in our local exchange markets in 1999 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 operating telephone subsidiaries' service. Under the various agreements and arbitrations discussed above, our operating telephone subsidiaries are generally required to sell their services to CLECs at discounts ranging from approximately 15% to 29% from the prices our operating telephone subsidiaries charge their 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. All of our state regulatory commissions (except in the District of Columbia, where intraLATA toll service is not provided) permit other carriers to offer intraLATA toll services within the state.

Until the implementation of "presubscription," intraLATA toll calls were completed by our operating telephone subsidiaries unless the customer dialed a code to access a competing carrier. Presubscription changes this dialing method and enables customers to make these toll calls using another carrier without having to dial an access code.

The 1996 Act generally prohibits, with certain exceptions, a state from requiring presubscription until the earlier of such time as the BOC is authorized to provide long distance services originating in the state or three years from the effective date of the 1996 Act.

New York Telephone fully completed intraLATA presubscription implementation by September 1996. By December 1997, our operating telephone subsidiaries in Delaware, Maine, New Hampshire, New Jersey, Pennsylvania, Rhode Island, Vermont and West Virginia had also implemented presubscription. We expect to offer intraLATA presubscription in Massachusetts in April 1999. In Maryland and Virginia, the state commissions have decided that intraLATA presubscription need not occur on the third anniversary of the 1996 Act, but did not set dates for implementation. The recent Supreme Court decision reinstated the FCC's authority to adopt rules governing intraLATA presubscription, and the FCC has required that implementation be completed as early as May 1999.

Implementation of presubscription for intraLATA toll services has had a material negative effect on intraLATA toll service revenues in those jurisdictions where, as noted above, presubscription has been implemented before we are permitted to offer long distance services. However, the negative effect is beginning to subside now that presubscription has been available in most of our states for more than one year. In addition, the adverse impact on intraLATA toll services revenues is being partially offset by an increase in intraLATA network access revenues.

ALTERNATIVE ACCESS
A substantial portion of our operating telephone subsidiaries' 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 virtual 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 operating telephone subsidiaries' local plant, either partially or completely, through substitution of special access for switched access or through concentration of telecommunications traffic on fewer of our operating telephone subsidiaries' 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 portable 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. Our investment in wireless services is described below under "Global Wireless."

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.

Directory
Through Bell Atlantic Yellow Pages Company, Bell Atlantic Electronic Commerce Services, Inc. and other subsidiaries, we publish printed and electronic directories and provide Internet-based electronic shopping guides, as well as website creation and hosting and other electronic commerce services. Our directory publishing business produces over 600 domestic and international Yellow Page directories with over 900,000 advertisers and distributes approximately 80 million copies annually in its regional markets, as well as in Poland, the Czech Republic, Slovakia, Greece, Gibraltar and China. We provide on-line shopping services with more than 10,000 advertisers and nearly 23 million visits per month. 1998 revenues from the Directory segment were approximately $2.3 billion.

Global Wireless
1998 revenues from our Global Wireless segment were approximately $3.8 billion.

UNITED STATES
We provide wireless communications services in the United States principally through our subsidiary, Bell Atlantic Mobile ("BAM"), and PrimeCo Personal Communications, L.P. ("PrimeCo"), a joint venture.

BAM provides wireless services to approximately 6.2 million customers in the Northeast, mid-Atlantic, Southeast and Southwest portions of the United States. BAM competes with other cellular carriers and personal communications service ("PCS") providers licensed by the FCC. Competing providers offer competitive pricing plans, digital technology, and enhanced calling features. BAM has introduced new pricing plans designed to meet this new competition, and offers digital service as well as enhanced calling features in its markets.

PrimeCo is a partnership between Bell Atlantic and AirTouch Communications which provides PCS services in over 30 major cities across the United States. At year-end PrimeCo had approximately 902,000 customers. Since 1994 we have invested approximately $1.6 billion in PrimeCo to fund its operations and the build-out of its PCS network.

MEXICO
We have a 47.2% economic interest in Grupo Iusacell, S.A. de C.V. ("Iusacell"), a telecommunications company in Mexico whose primary business is the provision of wireless telephone service. The Peralta Group, the other principal shareholder of Iusacell, holds approximately 43.6%, and the remaining 9.3% is held by public shareholders.

Since 1993, we have invested approximately $1.2 billion in Iusacell. In the first quarter of 1997, we consummated a restructuring of our investment in Iusacell to permit us to assume control of its board of directors and management. At year end, Iusacell had approximately 750,000 subscribers.

ITALY
We have a 19.71% economic interest in Omnitel Pronto Italia, S.p.A. ("Omnitel"), an Italian digital cellular telecommunications company. Since 1994 we have invested approximately $544 million in Omnitel. At year-end, Omnitel had approximately 6.2 million subscribers.

GREECE
We have a 20% economic interest in STET Hellas Telecommunications S.A. ("STET Hellas"), which holds one of three nationwide licenses for cellular services in Greece. At year-end, STET Hellas had approximately 688,000 subscribers.

CZECH REPUBLIC AND SLOVAKIA
We have an economic interest of approximately 25% in EuroTel Praha s r.o. and EuroTel Bratislava a.s., which have been operating cellular systems in the Czech Republic and Slovakia, respectively, since 1991.

INDONESIA
We have an economic interest of approximately 23% in P.T. Excelcomindo Pratama ("Excelcomindo"), which holds a nationwide license to provide cellular service in Indonesia.

In the third quarter of 1998, we recorded a charge of $137 million to adjust the carrying value of our investment in Excelcomindo to its estimated fair value. We considered the following factors in determining this charge:

- The continued weakness of the Indonesian currency as compared to historical exchange rates will create additional financial burdens on the company in servicing U.S. dollar-denominated debt. The continuing political unrest in Indonesia has contributed to the currency's instability.
- The economic instability and prospects for an extended recovery period have resulted in weaker than expected growth in Excelcomindo's business. One significant factor has been inflexible tariff regulation despite rising costs due to inflation. This and other factors have resulted in reduced expectations of future cash flows and, accordingly, a reduction in the value of our investment.
- Issues with cash flow are requiring Excelcomindo's shareholders to evaluate the future funding of the business.

Other Businesses

1998 revenues from our Other Businesses were approximately $124 million.

NEW ZEALAND

We have a 24.94% economic interest in Telecom Corporation of New Zealand Limited ("TCNZ"). TCNZ is the principal provider of telecommunications services in New Zealand, offering local service, national and international long distance service, cellular service and Internet access. At December 31, 1998, TCNZ had approximately 1.85 million access lines, 565,000 cellular connections and 160,000 internet access customers. TCNZ faces increasing competition in most of its markets. The New Zealand government retains a single share in TCNZ, which gives the government the right to limit residential local service price increases to no more than the rate of inflation and requires a flat-rate local calling option for residential customers.

In February 1998, we monetized our investment in TCNZ and issued approximately $2.5 billion in five year notes, which are exchangeable into shares of TCNZ at the option of the holder after September 1, 1999. Upon exchange by the holders, we retain the option to settle in cash or by delivery of shares.

GREAT BRITAIN

We have an 18.5% economic interest in Cable & Wireless Communications, PLC ("CWC"), which was created in April 1997 through the merger of Mercury Communications, NYNEX CableComms, and Bell Cablemedia, following the acquisition of Videotron Holdings by Bell Cablemedia. CWC provides telecommunications and CATV services and at December 31, 1998 had approximately 1 million residential telephony lines and 837,000 CATV subscribers.

In August 1998 we monetized our investment in CWC and issued approximately $3.2 billion in notes which are exchangeable into shares of CWC at the option of the holder after July 1, 2002. Upon exchange by the holders, we retain the option to settle in cash or by delivery of shares.

THAILAND

We have an economic interest of 18.2% in TelecomAsia Corporation Public Company Limited ("TelecomAsia"), which operates a telecommunications network and CATV system in metropolitan Bangkok. At year-end, TelecomAsia had approximately 1.3 million telephony lines in service and 350,000 CATV subscribers.

In the third quarter of 1998, we recorded a charge of $348 million to adjust the carrying value of our investment in Telecom Asia to its estimated fair value. We considered the following factors in determining this charge:

- The continued weakness of the Thai currency as compared to historical exchange rates will place additional financial burdens on the company in servicing U.S. dollar-denominated debt.
- The economic instability and prospects for an extended recovery period have resulted in weaker than expected growth in TelecomAsia's business. This is indicated by slower than expected growth in total subscribers and usage. These factors resulted in reduced expectations of future cash flows and, accordingly, a reduction in the value of our investment.
- The business plan for TelecomAsia contemplated cash flows from several lines of business. Given TelecomAsia's inclination to focus on its core wireline business, these other lines of business may not contribute future cash flows at previously expected levels.

PHILIPPINES

We have a 20% economic interest in BayanTel Telecommunications Holdings Corporation ("BayanTel"), a local exchange provider. At December 31, 1998, BayanTel had approximately 250,000 access lines.

FLAG

FLAG Limited (FLAG) owns and operates an undersea fiberoptic cable system, providing digital communications links between Europe and Asia. FLAG launched commercial service in the fourth quarter of 1997. We hold approximately a 34% equity interest in the venture and have invested approximately $227 million since 1994.

We have approximately a 5% interest in the parent company of FLAG, FLAG Telecom Holding Limited (FLAG Telecom). In the first quarter of 1999, a subsidiary of FLAG Telecom and Global TeleSystems Group, Inc., a U.S. telecommunications company, agreed to establish a joint venture to build and operate a transoceanic dual cable system to carry high-speed data and video traffic across the Atlantic Ocean. The companies expect to offer service in 2000.

Employees

As of December 31, 1998, Bell Atlantic and its subsidiaries had approximately 140,000 employees. Unions represent approximately 69% of our employees. In 1998 we executed new collective bargaining agreements with the unions.

Cautionary Statement Concerning Forward-Looking Statements

In this Annual Report on Form 10-K we have made forward-looking statements. These statements are based on our estimates and assumptions and are subject to risks and uncertainties. Forward-looking statements include the information concerning our possible or assumed future results of operations. Forward-looking statements also include those preceded or followed by the words "anticipates," "believes," "estimates," "hopes" or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

The following important factors, along with those discussed elsewhere in this Annual Report, could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements:

- materially adverse changes in economic conditions in the markets served by us or by companies in which we have substantial investments;
- material changes in available technology;
- the final outcome 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, and unbundled network elements and resale rates;
- the extent, timing, success and overall effects of competition from others in the local telephone and toll service markets;
- the timing and profitability of our entry into the in-region long distance market;
- the success and expense of our remediation efforts and those of our suppliers, customers, joint ventures, noncontrolled investments and interconnecting carriers in achieving year 2000 compliance; and
- the timing of, and regulatory or other conditions associated with, the completion of the merger with GTE and our ability to combine operations and obtain revenue enhancement and cost savings following the merger.

Item 2. Properties

General

Our principal properties do not lend themselves to simple description by character and location. Our total investment in plant, property and equipment was approximately $83.1 billion at December 31, 1998 and $77.4 billion at December 31, 1997, including the effect of retirements, but before deducting accumulated depreciation. Our gross investment in plant, property and equipment consisted of the following at December 31:

	1998	1997
Outside communications plant	40.5%	40.9%
Central office equipment	37.9	37.7
Land and buildings	8.5	8.7
Furniture, vehicles and other work equipment	9.5	9.4
Other	3.6	3.3
	100.0%	100.0%

Our properties are divided among our operating segments as follows:

	1998	1997
Domestic Telecom	92.3%	93.0%
Global Wireless	7.2	6.5
Directory	.4	.4
Other Businesses	.1	.1
	100.0%	100.0%

"Outside communications plant" consists primarily of aerial cable, underground cable, conduit and wiring, cellular plant, and telephone poles. "Central office equipment" consists of switching equipment, transmission equipment and related facilities. "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 (including PBXs), furniture, office equipment, motor vehicles and other work equipment. "Other" property consists primarily of plant under construction, capital leases and leasehold improvements.

The customers of our operating telephone subsidiaries are served by electronic switching systems that provide a wide variety of services. The operating telephone subsidiaries' network is in a transition from an analog to a digital network, which provides the capabilities to furnish advanced data transmission and information management services. At December 31, 1998, approximately 97% of the access lines were served by digital capability.

Substantially all of the assets of New York Telephone Company, totaling approximately $13.3 billion at December 31, 1998, are subject to the lien of New York Telephone Company's refunding mortgage bond indenture.

Capital Expenditures

We continue to make significant capital expenditures to meet the demand for communications services and to further improve such services. Capital expenditures for our Domestic Telecom business were approximately $6.4 billion in 1998, $5.5 billion in 1997 and $4.9 billion in 1996. Capital expenditures for our Global Wireless, Directory and Other Businesses were approximately $1.0 billion in 1998, $1.1 billion in 1997 and $1.5 billion in 1996. Capital expenditures exclude additions under capital leases. We expect capital expenditures in 1999 to total approximately $8.1 billion, including approximately $7.3 billion to be invested in our Domestic Telecom business to facilitate the introduction of new products and services, enhance responsiveness to competitive challenges, and increase the operating efficiency and productivity of the network. This estimate includes approximately $500 million related to the implementation of the new accounting standard on costs of computers software, Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."

Item 3. Legal Proceedings

There were no proceedings reportable under Item 3.

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

Not Applicable.

Executive Officers of the Registrant

Set forth below is certain information with respect to our executive officers.

Name	Age	Office	Held Since
Ivan G. Seidenberg	52	Chairman and Chief Executive Officer	1998
Lawrence T. Babbio, Jr.	54	President and Chief Operating Officer	1998
James G. Cullen	56	President and Chief Operating Officer	1998
Jacquelyn B. Gates	47	Vice President–Ethics and Corporate Compliance	1998
Alexander H. Good	49	Executive Vice President–Strategy and Corporate Development	1998
Patrick F.X. Mulhearn	47	Vice President–Corporate Communications	1997
Donald J. Sacco	57	Executive Vice President–Human Resources	1997
Frederic V. Salerno	55	Senior Executive Vice President and Chief Financial Officer/Strategy and Business Development	1997
Thomas J. Tauke	48	Senior Vice President–Government Relations	1997
Doreen A. Toben	49	Vice President–Controller	1998
Chester N. Watson	48	Vice President–Internal Auditing	1997
Morrison DeS. Webb	51	Executive Vice President–External Affairs and Corporate Communications	1997
Ellen C. Wolf	45	Vice President–Treasurer	1997
James R. Young	47	Executive Vice President–General Counsel	1997

Prior to serving as an executive officer, each of the above officers have held high level managerial positions with the company or one of its subsidiaries for at least five years.

Officers are not elected for a fixed term of office but are removable at the discretion of the Board of Directors.

Part II

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

The principal market for trading in the common stock of Bell Atlantic is the New York Stock Exchange. The common stock is also listed in the United States on the Boston, Chicago, Pacific, and Philadelphia stock exchanges. As of December 31, 1998, there were 1,102,900 shareowners of record.

High and low stock prices, as reported on the New York Stock Exchange composite tape of transactions, and dividend data are as follows:

	Market Price High	Market Price Low	Cash Dividend Declared
1998			
First Quarter	$ 53	$ 42 3/8	$ .385
Second Quarter	51 3/8	44 11/16	.385
Third Quarter	50 7/16	40 7/16	.385
Fourth Quarter	61 5/16	47 5/8	.385
1997			
First Quarter	$ 35 13/16	$ 29 3/8	$ .37
Second Quarter	39 5/8	28 3/8	.37
Third Quarter	40 7/8	34	.385
Fourth Quarter	45 7/8	37 3/8	.385

Reflects 2-for-1 stock split declared and paid in second quarter of 1998

Pursuant to the terms of an Agreement and Plan of Merger, dated September 23, 1997, relating to the merger of Blue Ridge Cellular Telephone Company with one of our subsidiaries, we issued 212,171 shares of common stock in 1997 and 1,742 shares of common stock in 1998, none of which was registered under the Securities Act of 1933.

Item 6. Selected Financial Data

The information required by this item is included on page F-21 of this report.

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

The information required by this item is included on pages F-2 through F-20 of this report.

Item 7a. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is included on pages F-13 through F-15 of this report.

Item 8. Financial Statements and Supplementary Data

The information required by this item is included on pages F-22 through F-51 of this report.

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

Not Applicable.

Part III

Item 10. Directors and Executive Officers of the Registrant

For information with respect to our executive officers, see "Executive Officers of the Registrant" at the end of Part I of this Report. For information with respect to the Directors and compliance with Section 16(a) of the Securities Exchange Act of 1934, see the Proxy Statement for our 1999 Annual Meeting of Shareowners to be filed pursuant to Regulation 14A, which is incorporated herein by reference.

Item 11. Executive Compensation

For information with respect to executive compensation, see the Proxy Statement for our 1999 Annual Meeting of Shareowners to be filed pursuant to Regulation 14A, which is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

For information with respect to the security ownership of the Directors and Executive Officers, see the Proxy Statement for our 1999 Annual Meeting of Shareowners to be filed pursuant to Regulation 14A, which is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

For information with respect to certain relationships and related transactions, see the Proxy Statement for our 1999 Annual Meeting of Shareowners to be filed pursuant to Regulation 14A, which is incorporated herein by reference.

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 Information appearing on Page F-1.

(2) Financial Statement Schedule
See Index to Financial Information appearing on Page F-1.

(3) Exhibits

Exhibits identified in parentheses below, on file with the Securities and Exchange Commission (SEC) in File No. 1-8606 except as otherwise noted, are incorporated herein by reference as exhibits hereto.

EXHIBIT NUMBER

2 Agreement and Plan of Merger by and among Bell Atlantic Corporation, Beta Gama Corporation and GTE Corporation, dated as of July 27, 1998. (Exhibit 2.01 to Form 8-K, date of report July 30, 1998.)

3a Restated Certificate of Incorporation of Bell Atlantic Corporation ("Bell Atlantic"). (Exhibit 3(i) to Form 8-K, date of report August 14, 1997.)

3b By-Laws of Bell Atlantic, as amended and restated as of January 1, 1999.

4 No instrument which defines the rights of holders of long-term debt of Bell Atlantic and its consolidated subsidiaries is filed herewith pursuant to Regulation S-K, Item 601(b)(4)(iii)(A). Pursuant to this regulation, Bell Atlantic hereby agrees to furnish a copy of any such instrument to the SEC upon request.

10a Bell Atlantic Deferred Compensation Plan for Outside Directors, as amended and restated as of January 1, 1998.*

10b Bell Atlantic Insurance Plan for Directors. (Exhibit 10hh to Registration Statement on Form S-1 No. 2-87842).*

10c Description of Bell Atlantic Plan for Non-Employee Directors' Travel Accident Insurance. (Exhibit 10ii to Registration Statement on Form S-1 No. 2-87842.)*

10d Bell Atlantic Retirement Plan for Outside Directors, as amended and restated as of January 1, 1996. (Exhibit 10k to Form 10-K for the year ended December 31, 1995.)*

10e Bell Atlantic Stock Compensation Plan for Outside Directors, as amended and restated as of January 1, 1998.*

10f Bell Atlantic Corporation Directors' Charitable Giving Program. (Exhibit 10p to Form SE dated March 29, 1990.)*

10f(i) Resolutions amending and partially terminating the Program. (Exhibit 10p to Form SE dated March 29, 1993.)*

10g Description of Changes in Compensation for Outside Directors of Bell Atlantic, effective August 14, 1997 (Exhibit 10y to Form 10-Q for the quarter ended September 30, 1997.)*

10h Bell Atlantic Senior Management Short Term Incentive Plan, as amended and restated effective as of January 22 1996. (Exhibit 10a to Form 10-K for the year ended December 31, 1996.)*

10h(i) Description of Amendment, effective August 14, 1997. (Exhibit 10a(i) to Form 10-Q for the quarter ended September 30, 1997.)*

10i Bell Atlantic Deferred Compensation Plan, as amended and restated as of January 1, 1997. (Exhibit 10i to Form 10-K for the year ended December 31, 1996.)*

10i(i) Description of Amendments to Bell Atlantic Deferred Compensation Plan (renamed the Bell Atlantic Senior Management Income Deferral Plan), effective January 1, 1998. (Exhibit 10i(i) to Form 10-K for the year ended December 31, 1997.)*

10j Bell Atlantic 1985 Incentive Stock Option Plan, as amended and restated as of July 1, 1996. (Exhibit 10j to Form 10-K for the year ended December 31, 1996.)*

10j(i) Description of Amendment and Administrative Change to Bell Atlantic 1985 Incentive Stock Option Plan, effective August 14, 1997. (Exhibit 10a(i) to Form 10-Q for the quarter ended September 30, 1997.)*

10k Section 6 from Bell Atlantic Cash Balance Plan regarding limitations on payment of pension amounts which exceed the limitations contained in the Employee Retirement Income Security Act of 1974. (Exhibit 10g to Form 10-K for the year ended December 31, 1996.)*

10l Bell Atlantic Senior Management Long-Term Disability and Survivor Protection Plan, as amended. (Exhibit 10h to Form SE filed on March 27, 1986.)*

10l(i) Resolutions amending the Plan, effective as of January 1, 1989. (Exhibit 10d to Form SE dated March 29, 1989.)*

10l(ii) Description of Amendments, effective January 1, 1998, to Bell Atlantic Senior Management Long Term Disability Plan (formerly known, as the Bell Atlantic Senior Management Long-Term Disability and Survivor Protection Plan). (Exhibit 10b(ii) to Form 10-K for the year ended December 31, 1997.)*

10m Bell Atlantic Salary Program for Senior Managers, effective August 14, 1997. (Exhibit 10x to Form 10-Q for the quarter ended September 30, 1997.)*

10n Description of Bell Atlantic Senior Management Estate Management Plan.*

10o Description of Bell Atlantic Senior Management Death Benefit Plan, effective April 1, 1998. (Exhibit 10rr to Form 10-K for year ended December 31, 1997.)*

10p Description of Bell Atlantic Senior Management Flexible Spending Perquisite Account, effective January 1, 1998. (Exhibit 10ss to Form 10-K for year ended December 31, 1997.)*

10q NYNEX 1984 Stock Option Plan, as amended and restated. (Post-Effective Amendment No. 1 to NYNEX's Registration No. 2-97813, dated September 21, 1987, File No. 1-8608.)*

10r NYNEX 1987 Restricted Stock Award Plan (Exhibit No. (28) (i) 1 to NYNEX's filing on Form SE dated March 23, 1988, File No. 1-8608.)*

10s NYNEX 1990 Stock Option Plan as amended. (Exhibit No. 2 to NYNEX's Proxy Statement dated March 20, 1995, File No. 1-8608.)*

10t NYNEX 1995 Stock Option Plan as amended. (Exhibit No. 1 to NYNEX's Proxy Statement dated March 20, 1995, File No. 1-8608.)*

10u NYNEX 1995 Long Term Incentive Program as amended. (Exhibit No. 3 to NYNEX's Proxy Statement dated March 20, 1995, File No. 1-8608.)*

10v NYNEX Supplemental Life Insurance Plan. (Exhibit No. 10 iii 21 to NYNEX's Quarterly Report on Form 10-Q for the period ended June 30, 1996, File No. 1-8608.)*

10w NYNEX Executive Retention Agreement. (Exhibit No. 10 iii 35 to NYNEX's Quarterly Report on Form 10-Q, for the period ended June 30, 1996, File No. 1-8608.)*

10x Employment Agreement, dated August 14, 1997, by and between Bell Atlantic and Raymond W. Smith (Exhibit 10aa to Form 10-Q for the quarter ended September 30, 1997.)*

10x(i) Letter dated April 16, 1998, to Raymond W. Smith concerning employment-related issues. (Exhibit 10v(i) to Form 10-Q for the quarter ended June 30, 1998.)*

10x(ii) Resolutions dated May 1, 1998, approving amendments to Employment Agreement of Raymond W. Smith. (Exhibit 10v(ii) to Form 10-Q for the quarter ended June 30, 1998.)*

10y Employment Agreement, dated as of June 1, 1998, by and between Bell Atlantic Corporation and Lawrence T. Babbio, Jr.. (Exhibit 10a to Form 10-Q for the quarter ended June 30, 1998.)*

10z Employment Agreement, dated as of June 1, 1998, by and between Bell Atlantic Corporation and James G. Cullen. (Exhibit 10b to Form 10-Q for the quarter ended June 30, 1998.)*

10aa Employment Agreement, dated as of June 1, 1998, by and between Bell Atlantic Corporation and Frederic V. Salerno. (Exhibit 10c to Form 10-Q for the quarter ended June 30, 1998.)*

10bb Employment Agreement, dated as of June 1, 1998, by and between Bell Atlantic Corporation and Donald J. Sacco. (Exhibit 10d to Form 10-Q for the quarter ended June 30, 1998.)*

10cc Employment Agreement, dated as of June 1, 1998, by and between Bell Atlantic Corporation and Morrison DeS. Webb. (Exhibit 10e to Form 10-Q for the quarter ended June 30, 1998.)*

10dd Employment Agreement, dated as of June 1, 1998, by and between Bell Atlantic Corporation and James R. Young. (Exhibit 10f to Form 10-Q for the quarter ended June 30, 1998.)*

10ee Form of Amendment, dated as of October 27, 1998, to Employment Agreements with Lawrence T. Babbio, Jr., James G. Cullen, Frederic V. Salerno, Donald J. Sacco, Morrison DeS. Webb and James R. Young.*

10ff Employment Agreement, dated as of January 1, 1999, by and between Bell Atlantic Corporation and Ivan G. Seidenberg.*

10gg Employment Agreement, dated as of October 27, 1998, by and between Bell Atlantic Corporation and Alexander H. Good.*

10hh Resolution, dated January 24, 1994, granting Lawrence T. Babbio, Jr. certain nonqualified stock options to purchase American Depository Receipts representing Series L shares of the capital stock of Grupo Iusacell, S.A. de C.V. (Exhibit 10s to Form 10-K for the year ended December 31, 1993.)*

10ii Form of stock option grant to Lawrence T. Babbio, Jr., dated February 18, 1997, containing terms and conditions of certain nonqualified stock options to purchase American Depository Receipts representing Series L shares of the capital stock of Grupo Iusacell, S.A. de C.V. (Exhibit 10q to Form 10-K for the year ended December 31, 1996.)*

10jj Forms of Stay Incentive Agreement and Separation and Non-Compete Agreement with Doreen A. Toben and Ellen C. Wolf with respect to the Bell Atlantic-NYNEX merger. (Exhibit 10(f) to Registration Statement on Form S-4 No. 333-11573.)*

10kk Form of Stay Incentive Agreement, dated as of November 23, 1998, with Doreen A. Toben and Ellen C. Wolf with respect to the Bell Atlantic - GTE Merger.*

10ll Form of Stay Incentive Agreement, dated as of November 23, 1998, with Patrick F.X. Mulhearn and Thomas J. Tauke.*

10mm Form of Stay Incentive Agreement, dated as of November 23, 1998, with Jacquelyn B. Gates and Chester N. Watson.*

10nn Form of Merger Agreement, dated as of January 29, 1999, with Doreen A. Toben and Ellen C. Wolf.*

10oo Form of Merger Agreement, dated as of January 29, 1999, with Patrick F.X. Mulhearn and Thomas J. Tauke.*

10pp Form of Merger Agreement, dated as of January 29, 1999, with Jacquelyn B. Gates and Chester N. Watson.*

10qq Stock Option Agreement, dated as of July 27, 1998, between Bell Atlantic Corporation and GTE Corporation. (Exhibit 10.01 to Form 8-K, date of report July 30, 1998.)

10rr Stock Option Agreement, dated as of July 27, 1998, between GTE Corporation and Bell Atlantic Corporation. (Exhibit 10.02 to Form 8-K, date of report July 30, 1998.)

12 Computation of Ratio of Earnings to Fixed Charges.

21 List of subsidiaries of Bell Atlantic.

23 Consent of Independent Accountants.

24 Powers of Attorney.

27 Financial Data Schedule.

* Indicates management contract or compensatory plan or arrangement.

(b) Current Reports on Form 8-K filed during the quarter ended December 31, 1998:

A Current Report on Form 8-K, dated October 13, 1998, was filed regarding certain charges taken in the third quarter of 1998.

A Current Report on Form 8-K, dated October 21, 1998, was filed regarding Bell Atlantic's third quarter 1998 financial results.

A Current Report on Form 8-K, dated October 26, 1998, was filed on behalf of the Bell Atlantic Savings and Security Plan (Non Salaried Employees) regarding a change in the Plan's independent accountants.

A Current Report on Form 8-K, dated October 26, 1998, was filed on behalf of the Bell Atlantic Savings and Plan for Salaried Employees regarding a change in the Plan's independent accountants.

A Current Report on Form 8-K, dated October 26, 1998, was filed on behalf of the NYNEX Corporation Savings and Security Plan (Non-Salaried Employees) regarding a change in the Plan's independent accountants.

A Current Report on Form 8-K, dated October 28, 1998, was filed regarding certain statements made at a Bell Atlantic Analyst Conference on October 28, 1998.

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.

Bell Atlantic Corporation

By /s/ Doreen A. Toben

Doreen A. Toben
Vice President – Controller

March 29, 1999

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.

Principal Executive Officer: Ivan G. Seidenberg	Chairman of the Board and Chief Executive Officer	
Principal Financial Officer: Frederic V. Salerno	Senior Executive Vice President and Chief Financial Officer/Strategy and Business Development	
Principal Accounting Officer: Doreen A. Toben	Vice President – Controller	
Directors: Lawrence T. Babbio, Jr. Richard L. Carrion James G. Cullen Lodewijk J.R. de Vink James H. Gilliam, Jr. Stanley P. Goldstein Helene L. Kaplan Thomas H. Kean Elizabeth T. Kennan John F. Maypole Joseph Neubauer Thomas H. O'Brien Eckhard Pfeiffer Hugh B. Price Rozanne L. Ridgway Frederic V. Salerno Ivan G. Seidenberg Walter V. Shipley John R. Stafford Morrison DeS. Webb Shirley Young		By /s/ Doreen A. Toben Doreen A. Toben (individually and as attorney-in-fact) March 29, 1999

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

Overview

1998 marked a year in which we achieved very solid financial results while continuing to position ourselves for entry into new markets in telecommunications. Our results were driven by strong market demand for voice and data services in our Domestic Telecom business and robust operating performance by our Global Wireless group.

In 1998, we reported net income of $2,965 million, or $1.86 diluted earnings per share. In 1997, we reported net income of $2,455 million or $1.56 diluted earnings per share, and in 1996 we reported net income of $3,402 million or $2.18 diluted earnings per share. Our reported results for all three years were affected by special items. After adjusting for such items, net income would have been $4,323 million or $2.72 diluted earnings per share in 1998, $3,847 million or $2.45 diluted earnings per share in 1997, and $3,474 million or $2.23 diluted earnings per share in 1996. The table below summarizes reported and adjusted results of operations for 1998, 1997 and 1996.

(DOLLARS IN MILLIONS)

YEARS ENDED DECEMBER 31	1998	1997	1996
Operating revenues	$31,566	$30,194	$29,155
Operating expenses	24,939	24,852	23,076
Operating income	6,627	5,342	6,079
Reported Net Income	2,965	2,455	3,402
Special items – pre-tax			
Merger-related costs	196	519	–
Retirement incentive costs	1,021	513	236
Other charges and special items	589	1,041	315
Total special items – pre-tax	1,806	2,073	551
Tax effect and other tax-related items	(448)	(681)	(206)
Cumulative effect of change in accounting principle, net of tax			(273)
Total special items – after-tax	1,358	1,392	72
Adjusted Net Income	$ 4,323	$ 3,847	$ 3,474
Diluted Earnings Per Share–Reported	$ 1.86	$ 1.56	$ 2.18
Diluted Earnings Per Share–Adjusted	$ 2.72	$ 2.45	$ 2.23

All prior year per share amounts have been adjusted to reflect a two-for-one common stock split on June 1, 1998.

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

(DOLLARS IN MILLIONS)

YEARS ENDED DECEMBER 31	1998	1997	1996
Operating Revenues			
Regulatory contingencies	$ –	$ 179	$ 132
Employee Costs			
Retirement incentive costs	1,021	513	236
Merger direct incremental costs	–	53	–
Merger severance costs	–	223	–
Merger transition costs	15	4	–
Video-related charges	–	12	–
Other special items	30	–	41
Depreciation and Amortization			
Write-down of assets	40	300	19
Other Operating Expenses			
Merger direct incremental costs	–	147	–
Merger transition costs	181	92	–
Video-related charges	15	69	–
Real estate consolidation	–	55	–
Regulatory, tax and legal contingencies and other special items	9	347	171
	1,311	1,815	467
(Income) Loss From Unconsolidated Businesses			
Write-down of Asian investments	485	–	–
Write-down of video investments	8	162	–
Equity share of CWC formation costs	–	59	–
Gains on sales of investments	–	(142)	(60)
Other Income and Expense, net			
Write-down of assets	(45)	–	12
Interest Expense			
Write-down of assets	47	–	–
Total Special Items–Pre-Tax	1,806	2,073	551
Provision for Income Taxes			
Tax effect of special items and other tax-related items	(448)	(681)	(206)
Cumulative effect of change in accounting principle–directory publishing, net of tax	–	–	(273)
Total Special Items–After-Tax	$ 1,358	$ 1,392	$ 72

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

Merger-related Costs

In connection with the Bell Atlantic-NYNEX merger, which was completed in August 1997, we recorded pre-tax costs totaling $196 million in 1998 and $519 million in 1997.

In 1998, merger-related charges of $196 million were for transition and integration costs. In 1997, merger-related charges consisted of $96 million for transition and integration costs, $200 million for direct incremental costs and $223 million for employee severance costs.

Transition and integration costs represent costs associated with integrating the operations of Bell Atlantic and NYNEX, such as systems modifications costs, advertising and branding costs, and costs associated with the elimination and consolidation of duplicate facilities, relocation and training. Transition and integration costs are expensed as incurred. Direct incremental costs consist of expenses associated with completing the merger transaction, such as professional and regulatory fees, compensation arrangements and shareowner-related costs.

Employee severance costs, as recorded under SFAS No. 112, "Employers' Accounting for Postemployment Benefits," represent benefit costs for the separation by the end of 1999 of approximately 3,100 management employees who are entitled to benefits under pre-existing separation pay plans. During 1997 and 1998, 245 and 856 management employees were separated with severance benefits.

Merger-related costs were comprised of the following amounts in 1998 and 1997:

(DOLLARS IN MILLIONS)

YEARS ENDED DECEMBER 31	1998	1997
Transition and Integration Costs		
Systems modifications	$ 149	$ 36
Advertising	20	-
Branding	11	48
Relocation, training and other	16	12
Total Transition and Integration Costs	196	96
Direct Incremental Costs		
Professional services		80
Compensation arrangements		54
Shareowner-related		16
Registration and other regulatory		18
Taxes and other		32
Total Direct Incremental Costs		200
Employee Severance Costs		223
Total Merger-related Costs	$ 196	$ 519

We expect to incur between $100 million and $200 million (pre-tax) in transition and integration costs over the next 12 to 18 months to complete our transition efforts. You can find additional information on merger-related costs in Note 2 to the consolidated financial statements.

Retirement Incentive Costs

In 1993, we announced a restructuring plan which included an accrual of approximately $1.1 billion (pre-tax) for severance and postretirement medical benefits under an involuntary force reduction plan. Beginning in 1994, retirement incentives have been offered under a voluntary program as a means of implementing substantially all of the work force reductions planned in 1993.

Since the inception of the retirement incentive program, we recorded additional costs totaling approximately $3.0 billion (pre-tax) through December 31, 1998. These additional costs and the corresponding number of employees accepting the retirement incentive offer for each year ended December 31 are as follows:

(DOLLARS IN MILLIONS)

YEARS	Amount	Employees
1994	$ 694	7,209
1995	515	4,759
1996	236	2,996
1997	513	4,311
1998	1,021	7,299
	$ 2,979	26,574

The additional costs are comprised of special termination pension and postretirement benefit amounts, as well as employee costs for other items. These costs have been reduced by severance and postretirement medical benefit reserves established in 1993 and transferred to the pension and postretirement benefit liabilities as employees accepted the retirement incentive offer. The remaining severance and postretirement medical reserve balances totaled $93 million at December 31, 1997 and were fully utilized at December 31, 1998. The retirement incentive program covering management employees ended on March 31, 1997 and the program covering associate employees was completed in September 1998. You can find additional information on retirement incentive costs in Note 15 to the consolidated financial statements.

Other Charges and Special Items

YEAR 1998

During 1998, we recorded other charges and special items totaling $589 million in connection with the write-down of Asian investments and obsolete or impaired assets, and for other special items arising during the year. The remaining liability associated with these charges was $8 million at December 31, 1998. These charges are comprised of the following significant items.

ASIAN INVESTMENTS

In the third quarter of 1998, we recorded pre-tax charges of $485 million to adjust the carrying values of two Asian investments — TelecomAsia, a wireline investment in Thailand, and Excelcomindo, a wireless investment in Indonesia. We account for these investments under the cost method.

The charges were necessary because we determined that the decline in the estimated fair values of each of these investments was other than temporary. We determined the fair values of these investments by discounting estimated future cash flows.

In the case of TelecomAsia, we recorded a charge of $348 million to adjust the carrying value of the investment to its estimated fair value. We considered the following factors in determining this charge:

- The continued weakness of the Thai currency as compared to historical exchange rates will place additional financial burdens on the company in servicing U.S. dollar-denominated debt.
- The economic instability and prospects for an extended recovery period have resulted in weaker than expected growth in TelecomAsia's business. This is indicated by slower than expected growth in total subscribers and usage. These factors resulted in reduced expectations of future cash flows and, accordingly, a reduction in the value of our investment.
- The business plan for TelecomAsia contemplated cash flows from several lines of business. Given TelecomAsia's inclination to focus on its core wireline business, these other lines of business may not contribute future cash flows at previously expected levels.

In the case of Excelcomindo, we recorded a charge of $137 million to adjust the carrying value of the investment to its estimated fair value. We considered the following factors in determining this charge:

- The continued weakness of the Indonesian currency as compared to historical exchange rates will place additional financial burdens on the company in servicing U.S. dollar-denominated debt. The continuing political unrest in Indonesia has contributed to the currency's instability.
- The economic instability and prospects for an extended recovery period have resulted in weaker than expected growth in Excelcomindo's business. One significant factor has been inflexible tariff regulation despite rising costs due to inflation. This and other factors have resulted in reduced expectations of future cash flows and, accordingly, a reduction in the value of our investment.
- Issues with cash flow are requiring Excelcomindo's shareholders to evaluate the future funding of the business.

We will continue to monitor the political, economic and financial aspects of our remaining investments in Thailand and Indonesia, as well as other investments. The book value of our remaining Asian investments was approximately $210 million at December 31, 1998. Should we determine that any further decline in the fair values of these investments is other than temporary, the impact could be material to our results of operations.

VIDEO-RELATED CHARGES

In 1998, we recorded pre-tax charges of $23 million primarily related to wireline and other nonsatellite video initiatives. We made a strategic decision in 1998 to focus our video efforts on satellite service being offered in conjunction with DirecTV and USSB. We communicated the decision to stop providing wireline video services to subscribers and offered them the opportunity to subscribe to the satellite-based video service that we introduced in 1998. In the third quarter of 1998, we decided to dispose of these assets by sale or abandonment, and we conducted an impairment review under the requirements of SFAS No. 121,"Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." We based our estimate on an estimate of the cash flows expected to result from the use of the assets prior to their disposal and the net proceeds (if any) expected to result from disposal. We are currently providing video service exclusively in conjunction with our arrangements with DirecTV and USSB.

WRITE-DOWN OF ASSETS AND OTHER ITEMS

Results for 1998 also included a pre-tax charge, net of minority interest, of $42 million for the write-down of fixed assets (primarily buildings and wireless communications equipment) and capitalized interest associated with our Mexican wireless investment–Grupo Iusacell, S.A. de C.V. (Iusacell). These assets relate to Iusacell's trial of fixed wireless service provided over the 450 MHz frequency. While continuing this trial, Iusacell is considering whether or not to pursue its rights to acquire 450 MHz licenses for other areas. Iusacell believes that the capability of the CDMA technology and the success it has had with its deployment indicate that impairment exists with respect to assets related to the 450 MHz technology. Iusacell is currently providing service over the 450 MHz spectrum and has concluded that the carrying amount of these assets exceeds the sum of the estimated future cash flows associated with the assets. We recognized an impairment loss under the provisions of SFAS No. 121. It is currently anticipated that the 450 assets will remain in service until at least the third quarter of 1999, at which point a decision on overall strategy will be made. We account for our Iusacell investment as a fully consolidated subsidiary.

Other items arising in 1998 included charges totaling $39 million principally associated with the settlement of labor contracts in August 1998.

YEAR 1997

During 1997, we recorded other charges and special items totaling $1,041 million in connection with consolidating operations and combining organizations, and for other special items arising during the year. You can find additional detail about these accrued liabilities in Note 2 to the consolidated financial statements.

VIDEO-RELATED CHARGES

In 1997, we recognized total pre-tax charges of $243 million related to certain video investments and operations. We determined that we would no longer pursue a multichannel, multipoint, distribution system (MMDS) as part of our video strategy. As a result, we recognized liabilities for purchase commitments associated with the MMDS technology and costs associated with closing the operations of our Tele-TV partnership because this operation no longer supports our video strategy. We also wrote-down our remaining investment in CAI Wireless Systems, Inc.

WRITE-DOWN OF ASSETS AND REAL ESTATE CONSOLIDATION

In the third quarter of 1997, we recorded pre-tax charges of $355 million for the write-down of obsolete or impaired fixed assets and for the cost of consolidating redundant real estate properties. As part of our merger integration planning, we reviewed the carrying values of long-lived assets. This review included estimating remaining useful lives and cash flows and identifying assets to be abandoned. In the case of impaired assets, we analyzed cash flows related to those assets to determine the amount of the impairment. As a result of these reviews, we recorded charges of $275 million for the write-off of some assets and $25 million for the impairment of other assets. These assets primarily included computers and other equipment used to transport data for internal purposes, copper wire used to provide telecommunications service in New York, and duplicate voice mail platforms. None of these assets are being held for disposal. At December 31, 1998, the impaired assets had no remaining carrying value.

In connection with our merger integration efforts, we consolidated real estate properties to achieve a reduction in the total square footage of building space that we utilize. We sold properties, subleased some of our leased facilities and terminated other leases, for which we recorded a charge of $55 million in the third quarter of 1997. Most of the charge related to properties in Pennsylvania and New York, where corporate support functions were consolidated into fewer work locations.

REGULATORY, TAX AND LEGAL CONTINGENCIES AND OTHER SPECIAL ITEMS

In 1997, we also recorded reductions to operating revenues and charges to operating expenses totaling $526 million (pre-tax), which consisted of the following items:

- Revenue reductions consisted of $179 million for federal regulatory matters. These matters relate to specific issues that are currently under investigation by federal regulatory commissions. We believe that it is probable that the ultimate resolution of these pending matters will result in refunds to our customers.
- Charges to operating expenses totaled $347 million and consisted of $75 million for interest on federal and other tax contingencies; $55 million for other tax matters; and $52 million for legal contingencies and a state regulatory audit issue. These contingencies were accounted for under the rules of SFAS No. 5, "Accounting for Contingencies." These charges also included $95 million related to costs incurred in standardizing and consolidating our directory businesses and $70 million for other post-merger initiatives.

Other charges arising in 1997 included $59 million for our equity share of formation costs previously announced by Cable & Wireless Communications plc (CWC). We own an 18.5% interest in CWC and account for our investment under the equity method of accounting.

In 1997, we recognized pre-tax gains of $142 million on the sales of our ownership interests of several nonstrategic businesses. These gains included $42 million on the sale of our interest in Sky Network Television Limited of New Zealand (SkyTV); $54 million on the sale of our 33% stake in an Italian wireline venture, Infostrada; and $46 million on the sale of our two-sevenths interest in Bell Communications Research, Inc. (Bellcore).

YEAR 1996

In 1996, we recorded other charges and special items totaling $315 million, consisting of $334 million in connection with regulatory and legal contingencies and for costs associated with asset and investment dispositions and $41 million for actuarially determined costs of a benefit plan amendment. These charges were partially offset by a net gain of $60 million on the sale of a nonstrategic investment.

Effective January 1, 1996, we changed our method of accounting for directory publishing revenues and expenses. We adopted the point-of-publication method, meaning that we now recognize directory revenues and expenses upon publication rather than over the lives of the directories. We recorded an after-tax increase in income of $273 million, representing the cumulative effect of this change in accounting principle.

Segmental Results of Operations

We have four reportable segments, which we operate and manage as strategic business units and we organize by products and services. Our segments are Domestic Telecom, Global Wireless, Directory and Other Businesses. You can find additional information about our segments in Note 17 to the consolidated financial statements.

We measure and evaluate our reportable segments based on adjusted net income, which excludes undistributed corporate expenses and special items arising during each period. Special items are transactions that management has excluded from the business units' results, but has included in reported consolidated earnings. We previously described these special items in the Overview section. The effect of these special items on each of the segment's reported net income is provided in the following table:

(DOLLARS IN MILLIONS)

YEARS ENDED DECEMBER 31	1998	1997	1996
Domestic Telecom			
Reported net income	$ 2,383	$ 2,016	$ 2,413
Special items	790	977	377
Adjusted net income	$ 3,173	$ 2,993	$ 2,790
Global Wireless			
Reported net income	$ 50	$ 113	$ 73
Special items	178	(18)	7
Adjusted net income	$ 228	$ 95	$ 80
Directory			
Reported net income	$ 662	$ 564	$ 855
Special items	22	93	(270)
Adjusted net income	$ 684	$ 657	$ 585
Other Businesses			
Reported net income	$ (231)	$ 28	$ 57
Special items	366	20	(45)
Adjusted net income	$ 135	$ 48	$ 12
Reconciling Items			
Reported net income	$ 101	$ (266)	$ 4
Special items	2	320	3
Adjusted net income	$ 103	$ 54	$ 7

Reconciling items consist of corporate operations and intersegment eliminations.

Domestic Telecom

Our Domestic Telecom segment consists primarily of our nine operating telephone subsidiaries that provide local telephone services from Maine to Virginia including voice and data transport, enhanced and custom calling features, network access, directory assistance, private lines and public telephones. This segment also provides customer premises equipment distribution, systems integration, billing and collections, and Internet access services. Domestic Telecom represents the aggregation of our domestic wireline business units (consumer, enterprise, general, and network services), which focus on specific markets to increase revenues and customer satisfaction.

YEARS ENDED DECEMBER 31 (DOLLARS IN MILLIONS)

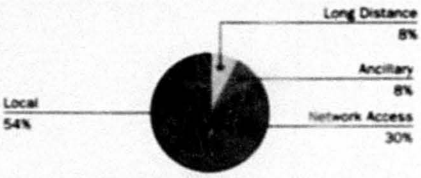
Results of Operations–Adjusted Basis	1998	1997	1996
Operating Revenues			
Local services	$ 13,882	$ 13,256	$ 12,627
Network access services	7,656	7,340	7,247
Long distance services	1,929	2,190	2,374
Ancillary services	2,090	2,023	1,888
	25,557	24,809	24,136
Operating Expenses			
Employee costs	7,298	7,436	7,679
Depreciation and amortization	5,195	4,990	4,911
Other operating expenses	7,047	6,696	6,262
	19,540	19,122	18,852
Operating Income	$ 6,017	$ 5,687	$ 5,284
Income (Loss) From Unconsolidated Businesses	$ 27	$ (14)	$ (72)
Adjusted Net Income	$ 3,173	$ 2,993	$ 2,790

OPERATING REVENUES

LOCAL SERVICES

Local services revenues are earned by our operating telephone subsidiaries from the provision of local exchange, local private line, public telephone (pay phone) and value-added services. Value-added services are a family of services, which expand the utilization of the network. These services include products such as Caller ID, Call Waiting and Return Call.

1998 Domestic Telecom Revenue Components



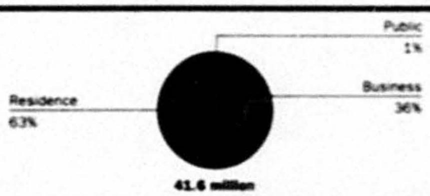
Growth in local services revenues of $626 million or 4.7% in 1998 and $629 million or 5.0% in 1997 was primarily due to higher usage of our network facilities. This growth was generated, in part, by an increase in access lines in service of 4.3% in 1998 and 3.7% in 1997. Access line growth primarily reflects higher demand for Centrex services and an increase in additional residential lines. Higher revenues from private line and switched data services also contributed to the revenue growth in both years.

Our local services revenues were boosted in both 1998 and 1997 by increased customer demand and usage of our value-added services and the implementation of new charges to carriers resulting from pay phone deregulation in April 1997.

In 1998, revenue growth from these factors was partially offset by price reductions on certain local services and the elimination of Touch-Tone service charges by several of our operating telephone subsidiaries.

You can find additional information on the Telecommunications Act of 1996 (1996 Act) and its impact on the local exchange market under "Other Factors That May Affect Future Results."

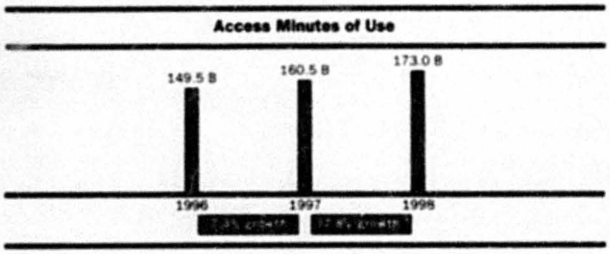
Access Lines by Category



NETWORK ACCESS SERVICES

Network access services revenues are earned from end-user subscribers and 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 resellers who purchase retail dial-tone services.

Our network access services revenues grew $316 million or 4.3% in 1998 and $93 million or 1.3% in 1997. This growth was mainly attributable to higher customer demand, as reflected by growth in access minutes of use of 7.8% in 1998 and 7.3% in 1997. Volume growth also reflects a continuing expansion of the business market, particularly for high-capacity services. In 1998, we saw an increasing demand for special access services as a result of a greater utilization of the network by Internet service providers and other high-capacity users. Higher network usage by alternative providers of intraLATA toll services and higher end-user revenues attributable to an increase in access lines in service also contributed to revenue growth in both years. Volume-related growth was partially offset in both years by net price reductions mandated by federal and state price cap and incentive plans.



The Federal Communications Commission (FCC) regulates the 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, under the rules of the Price Cap Plan. We implemented price decreases for interstate access services of approximately $63 million on an annual basis for the period July 1996 through June 1997 and approximately $430 million on an annual basis for the period July 1997 through June 1998.

In July 1998, we implemented price decreases of approximately $175 million on an annual basis. The rates include amounts necessary to recover our operating telephone subsidiaries' contribution to the FCC's universal service fund. The FCC has created a multi-billion dollar interstate fund to link schools and libraries to the Internet and to subsidize low-income consumers and rural healthcare providers. Under the FCC's rules, all providers of interstate telecommunications services must contribute to the fund. The subsidiaries' contributions to the universal service fund are included in Other Operating Expenses.

Beginning in the third quarter of 1998, access charges on intrastate toll calls in New York were reduced by $94 million annually due to a New York State Public Service Commission order. This reduction is, in part, an acceleration of access revenue reductions expected under the New York Performance Regulation Plan and, in addition, will be partially offset by increased revenues from the federal universal service fund. In January 1999, rates were further reduced by approximately $18 million on an annual basis to reflect lower required contributions to the FCC's universal service fund. The rates included in our July 1998 and January 1999 filings will be in effect through June 1999.

You can find additional information on FCC rulemakings concerning price caps, access charges and universal service under "Other Factors That May Affect Future Results–Recent Developments–FCC."

LONG DISTANCE SERVICES

Long distance services revenues are earned primarily from calls made outside a customer's local calling area, but within the same service area of our operating telephone subsidiaries (intraLATA toll). Other long distance services that we provide include 800 services, Wide Area Telephone Service (WATS), corridor services and long distance services outside of our region.

Declines in long distance services revenues of $261 million or 11.9% in 1998 and $184 million or 7.8% in 1997 were caused by two factors. First, we implemented presubscription for intraLATA toll services during 1997 in most states throughout the region. In these states, customers may now use an alternative provider of their choice for intraLATA toll calls without dialing a special access code when placing a call. The relative effect of presubscription on long distance revenues was lower in the second half of 1998, as a result of presubscription being available in most of our states for more than one year. The adverse impact on long distance services revenues as a result of presubscription was partially mitigated by increased network access services revenues for usage of our network by these alternative providers. Second, we implemented customer win-back and retention initiatives that included toll calling discount packages and product bundling offers. These revenue reductions were partially offset by higher calling volumes generated by an increase in access lines in service.

Our operating telephone subsidiaries in Maryland and Virginia expect to offer presubscription no later than coincident with our offering of interLATA long distance services in those states, or earlier if so ordered by state or federal regulators. Our operating telephone subsidiary in Massachusetts expects to offer presubscription in April 1999. We believe that competition for long distance services, including competitive pricing and customer selection of alternative providers of intraLATA and interLATA toll services in the states currently offering presubscription, will continue to affect revenue trends. You can find additional information on presubscription under "Other Factors That May Affect Future Results–Competition–IntraLATA Toll Services."

ANCILLARY SERVICES

Our ancillary services include such services as billing and collections for long distance carriers, systems integration, voice messaging, Internet access, customer premises equipment and wiring and maintenance services.

Revenues from ancillary services grew $67 million or 3.3% in 1998 and $135 million or 7.2% in 1997 due principally to new contracts with business customers for systems integration services and higher demand for voice messaging, billing and collections and Internet access services. Revenues earned from our customer premises services declined in 1998, while in 1997 revenues from these services grew over the prior year.

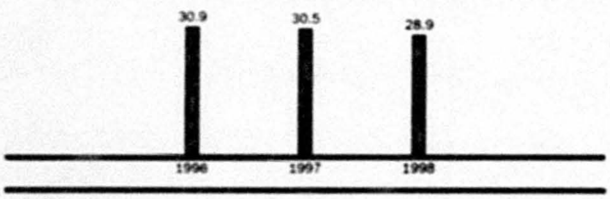
OPERATING EXPENSES

EMPLOYEE COSTS

Employee costs, which consist of salaries, wages and other employee compensation, employee benefits and payroll taxes, declined in 1998 by $138 million or 1.9% and in 1997 by $243 million or 3.2%. These reductions were largely attributable to lower pension and benefit costs in both years. A number of factors contributed to these cost reductions, including favorable pension plan investment returns, lower than expected retiree medical claims, and plan amendments including the conversion of a pension plan to a cash balance plan. Effective January 1, 1998, we established common pension and savings plan benefit provisions for all management employees. As a result, all former NYNEX management employees receive the same benefit levels as previously given under Bell Atlantic management benefit plans. This change included the conversion of the NYNEX management pension plan to a cash balance plan.

Other items contributing to the decreases, but to a lesser extent, were lower work force levels in 1998 and lower overtime pay for repair and maintenance activity in 1997.

Employees per 10,000 Access Lines



These cost reductions were partially offset by salary and wage increases in both years. In 1998, we executed new contracts with unions representing associate employees. The new contracts provide for wage and pension increases and other benefit improvements as described below:

- The wages, pension and other benefits for our associate employees are negotiated with unions. During 1998, we entered into new 2-year contracts with the Communications Workers of America (CWA), representing more than 73,000 associate workers and with the International Brotherhood of Electrical Workers (IBEW), representing approximately 13,000 associate workers in New York and the New England states. These contracts, which expire in August 2000, provide for wage increases of up to 3.8 percent effective August 1998, and up to 4 percent effective August 1999. Over the course of this two-year contract period, pension increases will range from 11 percent to 20 percent. The contracts also include cash payments, working condition improvements, and continuation of certain employment security provisions.
- We also entered into a two-year extension of contracts with the IBEW, representing approximately 9,000 associate members in New Jersey and Pennsylvania. These contracts, which expire in August 2002, provide for wage increases of 4.8 percent in April 1999, 3 percent in May 2000, and 3 percent in May 2001. Pensions will increase by a total of 11 percent for the years 1999-2001, and there will be improvements in a variety of other benefits and working conditions.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense increased $205 million or 4.1% in 1998 and $79 million or 1.6% in 1997 principally due to growth in depreciable telephone plant and changes in the mix of plant assets. Depreciable telephone plant increased in 1998 by 2.8%, compared to 1.8% in 1997 principally as a result of increased capital expenditures to support the expansion of our network. These expense increases were partially offset by the effect of lower rates of depreciation.

OTHER OPERATING EXPENSES

The rise in other operating expenses of $351 million or 5.2% in 1998 and $434 million or 6.9% in 1997 was due to higher costs at our operating telephone subsidiaries. These increases were primarily attributable to higher interconnection payments to competitive local exchange and other carriers to terminate calls on their networks of approximately $175 million in 1998 and $55 million in 1997, and additional Year 2000 readiness costs of approximately $70 million in 1998 and $20 million in 1997.

The higher payments for termination of calls to competitive carriers' networks were the result of state regulatory decisions requiring us to pay "reciprocal compensation" for the large volume of one-way traffic from our customers to customers of other carriers, primarily calls to Internet service providers. On February 26, 1999, the FCC confirmed that such traffic is interstate and interexchange in nature and not subject to the reciprocal compensation requirements of the 1996 Act. Because previous state commission decisions were based upon a view that Internet access calls are "local" rather than interstate and interexchange, we have asked the state commissions to revisit their prior interpretations. Unless state regulators follow the FCC's decision, these reciprocal compensation payments are expected to grow to approximately $350 million in 1999.

We also recognized additional costs in 1998 as a result of our contribution to the federal universal service fund, as described earlier in the discussion of "Network Access Services Revenues." Costs associated with opening our network to competitors, including local number portability, declined by $85 million in 1998, compared to an increase of $165 million in 1997. Other operating expenses were also affected in both years, but to a lesser extent, by higher material purchases to support the network. Higher marketing and advertising costs also contributed to the expense increase in 1997.

The cost increase in 1998 was partially offset by lower taxes other than income due to the effect of a change in New Jersey state tax law. This state tax law change, which became effective January 1, 1998, repealed the gross receipts tax for our operating telephone subsidiary in New Jersey and replaced it with a net income-based tax.

INCOME (LOSS) FROM UNCONSOLIDATED BUSINESSES

The change in income (loss) from unconsolidated businesses in both years was primarily due to the effect of the disposition of our video operations in the third quarters of 1998 and 1997.

Global Wireless

Our Global Wireless segment consists of our wireless telecommunications services to customers in 24 states in the United States and foreign wireless investments servicing customers in Latin America, Europe and the Pacific Rim.

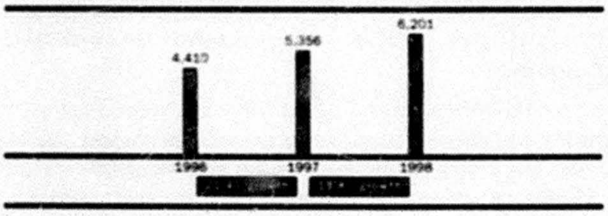
Results of Operations–Adjusted Basis (Years Ended December 31) (Dollars in Millions)	1998	1997	1996
Operating Revenues			
Wireless services revenues	$ 3,798	$ 3,347	$ 2,684
Operating Expenses			
Employee costs	548	490	395
Depreciation and amortization	592	481	303
Other operating expenses	1,942	1,742	1,465
	3,082	2,713	2,163
Operating Income	$ 716	$ 634	$ 521
Loss from Unconsolidated Businesses	$ (96)	$ (196)	$ (141)
Adjusted Net Income	$ 228	$ 95	$ 80

In the first quarter of 1997, we consummated a restructuring of our investment in Iusacell, a Mexican wireless company, to permit us to assume control of the Board of Directors and management of Iusacell. As a result of the restructuring, we changed the accounting for our Iusacell investment from the equity method to full consolidation in the first quarter of 1997. You can find more information about Iusacell in Note 4 to the consolidated financial statements.

OPERATING REVENUES

Revenues earned from our consolidated wireless businesses grew $451 million or 13.5% in 1998 and $663 million or 24.7% in 1997. This revenue growth was largely attributable to our domestic cellular subsidiary, Bell Atlantic Mobile, which contributed $383 million to revenue growth in 1998 and $448 million to revenue growth in 1997. This growth was principally due to more customers and increased usage of our domestic wireless services. Our domestic cellular customer base grew 15.8% in 1998 and 21.4% in 1997. Volume-related revenue growth in both years was partially offset by the effect of competitive pricing factors. Total revenue per subscriber by our domestic cellular operations was $50.84 in 1998, $53.15 in 1997 and $57.83 in 1996.

Bell Atlantic Mobile Customers (in thousands)



Higher revenues of $63 million from Iusacell also contributed to revenue growth in 1998. The consolidation of Iusacell contributed $228 million to wireless services revenues in 1997.

OPERATING EXPENSES

EMPLOYEE COSTS

Employee costs at our wireless subsidiaries increased by $58 million or 11.8% in 1998 and $95 million or 24.1% in 1997 principally as a result of higher work force levels. The number of employees at Bell Atlantic Mobile grew by approximately 500 or 7.0 % in 1998 and by 760 or 11.7% in 1997. The effect of consolidating Iusacell also contributed $39 million to the expense increase in 1997.

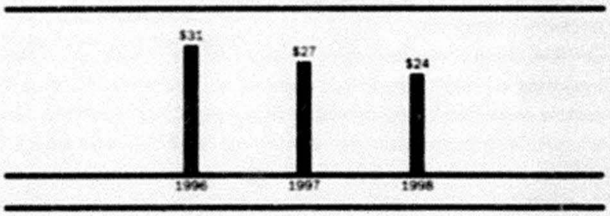
DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense increased by $111 million or 23.1% in 1998 and $178 million or 58.7% in 1997. These increases were mainly attributable to growth in depreciable domestic cellular plant. The effect of consolidating Iusacell also contributed $44 million to the expense increase in 1997.

OTHER OPERATING EXPENSES

Other operating expenses increased by $200 million or 11.5% in 1998 and $277 million or 18.9% in 1997 principally due to increased service costs at Bell Atlantic Mobile, including higher roaming payments to wireless carriers and additional cost of equipment. Higher marketing and advertising costs also contributed to the rise in other operating expenses in both years. Iusacell's operating costs increased by $58 million in 1998 as a result of higher service costs and the effect of consolidating Iusacell added $180 million to other operating expenses in 1997.

Bell Atlantic Mobile Monthly Cash Expense per Subscriber



LOSS FROM UNCONSOLIDATED BUSINESSES

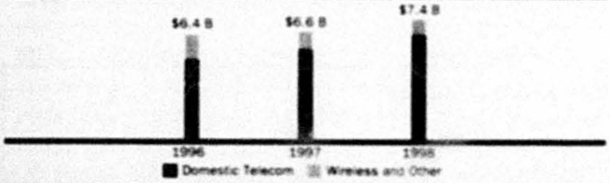
The change in loss from unconsolidated businesses in 1998 of $100 million was principally due to improved operating results from our investments in Omnitel Pronto Italia S.p.A. (Omnitel), an international wireless investment, and PrimeCo Personal Communications, L.P. (PrimeCo), a personal communications services (PCS) joint venture.

In 1997, higher equity losses from unconsolidated businesses of $55 million were primarily attributable to our PrimeCo investment. In November 1996, PrimeCo launched commercial service in 16 major cities throughout the country, expanding its PCS service to over 30 cities by the end of 1998. Results for 1997 were positively affected by the consolidation of Iusacell and improved operating results from Omnitel.

Cash Flows Used in Investing Activities

Capital expenditures continued to be our primary use of capital resources. The majority of the capital expenditures were to support our Domestic Telecom business in order to facilitate the introduction of new products and services, enhance responsiveness to competitive challenges, and increase the operating efficiency and productivity of the network. We invested approximately $6.4 billion in 1998, $5.5 billion in 1997 and $4.9 billion in 1996 in our Domestic Telecom business. We also invested in our Wireless, Directory and Other Businesses approximately $1.0 billion in 1998, $1.1 billion in 1997 and $1.5 billion in 1996. We expect capital expenditures in 1999 to total approximately $8.1 billion, including approximately $7.3 billion to be invested in our Domestic Telecom business. This estimate includes approximately $500 million related to the implementation of the new accounting standard on costs of computer software, Statement of Position (SOP) No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." You can find additional information on SOP No. 98-1 under "Other Matters–Recent Accounting Pronouncements–Costs of Computer Software."

Capital Expenditures



We continue to make substantial investments in our unconsolidated businesses. During 1998, we invested $603 million, which included a cash payment of $162 million to increase our ownership interest in Omnitel from 17.45% to 19.71%. In 1998, we also invested $301 million in PrimeCo to fund the build-out and operations of its PCS network and $140 million in our lease financing businesses. In 1997, cash investing activities in unconsolidated businesses totaled $833 million and included $426 million in PrimeCo, $138 million in FLAG and $269 million in leasing and other partnerships. During 1996, we invested $257 million in PrimeCo, $315 million in Omnitel, primarily to increase our ownership interest, $224 million in other international telecommunications investments and $275 million in leasing and other partnerships.

Our short-term investments include principally cash equivalents held in trust accounts for the payment of certain employee benefits. We invested $1,028 million in 1998, $844 million in 1997 and $418 million in 1996 principally to pre-fund vacation pay and associate health and welfare benefits. In 1998 and 1997, we increased our pre-funding to cover employees of the former NYNEX companies. Proceeds from the sales of all short-term investments were $968 million in 1998, $427 million in 1997 and $133 million in 1996.

In 1998, we received cash proceeds of $637 million in connection with the disposition of investments. These proceeds included $564 million associated with Viacom's repurchase of one-half of our investment in Viacom Inc. (Viacom) and $73 million from the sales of our paging and other nonstrategic businesses. In 1997, we disposed of our real estate properties and our interests in Bellcore, Infostrada, SkyTV and other joint ventures and received cash proceeds totaling $547 million. In 1996, we received cash proceeds of approximately $128 million from the sales of nonstrategic businesses. We invested $62 million in each of 1998 and 1997 to purchase cellular properties.

During 1997, we received cash proceeds of $153 million from the TCNZ share repurchase plan, which was completed in December 1997.

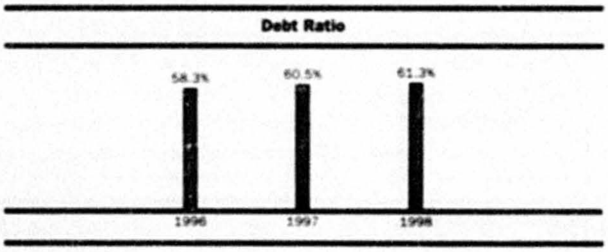
Cash Flows Used in Financing Activities

As in prior years, dividend payments were a significant use of capital resources. We determine the appropriateness of the level of our dividend payments on a periodic basis by considering such factors as long-term growth opportunities, internal cash requirements, and the expectations of our shareowners. In September 1998, we announced a quarterly cash dividend of $.385 per share. For 1998, cash dividends declared totaled $1.54 per share. We declared cash dividends of $.37 per share in the first and second quarters of 1997 and $.385 per share in the second half of 1997, or $1.51 per share for the year. In 1996, cash dividends were $.36 per share each quarter, or $1.44 per share for the year. Cash dividends declared in 1996 included a payment of $.0025 per share for redemption of all rights granted under our Shareholder Rights Plan.

We increased our total debt (including capital lease obligations) by $1,026 million from December 31, 1997 to fund the increase in our Domestic Telecom capital investment program, for higher purchases of shares to fund employee stock option exercises, and for continued investments in PrimeCo and Omnitel. Our debt level also increased by $1,438 million from 1996 to 1997 principally due to an increase in telephone plant construction, new investments in PrimeCo and other wireless subsidiaries, and the consolidation of our Iusacell investment. Additional pre-funding of employee trusts as a result of covering employees of the former NYNEX companies also contributed to the increase in the 1998 and 1997 debt levels.

Dividends

In February 1998, our wholly owned subsidiary, Bell Atlantic Financial Services, Inc. (FSI), issued $2,455 million of 5.75% senior exchangeable notes due on April 1, 2003 that are exchangeable into ordinary shares of TCNZ stock that we own (TCNZ exchangeable notes). In August 1998, FSI also issued $3,180 million of 4.25% senior exchangeable notes due on September 15, 2005 that are exchangeable into ordinary shares of CWC stock that we own (CWC exchangeable notes). Proceeds of both offerings were used for the repayment of a portion of our short-term debt and other general corporate purposes. In addition, two of our operating telephone subsidiaries refinanced debentures totaling $721 million and Iusacell issued $100 million in debt.



As of December 31, 1998, we had in excess of $4.5 billion of unused bank lines of credit and $299.5 million in bank borrowings outstanding. As of December 31, 1998, our operating telephone subsidiaries and financing subsidiaries had shelf registrations for the issuance of up to $2.8 billion of unsecured debt securities. The debt securities of those subsidiaries continue to be accorded high ratings by primary rating agencies. After the announcement of the Bell Atlantic–GTE merger, the rating agencies placed the ratings of certain of our subsidiaries under review for potential downgrade. In a subsequent and unrelated event, Moody's Investor Services changed its methodology for rating diversified U.S. Telecommunications Companies. As a result, the debt ratings of four of our operating telephone subsidiaries were downgraded and one operating telephone subsidiary was upgraded to reflect this new rating methodology.

In 1998, we established a $2.0 billion Euro Medium Term Note Program, under which we may issue notes that are not registered with the Securities and Exchange Commission. The notes will be issued from time to time from our subsidiary, Bell Atlantic Global Funding, Inc. (BAGF), and will have the benefit of a support agreement between BAGF and Bell Atlantic. There have been no notes issued under this program.

In December 1998, we accepted an offer from Viacom to repurchase one-half of our investment in Viacom, or 12 million shares of their preferred stock (with a book value of approximately $600 million), for approximately $564 million in cash. This transaction resulted in a small loss in the fourth quarter of 1998. The cash proceeds, together with additional cash, were used to purchase an outside party's interest in one of our fully consolidated subsidiaries. This transaction reduced Minority Interest by $600 million and included certain stock appreciation rights and costs totaling $32 million. Our remaining investment in Viacom, 12 million shares of their preferred stock (with a book value of approximately $600 million), was repurchased by Viacom in a second transaction in January 1999 for approximately $612 million in cash. This transaction did not have a material effect on our consolidated results of operations. You can find additional information on our Viacom investment in Notes 3 and 10 to the consolidated financial statements.

In December 1998, Bell Atlantic Mobile announced an agreement with Crown Castle International Corporation to form a joint venture into which Bell Atlantic Mobile, together with certain partnerships in which it is the managing partner (the managed entities), will contribute (assuming the participation of all managed entities) approximately 1,400 network cellular towers in exchange for approximately $380 million in cash and an equity interest of approximately 37.7% in the joint venture. BAM and the managed entities will lease back a portion of the network towers and the joint venture will lease the remaining space to third parties. The joint venture also plans to build new towers. This financing transaction is expected to close in the first quarter of 1999, assuming the satisfaction of certain conditions of closing.

Market Risk

We are exposed to various types of market risk in the normal course of our business, including the impact of interest rate changes, foreign currency exchange rate fluctuations, changes in equity investment prices and changes in corporate tax rates. We employ risk management strategies using a variety of derivatives including interest rate swap agreements, interest rate caps and floors, foreign currency forwards and options and basis swap agreements. We do not hold derivatives for trading purposes.

It is our policy to enter into interest rate, foreign currency and other derivative transactions only to the extent necessary to achieve our desired objectives in limiting our exposures to the various market risks. Our objectives include maintaining a mix of fixed and variable rate debt to lower borrowing costs within reasonable risk parameters, hedging the value of certain international investments, and protecting against earnings and cash flow volatility resulting from changes in foreign exchange rates. We do not hedge our market risk exposure in a manner that would completely eliminate the effect of changes in interest rates, equity prices and foreign exchange rates on our earnings. While we do not expect that our liquidity and cash flows will be materially affected by these risk management strategies, our net income may be materially affected by certain market risk associated with the TCNZ and CWC exchangeable notes.

- annual capital synergies of approximately $500 million through volume purchasing and the elimination of certain capital costs associated with building a data network in our current territory.

We are targeting revenue growth of 8-10% and earnings per share growth of 13-15% (excluding merger-related charges) in each of the first two years following the completion of the merger. By the third year after the completion of the merger, we are targeting revenue growth in excess of 10% and earnings per share growth in excess of 15% (excluding merger-related charges).

As a result of the merger, the combined company will incur direct incremental and transition costs currently estimated at $1.6 billion to $2.0 billion (pre-tax) in connection with completing the transaction and integrating the operations of Bell Atlantic and GTE. These costs consist principally of systems modification costs, costs associated with the elimination and consolidation of duplicate facilities, employee severance and relocation resulting from the merger, branding, compensation arrangements, and professional and registration fees. While the exact timing, nature and amount of these costs is subject to change, we anticipate that the combined company will record a charge of approximately $375 million (pre-tax) for direct incremental costs in the quarter in which the merger is completed. Transition costs of approximately $1.2 billion to $1.6 billion (pre-tax) will be incurred over the three years following completion of the merger.

Telecommunications Industry Changes

The telecommunications industry is undergoing substantial changes as a result of the 1996 Act, other public policy changes and technological advances. These changes are bringing increased competitive pressures in our current businesses, but will also open new markets to us.

The 1996 Act became law on February 8, 1996 and replaced the Modification of Final Judgment (MFJ). In general, the 1996 Act includes provisions that open local exchange markets to competition and permit Bell Operating Companies (BOCs) or their affiliates, including ours, to provide long distance services and to engage in manufacturing previously prohibited by the MFJ. Under the 1996 Act, our ability to provide in-region long distance service is largely dependent on satisfying certain conditions. The requirements include a 14-point "competitive checklist" of steps we must take which will help competitors offer local service through resale, the purchase of unbundled network elements or through their own networks. We must also demonstrate to the FCC that our entry into the in-region long distance market would be in the public interest.

The U. S. Court of Appeals rejected a constitutional challenge to these provisions, and the Supreme Court recently declined to review that decision. During the period that the case was pending, we continued to work through the regulatory process at both the state and federal levels in order to be in a position to demonstrate compliance with the challenged provisions.

The U. S. Supreme Court recently reversed a U.S. Court of Appeals decision that had invalidated certain aspects of the FCC rules implementing provisions of the 1996 Act. In particular, the Supreme Court reinstated the FCC's authority to adopt rules governing the methodology to be used by state commissions in setting prices for local interconnection and resale arrangements, and reinstated rules that allow competitors to choose individual terms out of negotiated interconnection agreements, and that prohibit incumbent local telephone companies from separating network elements that already are combined in the incumbent's own network.

The U.S. Supreme Court also decided that the FCC had applied the wrong standard in determining what elements of their networks incumbent local telephone companies are obligated to make available to competitors on an unbundled basis. Among other things, the FCC failed to account for the fact that some elements are available from other sources. As a result of the decision, the FCC must conduct a new proceeding to apply the correct standard. Pending that proceeding, we have informally agreed to continue offering the FCC's previously specified list of unbundled elements. In addition, a challenge to the substantive merits of the FCC's pricing rules remains pending in the U.S. Court of Appeals.

In April 1998, our operating telephone subsidiary in New York filed with the New York State Public Service Commission a statement setting forth additional commitments that we will make to the FCC in connection with our anticipated application for permission to enter the in-region long distance market in New York. Those commitments include terms under which we will offer combinations of unbundled network elements and an unbundled network element platform (UNE-P) to competitors wishing to provide basic local and ISDN-BRI service to business or residential customers. We will offer UNE-P for basic local and ISDN-BRI service throughout our New York operating area, but UNE-P will not be available to competitors for other services, or for service to business customers in those parts of New York City where there is a defined level of local competition from two or more competitive local exchange carriers. Our commitment to offer UNE-P will be for four years in New York City and other major urban areas and for six years in the rest of the state. We believe that the terms of these commitments generally are consistent with the recent Supreme Court decision.

We expect to file in the second quarter of 1999 an application with the FCC for permission to enter the in-region long distance market in New York. We hope to begin offering this service in the third quarter of 1999. Following our application for New York, we expect next to file applications with the FCC for Pennsylvania, Massachusetts, New Jersey, Virginia and Maryland and, subsequently, for the remaining states in our region. The timing of our long distance entry in each of our 14 jurisdictions depends on the receipt of FCC approval.

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.

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. You should also read the "Competition" section for additional information.

Recent Developments–FCC

In 1998, 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 operating telephone subsidiaries' facilities for the origination and termination of interstate service. The FCC required a phased restructuring of access charges, which began in January 1998, so that the operating telephone subsidiaries' nonusage-sensitive costs will be recovered from long distance carriers and end-users through flat rate charges, and usage-sensitive costs will be recovered from long distance carriers through usage-based rates. In addition, the FCC has required that different levels of usage-based charges for originating and for terminating interstate traffic be established.

PRICE CAPS

Under the FCC price cap rules that apply to interstate access rates, each year our price cap index is adjusted downward by a fixed percentage intended to reflect increases in productivity (the productivity factor) and adjusted upward by an allowance for inflation (the GDP-PI). The current productivity factor is 6.5 percent. These changes will be reflected in tariff changes that will be filed to take effect on July 1, 1999.

In October 1998, the FCC initiated a proceeding with respect to its price cap rules to determine whether a change in the current productivity factor is warranted, whether to continue its "market based" approach of allowing market forces (supplemented by its price cap rules) to determine access charge levels, and whether to afford additional pricing flexibility for access services. In addition, we have petitioned the FCC to remove our special access services from price cap regulation on the grounds that customers of these services have competitive alternatives available, and a challenge to the FCC order establishing the 6.5 percent productivity factor is pending in the U.S. Court of Appeals. We are unable to predict the results of these further proceedings.

UNIVERSAL SERVICE

The FCC has adopted rules implementing the "universal service" provision of the 1996 Act. As of January 1, 1999, the rules require each of our operating telephone subsidiaries to contribute approximately 2% of its interstate retail revenues for high-cost and low-income subsidies. Each of our operating telephone subsidiaries also will be contributing a portion of its total retail revenues for schools, libraries and not-for-profit healthcare. Our operating telephone subsidiaries will recover these contributions through interstate charges to long distance carriers and end-users. Our domestic wireless subsidiary is required to contribute to these universal service programs and will recover the cost of its contributions from end-users.

A new federal high-cost universal service support mechanism for nonrural carriers and an increase in the funding level for schools and libraries are expected to become effective in 1999. The FCC currently is considering, in conjunction with a recommendation from a joint board of federal and state regulators, a number of issues that could affect the size of the universal service fund for high cost areas and the amount of universal service costs that are assessed against our operating telephone subsidiaries and domestic cellular subsidiary for recovery.

Competition

INTRALATA TOLL SERVICES

IntraLATA toll calls originate and terminate within the same LATA, but generally cover a greater distance than a local call. These services are generally regulated by state regulatory commissions rather than federal authorities. All of our state regulatory commissions (except in the District of Columbia, where intraLATA toll service is not provided) permit other carriers to offer intraLATA toll services within the state.

Until the implementation of presubscription, intraLATA toll calls were completed by our operating telephone subsidiaries unless the customer dialed a code to access a competing carrier. Presubscription changes this dialing method and enables customers to make these toll calls using another carrier without having to dial an access code.

The 1996 Act generally prohibits, with certain exceptions, a state from requiring presubscription until the earlier of such time as the BOC is authorized to provide long distance services originating in the state or three years from the effective date of the 1996 Act.

Our operating telephone subsidiary in New York fully completed intraLATA presubscription implementation by September 1996. By December 1997, our operating telephone subsidiaries in Delaware, Maine, New Hampshire, New Jersey, Pennsylvania, Rhode Island, Vermont and West Virginia had also implemented presubscription. We expect to offer intraLATA presubscription in Massachusetts in April 1999. In Maryland and Virginia, the state commissions have decided that intraLATA presubscription need not occur on the third anniversary of the 1996 Act, but did not set dates for implementation. The recent Supreme Court decision reinstated the FCC's authority to adopt rules governing intraLATA presubscription, and the FCC has required that implementation be completed as early as May 1999.

Implementation of presubscription for intraLATA toll services has had a material negative effect on intraLATA toll service revenues in those jurisdictions where, as noted above, presubscription has been implemented before we are permitted to offer long distance services. However, the negative effect is beginning to subside now that presubscription has been available in most of our states for more than one year. In addition, the adverse impact on intraLATA toll services revenues is being partially offset by increased intraLATA network access revenues.

LOCAL EXCHANGE SERVICES

Local exchange services have historically been subject to regulation by state regulatory commissions. Applications from competitors to provide and resell local exchange services have been approved in all of our state jurisdictions. The 1996 Act is expected to significantly increase the level of competition in all of our local exchange markets.

Other Matters

Euro Common Currency

Beginning January 1, 1999, eleven European countries are participating in a multi-step process to convert their existing sovereign currencies to the "Euro." The process includes a transition period of three years, during which time either the Euro or the participating countries' own currencies will be accepted as payment. After the transition period, the countries will issue Euro-denominated bills and coins and will withdraw their own currencies from circulation no later than July 1, 2002, completing the conversion process. We have investments in companies in Italy and the Netherlands, which are participating in the Euro conversion. We do not believe that the Euro conversion will have a material effect on these investments.

Recent Accounting Pronouncements

COSTS OF COMPUTER SOFTWARE

In March 1998, the American Institute of Certified Public Accountants (AICPA) issued SOP No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This new accounting standard provides, among other things, guidance for determining whether computer software is for internal use and when the cost related to such software should be expensed as incurred or capitalized and amortized. SOP No. 98-1 is required to be applied prospectively.

We adopted SOP No. 98-1 effective January 1, 1999. We estimate that the implementation of SOP No. 98-1 will result in a net after-tax benefit of $200 million to $250 million in 1999 results of operations due to the prospective capitalization of costs which were previously expensed as incurred. Costs for maintenance and training, as well as the cost of software that does not add functionality to the existing system will continue to be expensed as incurred.

COSTS OF START-UP ACTIVITIES

In April 1998, the AICPA issued SOP No. 98-5, "Reporting on the Costs of Start-Up Activities." This new accounting standard requires that costs of start-up activities, including pre-operating, pre-opening and other organizational costs, be expensed as incurred. In addition, the unamortized balance of any previously deferred start-up costs existing at adoption must be expensed.

We adopted SOP No. 98-5 effective January 1, 1999. The adoption of SOP No. 98-5 will not have a material effect on our results of operations or financial condition in 1999 because our policy has been to generally expense all start-up activities.

DERIVATIVES AND HEDGING ACTIVITIES

In June 1998, the Financial Accounting Standards Board 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 the derivative instruments will be recognized in either earnings or comprehensive income, depending on the designated use and effectiveness of the instruments. Bell Atlantic must adopt SFAS No. 133 no later than January 1, 2000. We are currently evaluating the provisions of SFAS No. 133 and have not yet determined what the impact of adopting this statement will be on our future results of operations or financial condition.

Year "2000" Update

We have a comprehensive program to evaluate and address the impact of the Year 2000 date transition on our operations. This program includes steps to:

- inventory and assess for Year 2000 compliance our equipment, software and systems;
- determine whether to remediate, replace or retire noncompliant items, and establish a plan to accomplish these steps;
- remediate, replace or retire the items;
- test the items, where required; and
- provide management with reporting and issues management to support a seamless transition to the Year 2000.

STATE OF READINESS

For our operating telephone subsidiaries, centralized services entities and general corporate operations, the program focuses on the following project groups: Network Elements, Applications and Support Systems, and Information Technology Infrastructure. At this time, we have virtually completed the inventory, assessment and detailed planning phases for these projects. Remediation/replacement/retirement and testing activities are well underway. We plan to fix, replace or retire those items that were not Year 2000 compliant and that require action to avoid service impact. Our goal for these operations is to have our network and other mission critical systems Year 2000 compliant (including testing) by June 30, 1999. We are on schedule to achieve this goal for substantially all of our network and other mission critical systems. What follows is a more detailed breakdown of our efforts to date.

- *NETWORK ELEMENTS*

  Approximately 350 different types of network elements (such as central office switches) appear in over one hundred thousand instances. When combined in various ways and using network application systems, these elements are the building blocks of customer services and networked information transmission of all kinds. We originally assessed approximately 70% of these element types, representing over 90% of all deployed network elements, as Year 2000 compliant. Late in 1998, through additional testing and verification, we determined that certain network elements, originally represented as having no Year 2000-related service impact, were likely to cause service issues unless remediated. As a result, we had an increase in the overall number of network elements requiring repair. Notwithstanding the additional work effort, as of February 1999, we have repaired or replaced approximately 50% of the deployed network elements requiring remediation, and certification testing/evaluation is well underway. We also have made substantial progress on the remaining network elements. Although we are generally on track to achieve our June 30, 1999 goal for network elements, it is possible that the timeframe for compliance of a small number of network elements may extend into July or August, without any impact on customer service or our operations.

- *APPLICATIONS AND SUPPORT SYSTEMS*

  Approximately 1,200 application and systems support: (i) the administration and maintenance of our network and customer service functions (network information systems); (ii) customer care and billing functions; and (iii) human resources, finance and general corporate functions. We originally assessed approximately 48% of these application systems as either compliant or to be retired. As of February 1999, we have successfully completed certification testing/evaluation of approximately 70% of all application systems. We also have made substantial progress on the remaining application systems. Although we are generally on track to achieve our June 30, 1999 goal for applications and support systems, it is possible that the timeframe for compliance of a small number of applications and support systems may extend into July or August, without any impact on customer service or our operations.

- *INFORMATION TECHNOLOGY INFRASTRUCTURE*

  Approximately 40 mainframe, 1,000 mid-range, and 90,000 personal computers, related network components, and software products comprise our information technology (IT) infrastructure. Of the approximately 1,350 unique types of elements in the inventory for the IT infrastructure, we originally assessed approximately 73% as compliant or to be retired. As of February 1999, we have successfully completed certification testing/evaluation of approximately 90% of all element types. We have made substantial progress on the remaining items and we are on track to achieve our June 30, 1999 goal.

For our other controlled or majority-owned subsidiaries, including Bell Atlantic Mobile and our directory companies, the inventory, assessment and planning efforts are substantially complete, and remediation/replacement/retirement and testing activities are in progress. Bell Atlantic Mobile, our directory companies and, in general, all of the other controlled or majority-owned subsidiaries are on track to achieve our June 30, 1999 goal for substantially all of their mission critical systems. Our Iusacell subsidiary has experienced some delays in implementation of its Year 2000 project plan. It is currently anticipated that required modification, replacement and retirement of substantially all of its mission critical systems will be completed by September 30, 1999, with testing continuing throughout 1999.

Our Year 2000 program also includes a project to review and remediate affected systems (including those with embedded technology) within our buildings and other facilities, a project to assure Year 2000 compliance across all of our internal business processes, and other specific projects directed towards insuring we meet our Year 2000 objectives.

THIRD PARTY ISSUES

- *VENDORS*

  In general, our product vendors have made available either Year 2000-compliant versions of their offerings or new compliant products as replacements of discontinued offerings. In some cases, the compliance "status" of the product in question is based on vendor-provided information, which remains subject to our testing and verification activities. In several instances, vendors have not met original delivery schedules, resulting in delayed testing and deployment. At this time, we do not anticipate that such delays will have a material impact on our ability to achieve Year 2000 compliance within our desired timeframes.

  We are continuing Year 2000-related discussions with utilities and similar services providers. In general, information requests to such services providers have yielded less meaningful information than inquiries to our product vendors, and we do not yet have sufficient information to determine whether key utilities and similar service providers will successfully complete the Year 2000 transition. However, we are now beginning to engage in more productive discussions with large utilities servicing our facilities and we are hopeful that these discussions will provide us additional assurance of Year 2000 compliance for those entities. At the present time, we remain unable to determine the Year 2000 readiness of most key utilities and similar service providers or the likelihood that those providers will successfully complete the Year 2000 transition. We intend to monitor critical service provider activities, as appropriate, through the completion of their respective remediation projects.

- *CUSTOMERS*

  Our customers remain keenly interested in the progress of our Year 2000 efforts, and we anticipate increased demand for information, including detailed testing data and company-specific responses. We are providing limited warranties of Year 2000 compliance for certain new telecommunications services and other offerings, but we do not expect any resulting warranty costs to be material. We are also analyzing and addressing Year 2000 issues in customer premise equipment (CPE), including CPE that we have sold or maintained. In general, the customer is responsible for CPE. However, customers could attribute a Year 2000 malfunction of their CPE, whether or not sold or maintained by us, to a failure of our network service. We also have a separate effort to identify and address Year 2000 issues for CPE and other equipment that we maintain for Public Safety Answering Points (PSAPs) and are used in connection with the provision of E-911/911 and related services. We are presently repairing and replacing E-911/911-related CPE, as appropriate, that we maintain for various PSAPs.

- *INTERCONNECTING CARRIERS*

  Our network operations interconnect with domestic and international networks of other carriers. If one of these interconnecting carriers should fail or suffer adverse impact from a Year 2000 problem, our customers could experience impairment of service.

COSTS

From the inception of our Year 2000 project through December 31, 1998, and based on the cost tracking methods we have historically applied to this project, we have incurred total pre-tax expenses of approximately $122 million ($97 million of which was incurred in 1998), and we have made capital expenditures of approximately $80 million (all of which was made in 1998).

For 1999, we expect to incur total pre-tax expenses for our Year 2000 project of approximately $100 million to $200 million and total capital expenditures of $125 million to $175 million. These cost estimates have been included in our earnings targets.

We have investments in various joint ventures and other interests. At this time, we do not anticipate that the impact of any Year 2000 remediation costs that they incur will be material to our results of operations.

RISKS

The failure to correct a material Year 2000 problem could cause an interruption or failure of certain of our normal business functions or operations, which could have a material adverse effect on our results of operations, liquidity or financial condition; however, we consider such a likelihood remote. Due to the uncertainty inherent in other Year 2000 issues that are ultimately beyond our control, including, for example, the final Year 2000 readiness of our suppliers, customers, interconnecting carriers, and joint venture and investment interests, we are unable to determine at this time the likelihood of a material impact on our results of operations, liquidity or financial condition, due to such Year 2000 issues. However, we are taking appropriate prudent measures to mitigate that risk. We anticipate that, in the event of any material interruptions or failures of our service resulting from actual or perceived Year 2000 problems within or beyond our control, we could be subject to third party claims.

CONTINGENCY PLANS

As a public telecommunications carrier, we have had considerable experience successfully dealing with natural disasters and other events requiring contingency planning and execution. As part of our efforts to develop appropriate Year 2000 contingency plans, we are reviewing our existing Emergency Preparedness and Disaster Recovery plans for any necessary modifications.

We have developed, where appropriate, contingency plans for addressing delays in remediation activities. For example, delay in the installation of a new Year 2000 compliant system could require remediation of the existing system. We are also developing a corporate Year 2000 contingency plan to ensure that core business functions and key support processes are in place for uninterrupted processing and service, in the event of external (e.g. power, public transportation, water), internal or supply chain failures (i.e. critical dependencies on another entity for information, data or services). We anticipate that an initial draft of our corporate contingency plan will be ready by the end of the first quarter of 1999.

Cautionary Statement Concerning Forward-Looking Statements

In this Management's Discussion and Analysis, and elsewhere in this Annual Report, we have made forward-looking statements. These statements are based on our estimates and assumptions and are subject to risks and uncertainties. Forward-looking statements include the information concerning our possible or assumed future results of operations. Forward-looking statements also include those preceded or followed by the words "anticipates," "believes," "estimates," "hopes" or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

The following important factors, along with those discussed elsewhere in this Annual Report, could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements:

- materially adverse changes in economic conditions in the markets served by us or by companies in which we have substantial investments;
- material changes in available technology;
- the final outcome 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, and unbundled network element and resale rates;
- the extent, timing, success, and overall effects of competition from others in the local telephone and toll service markets;
- the timing and profitability of our entry into the in-region long distance market;
- the success and expense of our remediation efforts and those of our suppliers, customers, joint ventures, noncontrolled investments, and interconnecting carriers in achieving Year 2000 compliance; and
- the timing of, and regulatory or other conditions associated with, the completion of the merger with GTE and our ability to combine operations and obtain revenue enhancements and cost savings following the merger.

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	1998	1997	1996	1995	1994
Results of Operations					
Operating revenues	$ 31,565.9	$ 30,193.9	$ 29,155.2	$ 27,926.8	$ 27,098.0
Operating income	6,627.2	5,341.5	6,078.6	5,417.4	4,522.4
Income before extraordinary items and cumulative effect of changes in accounting principles	2,990.8	2,454.9	3,128.9	2,826.1	2,224.9
Per common share–basic	1.90	1.58	2.02	1.85	1.47
Per common share–diluted	1.87	1.56	2.00	1.84	1.46
Net income (loss)	2,965.3	2,454.9	3,402.0	(96.8)	68.2
Per common share–basic	1.89	1.58	2.20	(.06)	.05
Per common share–diluted	1.86	1.56	2.18	(.06)	.04
Cash dividends declared per common share	1.54	1.51	1.44	1.40	1.38
Financial Position					
Total assets	$ 55,143.9	$ 53,964.1	$ 53,361.1	$ 50,623.1	$ 54,020.2
Long-term debt	17,646.4	13,265.2	15,286.0	15,744.1	14,590.2
Employee benefit obligations	10,384.2	10,004.4	9,588.0	9,388.4	8,980.2
Minority interest, including a portion subject to redemption requirements	329.7	911.2	2,014.2	1,221.1	648.0
Preferred stock of subsidiary	200.5	200.5	145.0	145.0	85.0
Shareowners' investment	13,025.4	12,789.1	12,976.4	11,213.6	13,063.5

All per share amounts have been adjusted to reflect a two-for-one stock split on June 1, 1998.

Significant events affecting our historical earnings trends include the following:

- 1998 and 1997 data include retirement incentive costs, merger-related costs and other special items (see Notes 2 and 15 and Management's Discussion and Analysis).
- 1996 data include retirement incentive costs, other special items (see Note 15 and Management's Discussion and Analysis), and the adoption of a change in accounting for directory publishing (see Note 1).
- 1995 and 1994 data include retirement incentive costs (see Note 15), and an extraordinary charge for the discontinuation of regulatory accounting principles.
- Cash dividends declared in 1996 include a payment of $.0025 per common share for redemption of all rights granted under our Shareholder Rights Plan.

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

YEARS ENDED DECEMBER 31,	1998	1997	1996
Operating Revenues	$ 31,565.9	$ 30,193.9	$ 29,155.2
Operating Expenses			
Employee costs, including benefits and taxes	9,265.8	9,047.2	8,703.9
Depreciation and amortization	5,870.2	5,864.4	5,379.0
Other operating expenses	9,802.7	9,940.8	8,993.7
	24,938.7	24,852.4	23,076.6
Operating Income	6,627.2	5,341.5	6,078.6
Income (loss) from unconsolidated businesses	(414.6)	(124.1)	14.2
Other income and (expense), net	121.7	(3.3)	(99.6)
Interest expense	1,335.4	1,230.0	1,082.0
Income before provision for income taxes, extraordinary item, and cumulative effect of change in accounting principle	4,998.9	3,984.1	4,911.2
Provision for income taxes	2,008.1	1,529.2	1,782.3
Income Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	2,990.8	2,454.9	3,128.9
Extraordinary item			
Early extinguishment of debt, net of tax	(25.5)	–	–
Cumulative effect of change in accounting principle			
Directory publishing, net of tax	–	–	273.1
Net Income	2,965.3	2,454.9	3,402.0
Redemption of minority interest	(29.8)	–	–
Redemption of investee preferred stock	(2.5)	–	–
Net Income Available to Common Shareowners	$ 2,933.0	$ 2,454.9	$ 3,402.0
Basic Earnings Per Common Share:			
Income Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	$ 1.90	$ 1.58	$ 2.02
Extraordinary item	(.01)	–	–
Cumulative effect of change in accounting principle	–	–	.18
Net Income	$ 1.89	$ 1.58	$ 2.20
Weighted-average shares outstanding (in millions)	1,553.0	1,551.8	1,546.6
Diluted Earnings Per Common Share:			
Income Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	$ 1.87	$ 1.56	$ 2.00
Extraordinary item	(.01)	–	–
Cumulative effect of change in accounting principle	–	–	.18
Net Income	$ 1.86	$ 1.56	$ 2.18
Weighted-average shares–diluted (in millions)	1,578.3	1,571.1	1,560.2

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

AT DECEMBER 31,	1998	1997
Assets		
Current assets		
Cash and cash equivalents	$ 237.1	$ 322.8
Short-term investments	785.8	720.6
Accounts receivable, net of allowances of $593.3 and $611.9	6,559.9	6,340.8
Inventories	566.0	550.3
Prepaid expenses	522.0	634.0
Other	411.5	432.3
	9,082.3	9,000.8
Plant, property and equipment	83,064.1	77,437.2
Less accumulated depreciation	46,248.6	42,397.8
	36,815.5	35,039.4
Investments in unconsolidated businesses	4,276.0	5,144.2
Other assets	4,970.1	4,779.7
Total assets	$ 55,143.9	$ 53,964.1
Liabilities and Shareowners' Investment		
Current liabilities		
Debt maturing within one year	$ 2,987.6	$ 6,342.8
Accounts payable and accrued liabilities	6,105.0	5,966.4
Other	1,438.6	1,355.0
	10,531.2	13,664.2
Long-term debt	17,646.4	13,265.2
Employee benefit obligations	10,384.2	10,004.4
Deferred credits and other liabilities		
Deferred income taxes	2,253.8	2,106.2
Unamortized investment tax credits	221.8	250.7
Other	550.9	772.6
	3,026.5	3,129.5
Minority interest, including a portion subject to redemption requirements	329.7	911.2
Preferred stock of subsidiary	200.5	200.5
Commitments and contingencies (Notes 2, 3, 4, 6 and 7)		
Shareowners' investment		
Series preferred stock ($.10 par value; none issued)	-	-
Common stock ($.10 par value; 1,576,246,325 shares and 1,576,052,790 shares issued)	157.6	157.6
Contributed capital	13,368.0	13,176.8
Reinvested earnings	1,370.8	1,261.6
Accumulated other comprehensive loss	(714.2)	(553.3)
	14,182.2	14,042.7
Less common stock in treasury, at cost	592.2	590.5
Less deferred compensation-employee stock ownership plans	564.6	663.1
	13,025.4	12,789.1
Total liabilities and shareowners' investment	$ 55,143.9	$ 53,964.1

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Changes in Shareowners' Investment

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS, AND SHARES IN THOUSANDS)

YEARS ENDED DECEMBER 31,	1998		1997		1996	
	Shares	Amount	Shares	Amount	Shares	Amount
Common Stock						
Balance at beginning of year	1,576,053	$ 157.6	1,574,001	$ 157.4	1,543,360	$ 154.3
Shares issued						
Employee plans	193	–	2,044	.2	9,084	.9
Shareowner plans	–	–	8	–	2,968	.3
Common shares issued to subsidiary	–	–	–	–	18,796	1.9
Shares retired	–	–	–	–	(207)	–
Balance at end of year	1,576,246	157.6	1,576,053	157.6	1,574,001	157.4
Contributed Capital						
Balance at beginning of year		13,176.8		13,216.3		12,375.8
Shares issued						
Employee plans		178.4		(22.2)		263.1
Shareowner plans		–		–		94.0
Acquisition agreements		–		(.3)		–
Dividends		–		–		(.2)
Common shares issued to subsidiary		–		–		489.0
Issuance of stock by subsidiaries		12.8		–		–
Other		–		(17.0)		(5.4)
Balance at end of year		13,368.0		13,176.8		13,216.3
Reinvested Earnings						
Balance at beginning of year		1,261.6		1,282.0		180.9
Net income		2,965.3		2,454.9		3,402.0
Dividends declared and redemption of stock rights ($1.54, $1.51, and $1.44 per share)		(2,392.3)		(2,363.4)		(2,295.7)
Shares issued						
Employee plans		(443.3)		(121.0)		(19.4)
Tax benefit of dividends paid to ESOPs		11.8		12.9		14.8
Redemption of minority interest		(29.8)		–		–
Redemption of investee preferred stock		(2.5)		–		–
Other		–		(3.8)		(.6)
Balance at end of year		1,370.8		1,261.6		1,282.0
Accumulated Other Comprehensive Income (Loss)						
Balance at beginning of year		(553.3)		(321.6)		(537.6)
Foreign currency translation adjustment		(146.2)		(234.0)		221.9
Unrealized gains (losses) on securities		2.0		2.3		(5.9)
Minimum pension liability adjustment		(16.7)		–		–
Other comprehensive income (loss)		(160.9)		(231.7)		216.0
Balance at end of year		(714.2)		(553.3)		(321.6)
Treasury Stock						
Balance at beginning of year	22,952	590.5	22,540	589.3	3,762	97.9
Shares purchased	20,743	1,001.8	24,148	919.8	3,578	118.3
Shares distributed						
Employee plans	(20,779)	(998.8)	(23,260)	(899.0)	(3,386)	(111.6)
Shareowner plans	(26)	(1.2)	(52)	(1.8)	(2)	(.1)
Acquisition agreements	(3)	(.1)	(424)	(17.8)	–	–
Common shares held by subsidiary	–	–	–	–	18,796	490.9
Shares retired	–	–	–	–	(208)	(6.1)
Balance at end of year	22,887	592.2	22,952	590.5	22,540	589.3
Deferred Compensation–ESOPs						
Balance at beginning of year		663.1		768.4		861.9
Amortization		(98.5)		(105.3)		(93.5)
Balance at end of year		564.6		663.1		768.4
Total Shareowners' Investment		$ 13,025.4		$ 12,789.1		$ 12,976.4
Comprehensive Income						
Net income		$ 2,965.3		$ 2,454.9		$ 3,402.0
Other comprehensive income (loss) per above		(160.9)		(231.7)		216.0
		$ 2,804.4		$ 2,223.2		$ 3,618.0

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN MILLIONS)

YEARS ENDED DECEMBER 31,	1998	1997	1996
Cash Flows from Operating Activities			
Net income	$ 2,965.3	$ 2,454.9	$ 3,402.0
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	5,870.2	5,864.4	5,379.0
Extraordinary item, net of tax	25.5	-	-
Cumulative effect of change in accounting principle, net of tax	-	-	(273.1)
Loss (income) from unconsolidated businesses	414.6	124.1	(14.2)
Dividends received from unconsolidated businesses	169.4	192.1	194.8
Amortization of unearned lease income	(120.2)	(110.3)	(100.6)
Deferred income taxes, net	264.2	236.9	284.2
Investment tax credits	(28.9)	(38.1)	(57.3)
Other items, net	226.5	88.2	274.1
Changes in certain assets and liabilities, net of effects from acquisition/disposition of businesses			
Accounts receivable	(220.3)	(139.5)	(184.0)
Inventories	(110.5)	(73.8)	(116.1)
Other assets	(108.0)	65.2	(244.8)
Accounts payable and accrued liabilities	376.4	(93.3)	382.6
Employee benefit obligations	354.2	415.5	206.5
Other liabilities	(7.5)	(127.6)	(352.3)
Net cash provided by operating activities	10,070.9	8,858.7	8,780.8
Cash Flows from Investing Activities			
Purchases of short-term investments	(1,027.8)	(843.6)	(418.1)
Proceeds from sale of short-term investments	968.2	426.9	132.5
Additions to plant, property and equipment	(7,446.5)	(6,637.7)	(6,394.7)
Proceeds from sale of plant, property and equipment	11.9	5.5	15.4
Investment in leased assets	(269.0)	(161.6)	(201.3)
Proceeds from leasing activities	154.9	83.0	99.9
Investment in notes receivable	(7.2)	-	-
Proceeds from notes receivable	21.1	63.1	213.3
Proceeds from Telecom Corporation of New Zealand Limited share repurchase plan	-	153.3	-
Acquisition of businesses, less cash acquired	(61.9)	(61.8)	(10.0)
Investments in unconsolidated businesses, net	(602.7)	(833.0)	(1,071.2)
Proceeds from disposition of businesses	637.3	546.5	127.8
Other, net	(63.2)	(79.2)	(67.6)
Net cash used in investing activities	(7,684.9)	(7,338.6)	(7,574.0)
Cash Flows from Financing Activities			
Proceeds from borrowings	6,328.9	633.0	109.4
Principal repayments of borrowings and capital lease obligations	(651.4)	(901.4)	(375.8)
Early extinguishment of debt	(790.0)	-	-
Net change in short-term borrowings with original maturities of three months or less	(4,038.4)	1,580.3	77.1
Dividends paid and redemption of stock rights	(2,379.5)	(2,340.4)	(2,204.1)
Proceeds from sale of common stock	559.0	710.7	328.3
Purchase of common stock for treasury	(1,001.8)	(919.8)	(118.3)
Minority interest	(631.9)	(.1)	687.8
Reduction in preferred stock of subsidiary	-	(10.0)	-
Proceeds from sale of preferred stock by subsidiary	-	65.5	-
Net change in outstanding checks drawn on controlled disbursement accounts	133.4	(264.5)	75.3
Net cash used in financing activities	(2,471.7)	(1,446.7)	(1,420.3)
Increase (decrease) in cash and cash equivalents	(85.7)	73.4	(213.5)
Cash and cash equivalents, beginning of year	322.8	249.4	462.9
Cash and cash equivalents, end of year	$ 237.1	$ 322.8	$ 249.4

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Summary of Significant Accounting Policies

DESCRIPTION OF BUSINESS

Bell Atlantic is an international telecommunications company that operates in four segments: Domestic Telecom, Global Wireless, Directory and Other Businesses. For further information concerning our business, see Note 17.

The telecommunications industry is undergoing substantial changes as a result of the Telecommunications Act of 1996, other public policy changes and technological advances. These changes are bringing increased competitive pressures, but will also open new markets to us, such as long distance services in our geographic region, upon completion of certain requirements of the Telecommunications Act of 1996.

CONSOLIDATION

The consolidated financial statements include our controlled or majority-owned subsidiaries. Investments in businesses which we do not control, but have the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method. Investments in which we do not have the ability to exercise significant influence over operating and financial policies are accounted for under the cost method. All significant intercompany accounts and transactions have been eliminated.

GRUPO IUSACELL, S.A. de C.V.

In the first quarter of 1997, we consummated a restructuring of our investment in Grupo Iusacell, S.A. de C.V. (Iusacell), a Mexican wireless company, to permit us to assume control of the Board of Directors and management of Iusacell. As a result of the restructuring, we changed the accounting for our Iusacell investment from the equity method to full consolidation. You can find additional information about Iusacell in Note 4.

UNITED KINGDOM OPERATIONS

In the second quarter of 1997, we transferred our interests in cable television and telecommunications operations in the United Kingdom to Cable & Wireless Communications plc (CWC) in exchange for an 18.5% ownership interest in CWC. Prior to the transfer, we included the accounts of these operations in our consolidated financial statements. We now account for our investment in CWC under the equity method. You can find additional information about CWC in Note 3.

COMMON STOCK SPLIT

On May 1, 1998, the Board of Directors declared a two-for-one split of Bell Atlantic common stock, effected in the form of a 100% stock dividend to shareholders of record on June 1, 1998 and payable on June 29, 1998. Shareholders of record received an additional share of common stock for each share of common stock held at the record date. We retained the par value of $.10 per share for all shares of common stock. The prior period financial information (including share and per share data) contained in this report has been adjusted to give retroactive recognition to this common stock split.

USE OF ESTIMATES

We prepare our financial statements under generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts or certain disclosures. Actual results could differ from those estimates.

REVENUE RECOGNITION

Our operating telephone subsidiaries recognize revenues when services are rendered based on usage of our local exchange network and facilities. Our other subsidiaries recognize revenues when products are delivered or services are rendered to customers.

MAINTENANCE AND REPAIRS

We charge the cost of maintenance and repairs, including the cost of replacing minor items not constituting substantial betterments, to Operating Expenses.

EARNINGS PER COMMON SHARE

Basic earnings per common share are based on the weighted-average number of shares outstanding during the year. Diluted earnings per common share include the dilutive effect of shares issuable under our stock-based compensation plans, which represent the only potential dilutive common shares.

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 primarily of cash equivalents held in trust to pay for certain employee benefits. Short-term investments are stated at cost, which approximates market value.

INVENTORIES

We include in inventory new and reusable materials of the operating telephone subsidiaries which are stated principally at average original cost, except that specific costs are used in the case of large individual items. Inventories of our other subsidiaries are stated at the lower of cost (determined principally on either an average or first-in, first-out basis) or market.

PLANT AND DEPRECIATION

We state plant, property and equipment at cost. Our operating telephone subsidiaries' 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.

The asset lives used by our operating telephone subsidiaries are presented in the following table:

AVERAGE LIVES (IN YEARS)	
Buildings	20–60
Central office equipment	2–12
Outside communications plant	8–65
Furniture, vehicles and other equipment	5–15

NOTE 1 CONTINUED

When we replace or retire depreciable telephone plant, we deduct the carrying amount of such plant from the respective accounts and charge accumulated depreciation. Gains or losses on disposition are amortized with the remaining net investment in telephone plant.

Plant, property and equipment of our other subsidiaries is depreciated on a straight-line basis over the following estimated useful lives: buildings, 20 to 40 years, and other equipment, 1 to 20 years.

When the depreciable assets of our other subsidiaries are retired or otherwise disposed of, the related cost and accumulated depreciation are deducted from the plant accounts, and any gains or losses on disposition are recognized in income.

COMPUTER SOFTWARE COSTS

Our operating telephone subsidiaries capitalize initial right-to-use fees for central office switching equipment, including initial operating system and initial application software costs. For noncentral office equipment, only the initial operating system software is capitalized. Subsequent additions, modifications, or upgrades of initial software programs, whether operating or application packages, are expensed as incurred.

CAPITALIZATION OF INTEREST COSTS

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 cost.

GOODWILL AND OTHER INTANGIBLES

Goodwill is the excess of the acquisition cost of businesses over the fair value of the identifiable net assets acquired. We amortize goodwill and other identifiable intangibles on a straight-line basis over its estimated useful life, not exceeding 40 years. We assess the impairment of other identifiable intangibles and goodwill related to our consolidated subsidiaries under 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," and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. A determination of impairment (if any) is made based on estimates of future cash flows. In instances where goodwill has been recorded for assets that are subject to an impairment loss, the carrying amount of the goodwill is eliminated before any reduction is made to the carrying amounts of impaired long-lived assets and identifiable intangibles.

FOREIGN CURRENCY TRANSLATION

The functional currency for nearly all of our foreign operations is the local currency. For these foreign entities, we translate income statement amounts at average exchange rates for the period, and we translate assets and liabilities at end-of-period exchange rates. We record these translation adjustments in Accumulated Other Comprehensive Loss, a separate component of Shareowners' Investment, in our consolidated balance sheets. We report exchange gains and losses on intercompany foreign currency transactions of a long-term nature in Accumulated Other Comprehensive Loss. Other exchange gains and losses are reported in income.

When a foreign entity operates in a highly inflationary economy, we use the U.S. dollar as the functional currency rather than the local currency. We translate nonmonetary assets and liabilities and related expenses into U.S. dollars at historical exchange rates. We translate all other income statement amounts using average exchange rates for the period. Monetary assets and liabilities are translated at end-of-period exchange rates, and any gains or losses are reported in income. For the period October 1, 1996, through December 31, 1998, we considered Iusacell to operate in a highly inflationary economy. Beginning January 1, 1999, we discontinued highly inflationary accounting for Iusacell and resumed using the Mexican peso as its functional currency.

DERIVATIVE INSTRUMENTS

We have entered into derivative transactions to manage our exposure to fluctuations in foreign currency exchange rates, interest rates, and corporate tax rates. We employ risk management strategies using a variety of derivatives including foreign currency forwards and options, interest rate swap agreements, interest rate caps and floors, and basis swap agreements. We do not hold derivatives for trading purposes.

FAIR VALUE METHOD

We use the fair value method of accounting for our foreign currency derivatives, which requires us to record these derivatives at fair value in our consolidated balance sheets, and changes in value are recorded in income or Shareowners' Investment. Depending upon the nature of the derivative instruments, the fair value of these instruments may be recorded in Current Assets, Other Assets, Current Liabilities, and Deferred Credits and Other Liabilities in our consolidated balance sheets.

Gains and losses and related discounts or premiums arising from foreign currency derivatives (which hedge our net investments in consolidated foreign subsidiaries and investments in foreign entities accounted for under the equity method) are included in Accumulated Other Comprehensive Loss and reflected in income upon sale or substantial liquidation of the investment. Certain of these derivatives also include an interest element, which is recorded in Interest Expense over the lives of the contracts. Gains and losses from derivatives which hedge our short-term transactions and cost investments are included in Other Income and Expense, Net, and discounts or premiums on these contracts are included in income over the lives of the contracts. Gains and losses from derivatives hedging identifiable foreign currency commitments are deferred and reflected as adjustments to the related transactions. If the foreign currency commitment is no longer likely to occur, the gain or loss is recognized immediately in income.

Earnings generated from our leveraged lease portfolio may be affected by changes in corporate tax rates. In order to hedge a portion of this risk, we use basis swap agreements, which we account for using the fair value method of accounting. Under this method, these agreements are carried at fair value and included in Other Assets or Deferred Credits and Other Liabilities in our consolidated balance sheet. Changes in the unrealized gain or loss are included in Other Income and Expense, Net.

NOTE 1 CONTINUED

ACCRUAL METHOD

Interest rate swap agreements and interest rate caps and floors that qualify as hedges are accounted for under the accrual method. An instrument qualifies as a hedge if it effectively modifies and/or hedges the interest rate characteristics of the underlying fixed or variable interest rate debt. Under the accrual method, no amounts are recognized in our consolidated balance sheets related to the principal balances. The interest differential to be paid or received, which is accrued as interest rates change, and premiums related to caps and floors, are recognized as adjustments to Interest Expense over the lives of the agreements. These interest accruals are recorded in Current Assets and Current Liabilities in our consolidated balance sheets. If we terminate an agreement, the gain or loss is recorded as an adjustment to the basis of the underlying liability and amortized over the remaining original life of the agreement. If the underlying liability matures, or is extinguished and the related derivative is not terminated, that derivative would no longer qualify for accrual accounting. In this situation, the derivative is accounted for at fair value, and changes in the value are recorded in income.

SALE OF STOCK BY SUBSIDIARY

We recognize in consolidation changes in our ownership percentage in a subsidiary caused by issuances of the subsidiary's stock as adjustments to Contributed Capital.

INCOME TAXES

Bell Atlantic and its domestic subsidiaries file a consolidated federal income tax return. For periods prior to the merger (see Note 2), NYNEX filed its own consolidated federal income tax return.

Our operating telephone subsidiaries use the deferral method of accounting for investment tax credits earned prior to the repeal of investment tax credits by the Tax Reform Act of 1986. We also defer certain transitional credits earned after the repeal. We amortize these credits over the estimated service lives of the related assets as a reduction to the Provision for Income Taxes.

ADVERTISING COSTS

We expense advertising costs as they are incurred.

STOCK-BASED COMPENSATION

We account for stock-based employee compensation plans under Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, and follow the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation."

CHANGE IN ACCOUNTING PRINCIPLE – DIRECTORY PUBLISHING

Effective January 1, 1996, we changed our method of accounting for directory publishing revenues and expenses from the amortized method to the point-of-publication method. Under the point-of-publication method, revenues and expenses are recognized when the directories are published rather than over the lives of the directories, as under the amortized method. We believe the point-of-publication method is preferable because it is the method generally followed by publishing companies. This accounting change resulted in a one-time, noncash increase in net income of $273.1 million (net of income tax of $179.0 million), or $.18 per share on both a basic and diluted basis, which is reported as a cumulative effect of a change in accounting principle at January 1, 1996. On an annual basis, the financial impact of applying this method in 1996 was not significant.

ADOPTION OF NEW ACCOUNTING STANDARDS

In 1998, we adopted SFAS No. 130, "Reporting Comprehensive Income" (see Note 20), SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" (see Note 17), and SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" (see Note 15). Prior year amounts have been provided or restated as required. These standards require new disclosures only and do not impact our results of operations or financial position.

RECENT ACCOUNTING PRONOUNCEMENTS

COSTS OF COMPUTER SOFTWARE

In March 1998, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position (SOP) No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This new accounting standard provides, among other things, guidance for determining whether computer software is for internal use and when the cost related to such software should be expensed as incurred or capitalized and amortized. SOP 98-1 is required to be applied prospectively.

We adopted SOP No. 98-1 effective January 1, 1999. We estimate that the implementation of SOP No. 98-1 will result in a net after-tax benefit of $200 million to $250 million in 1999 results of operations due to the prospective capitalization of costs which were previously expensed as incurred. Costs for maintenance and training, as well as the cost of software that does not add functionality to the existing system will continue to be expensed as incurred.

COSTS OF START-UP ACTIVITIES

In April 1998, the AICPA issued SOP No. 98-5, "Reporting on the Costs of Start-Up Activities." This new accounting standard requires that costs of start-up activities, including pre-operating, pre-opening and other organizational costs, be expensed as incurred. In addition, the unamortized balance of any previously deferred start-up costs existing at adoption must be expensed.

We adopted SOP No. 98-5 effective January 1, 1999. The adoption of SOP No. 98-5 will not have a material effect on our results of operations or financial condition in 1999 because our policy has been to generally expense all start-up activities.

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 the derivative instruments will be recognized in either earnings or comprehensive income, depending on the designated use and effectiveness of the instruments. Bell Atlantic must adopt SFAS No. 133 no later than January 1, 2000. We are currently evaluating the provisions of SFAS No. 133 and have not yet determined what the impact of adopting this statement will be on our future results of operations or financial condition.

2. Bell Atlantic – NYNEX Merger

On August 14, 1997, Bell Atlantic Corporation and NYNEX Corporation completed a merger of equals under a definitive merger agreement entered into on April 21, 1996 and amended on July 2, 1996. Under the terms of the amended agreement, NYNEX became a wholly owned subsidiary of Bell Atlantic. NYNEX stockholders received 0.768 of a share of Bell Atlantic common stock for each share of NYNEX common stock that they owned. This resulted in the issuance of 700.4 million shares of Bell Atlantic common stock.

The merger qualified as a tax-free reorganization and has been accounted for as a pooling of interests. Under this method of accounting, the companies are treated as if they had always been combined for accounting and financial reporting purposes and, therefore, we restated our financial information for all dates and periods prior to the merger.

The combined results reflect certain reclassifications to conform to the presentation used by Bell Atlantic and certain adjustments to conform accounting methodologies between Bell Atlantic and NYNEX. Results of operations for certain periods prior to the merger have been combined and conformed as follows:

(DOLLARS IN MILLIONS)

	Six months ended June 30, 1997 (unaudited)	Year ended December 31, 1996
Operating revenues		
Bell Atlantic	$ 6,854.6	$ 13,081.4
NYNEX	6,815.1	13,453.8
Reclassifications	.1	.7
Cellular consolidation	1,454.5	2,619.3
Combined	$ 15,124.3	$ 29,155.2
Net income		
Bell Atlantic	$ 1,014.5	$ 1,881.5
NYNEX	540.1	1,477.0
Cellular consolidation	3.3	(7.6)
SFAS No. 106 adjustment	39.1	62.4
Other adjustments	(2.0)	(11.3)
Combined	$ 1,595.0	$ 3,402.0

- Reclassifications were made to conform to our post-merger presentation.
- Cellular consolidation refers to an adjustment that was made to conform accounting methodologies and to consolidate the accounts of cellular operations that were jointly controlled by NYNEX and Bell Atlantic prior to the merger and accounted for by both companies using the equity method.
- An adjustment for SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," was made to reflect the adoption by NYNEX of the immediate recognition of the transition benefit obligation effective January 1, 1993, to conform to the method used by Bell Atlantic.
- Other adjustments were made to conform the accounting policies of the companies, and to record the related tax effects of these adjustments.

MERGER-RELATED COSTS

In the third quarter of 1997 we recorded merger-related pre-tax costs of approximately $200 million for direct incremental costs, and approximately $223 million for employee severance costs.

Direct incremental costs consist of expenses associated with completing the merger transaction, such as professional and regulatory fees, compensation arrangements, and shareowner-related costs.

Employee severance costs, as recorded under SFAS No. 112, "Employers' Accounting for Postemployment Benefits," represent the benefit costs for the separation by the end of 1999 of approximately 3,100 management employees who are entitled to benefits under pre-existing separation pay plans. During 1997 and 1998, 245 and 856 management employees were separated with severance benefits. Accrued postemployment benefit liabilities are included in our consolidated balance sheets as a component of Employee Benefit Obligations.

OTHER INITIATIVES

During 1997, we recorded other charges and special items totaling approximately $1,041 million (pre-tax) in connection with consolidating operations and combining organizations, and for other special items arising during the year.

VIDEO-RELATED CHARGES

In 1997, we recognized total pre-tax charges of approximately $243 million related to certain video investments and operations. We determined that we would no longer pursue a multichannel, multipoint, distribution system (MMDS) as part of our video strategy. As a result, we recognized liabilities for purchase commitments associated with the MMDS technology and costs associated with closing the operations of our Tele-TV partnership because this operation no longer supports our video strategy. We also wrote-down our remaining investment in CAI Wireless Systems, Inc.

WRITE-DOWN OF ASSETS AND REAL ESTATE CONSOLIDATION

In the third quarter of 1997, we recorded pre-tax charges of approximately $355 million for the write-down of obsolete or impaired fixed assets and for the cost of consolidating redundant real estate properties. As part of our merger integration planning, we reviewed the carrying values of long-lived assets. This review included estimating remaining useful lives and cash flows, and identifying assets to be abandoned. In the case of impaired assets, we analyzed cash flows related to those assets to determine the amount of the impairment. As a result of these reviews, we recorded charges of approximately $275 million for the write-off of some assets and $25 million for the impairment of other assets. These assets primarily included computers and other equipment used to transport data for internal purposes, copper wire used to provide telecommunications service in New York, and duplicate voice mail platforms. None of these assets are being held for disposal. At December 31, 1998, the impaired assets had no remaining carrying value.

NOTE 2 CONTINUED

In connection with our merger integration efforts, we consolidated real estate to achieve a reduction in the total square footage of building space that we utilize. We sold properties, subleased some of our leased facilities and terminated other leases, for which we recorded a charge of approximately $55 million in the third quarter of 1997. Most of the charge related to properties in Pennsylvania and New York, where corporate support functions were consolidated into fewer work locations.

REGULATORY, TAX AND LEGAL CONTINGENCIES AND OTHER SPECIAL ITEMS

In 1997, we also recorded reductions to operating revenues and charges to operating expenses totaling approximately $526 million (pre-tax), which consisted of the following:

- Revenue reductions consisted of approximately $179 million for federal regulatory matters. These matters relate to specific issues that are currently under investigation by federal regulatory commissions. We believe that it is probable that the ultimate resolution of these pending matters will result in refunds to our customers.
- Charges to operating expenses totaled approximately $347 million and consisted of $75 million for interest on federal and other tax contingencies; $55 million for other tax matters; and $52 million for legal contingencies and a state regulatory audit issue. These contingencies were accounted for under the rules of SFAS No. 5, "Accounting for Contingencies." These charges also included approximately $95 million related to costs incurred in standardizing and consolidating our directory businesses and $70 million for other post-merger initiatives.

Other charges arising in 1997 included approximately $59 million for our equity share of formation costs previously announced by CWC. We own an 18.5% interest in CWC and account for our investment under the equity method of accounting.

In 1997, we recognized pre-tax gains of approximately $142 million on the sales of our ownership interests of several nonstrategic businesses. These gains included approximately $42 million on the sale of our interest in Sky Network Television Limited of New Zealand; $54 million on the sale of our 33% stake in an Italian wireline venture, Infostrada; and $46 million on the sale of our two-sevenths interest in Bell Communications Research, Inc.

We expect that the remaining direct incremental liabilities will be fully utilized, through either payments or adjustments, by the end of 1999. The obligation for severance benefits, which has been determined under SFAS No. 112, represents expected payments to employees who leave the company with benefits provided under pre-existing separation pay plans. The severance obligation is adjusted through annual costs, which are actuarially determined based upon financial market interest rates, experience, and management's best estimate of future benefit payments. In 1997, the merger-related severance costs increased our existing severance obligation. When the merger-related separations are completed, we will continue to have an obligation for ongoing separations.

We expect to utilize the remaining video and real estate liabilities in 1999, although some lease liabilities will extend through 2012. Liabilities for regulatory, tax and legal contingencies, and other special items will be utilized as the respective matter is settled.

The following table provides a reconciliation of the liabilities associated with merger-related costs and other charges and special items at December 31, 1998 and 1997.

(DOLLARS IN MILLIONS)

	1997					1998		
	Beginning of Year	Charged to Expense or Revenue	Deductions	Adjustments	End of Year	Deductions	Adjustments	End of Year
Merger-Related								
Direct incremental costs	$ –	$ 199.5	$ (164.5)[a]	$ –	$ 35.0	$ (5.2)[a]	$ (25.5)	$ 4.3
Severance obligation	110.9	222.7	(23.6)[a]	19.7	329.7	(60.6)[a]	46.7	315.8
Other Initiatives								
Video-related costs	–	242.8	(226.6)[b]	5.1	21.3	(3.0)[a]	(12.8)	5.5
Write-down of fixed assets and real estate consolidation	–	355.0	(311.6)[b]	–	43.4	(17.6)[b]	(2.5)	23.3
Regulatory, tax and legal contingencies and other special items	–	525.9	(144.3)[b]	–	381.6	(118.2)[c]	(14.4)	249.0
	$ 110.9	$1,545.9	$ (870.6)	$ 24.8	$ 811.0	$ (204.6)	$ (8.5)	$ 597.9

- Adjustments refer to deductions to the liability that reduced expense, or additions to the liability that increased expense resulting from changes in circumstances or experience in implementing the planned activities.
- Deductions refer to the utilization of the liability through payments, asset write-offs, or refunds to customers.

a–primarily comprised of cash payments
b–primarily comprised of asset write-offs
c–comprised of cash payments of $65.9 million, refunds to customers of $41.8 million, and asset write-offs of $10.5 million

3. Investments in Unconsolidated Businesses

Our investments in unconsolidated businesses are comprised of the following:

(DOLLARS IN MILLIONS)

AT DECEMBER 31,	1998 Ownership	1998 Investment	1997 Ownership	1997 Investment
Equity Investees				
PrimeCo Personal Communications, L.P.	50.00%	$ 1,011.4	50.00%	$ 919.9
Cable & Wireless Communications plc	18.50	675.4	18.50	665.8
Omnitel Pronto Italia S.p.A.	19.71	520.6	17.45	313.2
Telecom Corporation of New Zealand Limited	24.95	373.0	24.95	417.7
FLAG Ltd.	37.67	178.3	37.87	236.6
Other	Various	738.9	Various	714.7
Total equity investees		3,497.6		3,267.9
Cost Investees	Various	778.4	Various	1,876.3
Total		$ 4,276.0		$ 5,144.2

Dividends received from investees amounted to $169.4 million in 1998, $192.1 million in 1997, and $194.8 million in 1996.

PRIMECO PERSONAL COMMUNICATIONS, L.P.

PrimeCo Personal Communications, L.P. (PrimeCo) is a partnership established in 1994 between Bell Atlantic and AirTouch Communications, which provides personal communications services (PCS) in over 30 major cities across the United States. PrimeCo began offering services to customers in November 1996.

Since 1994, we have invested approximately $1.6 billion in PrimeCo to fund its operations and the build-out of its PCS network. Under the terms of the partnership agreement, PrimeCo entered into a leveraged lease financing arrangement for certain equipment which has been guaranteed by the partners in the joint venture. Our share of this guarantee is approximately $139 million.

CABLE & WIRELESS COMMUNICATIONS plc

In the second quarter of 1997, we transferred our interests in cable television and telecommunications operations in the United Kingdom to CWC in exchange for an 18.5% ownership interest in CWC. This transaction was accounted for as a nonmonetary exchange of similar productive assets and, as a result, no gain or loss was recorded. We account for our investment in CWC under the equity method because we have significant influence over CWC's operating and financial policies. Prior to the transfer, we included the accounts of these operations in our consolidated financial statements.

In connection with our investment in CWC, in August 1998 we issued $3,180.0 million of 4.25% senior exchangeable notes due on September 15, 2005. The notes are exchangeable into 277.6 million ordinary shares of CWC stock that we own at the option of the holder, beginning on July 1, 2002. You can find additional information on the CWC exchangeable notes in Note 8.

OMNITEL PRONTO ITALIA S.p.A.

Omnitel Pronto Italia S.p.A. (Omnitel) operates a cellular mobile telephone network in Italy. We account for this investment under the equity method because we have significant influence over Omnitel's operating and financial policies. Since 1994, we have invested approximately $544 million in Omnitel. Approximately $162 million of this amount was invested in April 1998, which increased our ownership interest from 17.45% to 19.71%. Goodwill related to this investment totals approximately $400 million, which is being amortized on a straight-line basis over a period of 25 years.

TELECOM CORPORATION OF NEW ZEALAND LIMITED

Telecom Corporation of New Zealand Limited (TCNZ) is that country's principal provider of telecommunications services. At the date of acquisition of our interest in 1990, goodwill was approximately $285 million. We are amortizing this amount on a straight-line basis over a period of 40 years.

During 1997, we sold portions of our stock investment to TCNZ in connection with its share repurchase plan, resulting in cash proceeds of approximately $153 million. These transactions reduced our investment and increased our ownership interest in TCNZ. Our investment in TCNZ was also reduced by approximately $38 million as of December 31, 1998, resulting from foreign currency translation losses. We recorded these losses as a component of Shareowners' Investment.

In connection with our investment in TCNZ, in February 1998 we issued $2,455.0 million of 5.75% senior exchangeable notes due on April 1, 2003. The notes are exchangeable into 437.1 million ordinary shares of TCNZ stock that we own at the option of the holder, beginning September 1, 1999. You can find additional information on the TCNZ exchangeable notes in Note 8.

FLAG Ltd.

Fiberoptic Link Around the Globe Ltd. (FLAG) owns and operates an undersea fiberoptic cable system, providing digital communications links between Europe and Asia. FLAG launched commercial service in the fourth quarter of 1997. We hold approximately a 34% equity interest in the venture and have invested approximately $227 million in FLAG since 1994.

We have approximately a 5% interest in the parent company of FLAG, FLAG Telecom Holdings Limited (FLAG Telecom). In the first quarter of 1999, a subsidiary of FLAG Telecom and Global TeleSystems Group, Inc., a U.S. telecommunications company, agreed to establish a joint venture to build and operate a transoceanic dual cable system to carry high-speed data and video traffic across the Atlantic Ocean. The companies expect to offer service in 2000.

FLAG had outstanding borrowings of $615.1 million as of December 31, 1997 under a limited recourse debt facility, which it refinanced in the first quarter of 1998 through a new $800.0 million credit facility. This refinancing resulted in an after-tax extraordinary charge of $14.7 million. The refinancing also released us from certain obligations under a contingent sponsor support agreement signed in connection with the debt facility outstanding in 1997.

NOTE 3 CONTINUED

OTHER EQUITY INVESTEES

We also have global wireless investments in the Czech Republic, Slovakia, Greece, and Indonesia. These investments are in joint ventures to build and operate cellular networks in these countries. We also have an investment in a company in the Philippines which provides telecommunications services in certain regions of that country. The remaining investments include real estate partnerships, publishing joint ventures, and several other domestic and international joint ventures.

SUMMARIZED FINANCIAL INFORMATION

The following tables display the summarized unaudited financial information for our equity investees. These amounts are shown on a 100 percent basis.

(DOLLARS IN MILLIONS)

YEAR ENDED DECEMBER 31,	1998
Results of operations	
Operating revenues	$ 8,832.3
Operating income	1,474.3
Income before extraordinary item	577.2
Net income	520.2
Bell Atlantic's equity share of income	$ 24.8

AT DECEMBER 31,	1998
Financial position	
Current assets	$ 4,679.6
Noncurrent assets	18,986.1
Current liabilities	4,830.0
Noncurrent liabilities	10,027.2
Minority interest	155.0
Stockholders' equity	8,653.5
Bell Atlantic's equity share of investees	$ 3,497.6

COST INVESTEES

Our cost investments are carried at their original cost, except in cases where we have determined that a decline in the estimated fair value of an investment is other than temporary as described below under "Other Cost Investments."

VIACOM INC.

Since 1993, we have held an investment in Viacom Inc. (Viacom), an entertainment and publishing company. This investment consisted of 24 million shares of Viacom Series B Cumulative Preferred Stock that we purchased for $1.2 billion. The preferred stock, which carried an annual dividend of 5%, was convertible into shares of Viacom Class B nonvoting common stock at a price of $70 per share. In December 1998, we accepted an offer from Viacom to repurchase one-half of our Viacom investment, or 12 million shares of the preferred stock (with a book value of approximately $600 million), for approximately $564 million in cash. This transaction resulted in a small loss, which was recorded in Income (Loss) from Unconsolidated Businesses in our consolidated statement of income in 1998. The remaining investment in Viacom, 12 million shares of preferred stock (with a book value of approximately $600 million), was repurchased by Viacom in a second transaction in January 1999 for approximately $612 million in cash. This transaction did not have a material effect on our consolidated results of operations.

OTHER COST INVESTMENTS

Other cost investments consist principally of our Asian investments – TelecomAsia, a wireline investment in Thailand, and Excelcomindo, a wireless investment in Indonesia. In the third quarter of 1998, we recorded pre-tax charges of $485.1 million to Income (Loss) from Unconsolidated Businesses in our consolidated statement of income to adjust the carrying values of TelecomAsia and Excelcomindo. The charges were necessary because we determined that the decline in the estimated fair values of each of these investments were other than temporary. We determined the fair values of these investments by discounting estimated future cash flows.

In the case of TelecomAsia, we recorded a charge of $348.1 million to adjust the carrying value of the investment to its estimated fair value. We considered the following factors in determining this charge:

- The continued weakness of the Thai currency as compared to historical exchange rates will place additional financial burdens on the company in servicing U.S. dollar-denominated debt.
- The economic instability and prospects for an extended recovery period have resulted in weaker than expected growth in TelecomAsia's business. This is indicated by slower than expected growth in total subscribers and usage. These factors resulted in reduced expectations of future cash flows and, accordingly, a reduction in the value of our investment.
- The business plan for TelecomAsia contemplated cash flows from several lines of business. Given TelecomAsia's inclination to focus on its core wireline business, these other lines of business may not contribute future cash flows at previously expected levels.

In the case of Excelcomindo, we recorded a charge of $137.0 million to adjust the carrying value of the investment to its estimated fair value. We considered the following factors in determining this charge:

- The continued weakness of the Indonesian currency as compared to historical exchange rates will place additional financial burdens on the company in servicing U.S. dollar-denominated debt. The continuing political unrest in Indonesia has contributed to the currency's instability.
- The economic instability and prospects for an extended recovery period have resulted in weaker than expected growth in Excelcomindo's business. One significant factor has been inflexible tariff regulation despite rising costs due to inflation. This and other factors have resulted in reduced expectations of future cash flows and, accordingly, a reduction in the value of our investment.
- Issues with cash flow are requiring Excelcomindo's shareholders to evaluate the future funding of the business.

4. Grupo Iusacell, S.A. de C.V.

Since 1993, we have invested $1.2 billion in Iusacell, the second largest telecommunications company in Mexico. Goodwill related to this investment totaled approximately $840 million and is being amortized on a straight-line basis over a period of 25 years. In the first quarter of 1997, we consummated a restructuring of our investment in Iusacell to permit us to assume control of the Board of Directors and management of Iusacell. As a result of the restructuring, we changed the accounting for our Iusacell investment from the equity method to full consolidation.

In 1998 and 1997, we entered into several transactions which have resulted in changes to our economic ownership percentage. As part of the initial restructuring in the first quarter of 1997, we converted approximately $33 million of debt into Series A shares, thereby increasing our ownership percentage from 41.9% to 42.1%. We also agreed to provide Iusacell up to $150.0 million under a subordinated convertible debt facility (the Facility) as Iusacell may require from time to time. This obligation expires in June 1999.

In the third quarter of 1998, Iusacell and its principal shareholders entered into another agreement (the 1998 Restructuring Agreement) to restructure ownership of the company. This restructuring, if completed, will result in the formation of a new holding company with two classes of shares, one of which will trade publicly. The restructuring is intended to increase the liquidity of Iusacell's publicly traded shares and to increase the availability of debt financing to Iusacell. Iusacell borrowed $101.5 million from us under the Facility during the second half of 1998. We immediately converted the debt into 145.0 million additional Series A shares at a price of $.70 per share as contemplated by the 1998 Restructuring Agreement. However, under this same agreement, we sold 21.4 million of those shares to the Peralta Group, the other principal shareholder of Iusacell, for $.70 per share. As a result of this debt conversion and sale of shares to the Peralta Group, our ownership percentage increased to 47.1% as of December 31, 1998.

The 1998 Restructuring Agreement also contemplates that the new Iusacell holding company will engage in a rights offering to existing shareholders, and that we and the Peralta Group, under certain circumstances, will engage in a secondary public offering of a portion of our respective shares. These transactions would reduce our ownership percentage to approximately 42%. We would, however, continue to retain management control of Iusacell through the completion of these transactions and, therefore, would continue to consolidate the company's results. The 1998 Restructuring Agreement also provides that any further borrowings by Iusacell under the Facility will be immediately converted into shares of Iusacell at a conversion price of $.70 per share. It further provides that the Peralta Group will purchase from us one-half of any shares received from that debt conversion for $.70 per share. Iusacell borrowed approximately $31 million under the Facility in the first quarter of 1999, which has been converted to equity, increasing our ownership percentage to 47.2%.

PUT OPTIONS

The Peralta Group can require us to purchase from it approximately 517 million Iusacell shares for $.75 per share, or approximately $388 million in the aggregate, by giving notice of exercise between November 15 and December 15, 2001.

5. Plant, Property and Equipment

The following table displays the details of plant, property and equipment, which is stated at cost:

(DOLLARS IN MILLIONS)

AT DECEMBER 31,	1998	1997
Land	$ 412.3	$ 408.5
Buildings	6,666.7	6,323.4
Central office equipment	31,440.8	29,167.2
Outside communications plant	33,604.9	31,669.7
Furniture, vehicles and other work equipment	7,870.0	7,253.2
Other	1,356.6	1,276.5
Construction-in-progress	1,712.8	1,338.7
	83,064.1	77,437.2
Accumulated depreciation	(46,248.6)	(42,397.8)
Total	$ 36,815.5	$ 35,039.4

Plant, property and equipment at December 31, 1998 and 1997 includes real estate property and equipment under operating leases (or held for lease) of $96.6 million and $52.8 million, and accumulated depreciation of $21.9 million and $14.8 million.

6. Leasing Arrangements

AS LESSOR

We are the lessor in leveraged and direct financing lease agreements under which commercial aircraft, rail equipment, industrial equipment, power generating facilities, real estate property, and telecommunications and other equipment are leased for remaining terms of 1 to 48 years. Minimum lease payments receivable represent unpaid rentals, less principal and interest on third-party nonrecourse debt relating to leveraged lease transactions. Since we have no general liability for this debt, the related principal and interest have been offset against the minimum lease payments receivable. Minimum lease payments receivable are subordinate to the debt and the holders of the debt have a security interest in the leased equipment.

NOTE 6 CONTINUED

Finance lease receivables, which are included in Current Assets - Other and Noncurrent Assets - Other Assets in our consolidated balance sheets are comprised of the following:

(DOLLARS IN MILLIONS)

AT DECEMBER 31,	1998 Leveraged Leases	1998 Direct Finance Leases	1998 Total	1997 Leveraged Leases	1997 Direct Finance Leases	1997 Total
Minimum lease payments receivable	$ 2,986.3	$ 189.9	$ 3,176.2	$ 2,674.6	$ 223.5	$ 2,898.1
Estimated residual value	2,186.8	36.1	2,222.9	1,969.7	36.2	2,005.9
Unearned income	(2,131.9)	(58.1)	(2,190.0)	(1,874.7)	(70.7)	(1,945.4)
	$ 3,041.2	$ 167.9	3,209.1	$ 2,769.6	$ 189.0	2,958.6
Allowance for doubtful accounts			(37.3)			(24.9)
Finance lease receivables, net			$ 3,171.8			$ 2,933.7
Current			$ 37.2			$ 39.2
Noncurrent			$ 3,134.6			$ 2,894.5

Accumulated deferred taxes arising from leveraged leases, which are included in Deferred Income Taxes, amounted to $2,445.2 million at December 31, 1998 and $2,233.8 million at December 31, 1997.

The following table is a summary of the components of income from leveraged leases:

(DOLLARS IN MILLIONS)

YEARS ENDED DECEMBER 31,	1998	1997	1996
Pre-tax lease income	$ 99.2	$ 97.4	$ 87.5
Income tax expense	47.2	30.7	22.1
Investment tax credits	5.3	2.9	3.5

This table displays the future minimum lease payments to be received from noncancelable leases, net of nonrecourse loan payments related to leveraged and direct financing leases in excess of debt service requirements, for the periods shown at December 31, 1998:

(DOLLARS IN MILLIONS)

YEARS	Capital Leases	Operating Leases
1999	$ 85.7	$ 16.2
2000	64.9	6.1
2001	65.3	.6
2002	94.5	.7
2003	83.1	.2
Thereafter	2,782.8	-
Total	$ 3,176.3	$ 23.8

AS LESSEE

We lease certain facilities and equipment for use in our operations under both capital and operating leases. Total rent expense under operating leases amounted to $555.7 million in 1998, $572.6 million in 1997 and $531.9 million in 1996. We incurred initial capital lease obligations of $2.7 million in 1998, $11.4 million in 1997, and $16.4 million in 1996.

Capital lease amounts included in plant, property and equipment are as follows:

(DOLLARS IN MILLIONS)

AT DECEMBER 31,	1998	1997
Capital leases	$ 296.2	$ 307.2
Accumulated amortization	(169.6)	(163.5)
Total	$ 126.6	$ 143.7

This table displays the aggregate minimum rental commitments under noncancelable leases for the periods shown at December 31, 1998:

(DOLLARS IN MILLIONS)

YEARS	Capital Leases	Operating Leases
1999	$ 36.2	$ 253.7
2000	45.0	221.1
2001	31.7	174.5
2002	25.5	148.3
2003	16.8	125.4
Thereafter	477.0	762.3
Total minimum rental commitments	632.2	$ 1,685.3
Less interest and executory costs	480.4	
Present value of minimum lease payments	151.8	
Less current installments	15.4	
Long-term obligation at December 31, 1998	$ 136.4	

As of December 31, 1998, the total minimum sublease rentals to be received in the future under noncancelable operating subleases was $289.9 million.

7. Commitments and Contingencies

In connection with certain state regulatory incentive plan commitments, we have deferred revenues which will be recognized as the commitments are met or obligations are satisfied under the plans. In addition, several state and federal regulatory proceedings may require our operating telephone subsidiaries to refund a portion of the revenues collected in the current and prior periods. There are also various legal actions 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 it could have a material effect on our results of operations.

8. Debt

DEBT MATURING WITHIN ONE YEAR

The following table displays the details of debt maturing within one year:

(DOLLARS IN MILLIONS)

AT DECEMBER 31,	1998	1997
Notes payable		
Commercial paper	$ 1,383.7	$ 5,067.7
Bank loans	299.5	509.7
Long-term debt maturing within one year	1,304.4	765.4
Total debt maturing within one year	$ 2,987.6	$ 6,342.8
Weighted-average interest rates for notes payable outstanding at year-end	5.6%	5.9%

Capital expenditures (primarily construction of telephone plant) are partially financed, pending long-term financing, through bank loans and the issuance of commercial paper payable within 12 months.

At December 31, 1998, we had in excess of $4.5 billion of unused bank lines of credit. The availability of these lines, for which there are no formal compensating balances, is at the discretion of each bank. Certain of these lines of credit contain requirements for the payment of commitment fees.

Substantially all of the assets of Iusacell, totaling approximately $725 million at December 31, 1998, are subject to lien under a credit facility with certain bank lenders.

LONG-TERM DEBT

This table shows our outstanding long-term debt obligations:

(DOLLARS IN MILLIONS)

AT DECEMBER 31,	Interest Rates %	Maturities	1998	1997
Telephone subsidiaries' debentures	4.375 - 7.00	1999-2033	$ 4,572.0	$ 3,867.0
	7.125 - 7.75	2002-2033	2,465.0	2,705.0
	7.85 - 9.375	2010-2031	1,979.0	2,179.0
Unamortized discount, net of premium			(56.0)	(55.8)
			8,960.0	8,695.2
Exchangeable notes, net of unamortized discount of $243.8	4.25 - 5.75	2003-2005	5,645.6	-
Notes payable	5.30 - 12.42	1999-2012	3,036.0	3,515.8
Refunding mortgage bonds	4.25 - 7.375	2000-2011	635.5	986.1
Mortgage and installment notes	10.50 - 11.00	1999-2005	17.2	22.5
Employee stock ownership plan loans (Note 15)				
Bell Atlantic senior notes	8.17	2000	199.8	313.4
NYNEX debentures	9.55	2010	304.9	327.3
Capital lease obligations–average rate 11.0% and 10.8%			151.8	170.3
Total long-term debt, including current maturities			18,950.8	14,030.6
Less maturing within one year			1,304.4	765.4
Total long-term debt			$ 17,646.4	$ 13,265.2

NOTE 8 CONTINUED

TELEPHONE SUBSIDIARIES' DEBT

The telephone subsidiaries' debentures outstanding at December 31, 1998 include $1,857.0 million that are callable. The call prices range from 101.98% to 100.00% of face value, depending upon the remaining term to maturity of the issue. All of our refunding mortgage bonds are also callable as of December 31, 1998. In addition, our long-term debt includes $735.0 million that will become redeemable for limited periods at the option of the holders. Of this amount, $385.0 million becomes redeemable in 1999 and $175.0 million in 2002. One debenture totaling $175.0 million becomes redeemable in 2000 and again in 2002. The redemption prices will be 100.0% of face value plus accrued interest.

Substantially all of the assets of New York Telephone Company, totaling approximately $13.3 billion at December 31, 1998, are subject to lien under New York Telephone Company's refunding mortgage bond indenture.

EXCHANGEABLE NOTES

In February 1998, our wholly owned subsidiary Bell Atlantic Financial Services, Inc. (FSI) issued $2,455.0 million of 5.75% senior exchangeable notes due on April 1, 2003 (TCNZ exchangeable notes). The TCNZ exchangeable notes are exchangeable into 437.1 million ordinary shares of TCNZ stock that we own at the option of the holder, beginning on September 1, 1999. The exchange price was established at a 20% premium to the TCNZ share price at the pricing date of the offering. Upon exchange by investors, we retain the option to settle in cash or by delivery of TCNZ shares. During the period from April 1, 2001 to March 31, 2002, the TCNZ exchangeable notes are callable at our option at 102.3% of the principal amount and, thereafter and prior to maturity at 101.15%. The proceeds of the TCNZ exchangeable notes offering were used for the repayment of a portion of our short-term debt.

In August 1998, FSI issued $3,180.0 million of 4.25% senior exchangeable notes due on September 15, 2005 (CWC exchangeable notes). The CWC exchangeable notes were issued at a discount and at December 31, 1998 the notes had a carrying value of $3,190.6 million. The CWC exchangeable notes are exchangeable into 277.6 million ordinary shares of CWC stock that we own at the option of the holder beginning on July 1, 2002. The exchange price was established at a 28% premium to the CWC share price at the pricing date of the offering. Upon exchange by investors, we retain the option to settle in cash or by delivery of CWC shares. The CWC exchangeable notes are redeemable at our option, beginning September 15, 2002, at escalating prices from 104.2% to 108.0% of the principal amount. If the CWC exchangeable notes are not called or exchanged prior to maturity, they will be redeemable at 108.0% of the principal amount at that time. The proceeds of the CWC exchangeable notes offering were used for the repayment of a portion of our short-term debt and other general corporate purposes.

The TCNZ and CWC exchangeable notes must be marked-to-market if the fair value of either the underlying TCNZ shares rises to a level greater than 120% of the share price at the pricing date of the offering, or the underlying CWC shares rises to a level greater than 128% of the share price at the pricing date of the offering. If either event should occur, we are required to mark-to-market the applicable exchangeable note liability by the amount of the increase in share price over the exchange price. This mark-to-market transaction would reduce income by the amount of the increase in the exchangeable note liability. If the share price subsequently declines, the liability would be reduced (but not less than its amortized carrying value) and income would be increased. At December 31, 1998, the fair value of neither the underlying TCNZ shares, nor the underlying CWC shares, exceeded the recorded value of the debt liability and, therefore, no mark-to-market adjustments were recorded to our financial statements.

SUPPORT AGREEMENTS

The TCNZ exchangeable notes have the benefit of a Support Agreement dated February 1, 1998, and the CWC exchangeable notes have the benefit of a Support Agreement dated August 26, 1998, both of which are between Bell Atlantic and FSI. In the Support Agreements, Bell Atlantic guarantees the payment of interest, premium (if any), principal, and the cash value of exchange property related to these notes should FSI fail to pay. Another Support Agreement between Bell Atlantic and FSI dated October 1, 1992, guarantees payment of interest, premium (if any), and principal on FSI's medium-term notes (aggregating $244.7 million at December 31, 1998) should FSI fail to pay. The holders of FSI's debt do not have recourse to the stock or assets of our operating telephone subsidiaries or TCNZ; however, they do have recourse to dividends paid to Bell Atlantic by any of our consolidated subsidiaries as well as assets not covered by the exclusion. The carrying value of the available assets reflected in our consolidated financial statements was approximately $14.1 billion at December 31, 1998.

In 1998, we established a $2.0 billion Euro Medium Term Note Program under which we may issue notes that are not registered with the Securities and Exchange Commission. The notes will be issued from time to time from our subsidiary, Bell Atlantic Global Funding, Inc. (BAGF), and will have the benefit of a support agreement between BAGF and Bell Atlantic. There have been no notes issued under this program.

MATURITIES OF LONG-TERM DEBT

Maturities of long-term debt outstanding at December 31, 1998, excluding capital lease obligations and unamortized discount and premium, are $1,289.0 million in 1999, $893.6 million in 2000, $373.8 million in 2001, $941.1 million in 2002, $3,532.6 million in 2003, and $12,068.0 million thereafter. These amounts include the redeemable debt at the earliest possible redemption dates.

EARLY EXTINGUISHMENT OF DEBT

We recorded extraordinary charges associated with the early extinguishment of debentures and refunding mortgage bonds of the telephone subsidiaries and debt issued by FLAG, an investment accounted for under the equity method. You can find a description of our FLAG investment in Note 3. These charges reduced net income by $25.5 million (net of an income tax benefit of $14.3 million) in 1998.

9. Financial Instruments

DERIVATIVES

We limit our use of derivatives to managing risk that could negatively impact our financing and operating flexibility, making cash flows more stable over the long run and achieving savings over other means of financing. Our risk management strategy is designed to protect against adverse changes in interest rates, foreign currency exchange rates, and corporate tax rates, as well as facilitate our financing strategies. We use several types of derivatives in managing these risks, including interest rate swap agreements, interest rate caps and floors, foreign currency forwards and options, and basis swap agreements. Derivative agreements are linked to specific liabilities or assets and hedge the related economic exposures. We do not hold derivatives for trading purposes.

We recognized pre-tax income (expense) of $(3.6) million in 1998, $17.3 million in 1997, and $12.7 million in 1996 in our statements of income related to our risk management activities involving derivatives.

INTEREST RATE RISK MANAGEMENT

The table that follows provides additional information about our interest rate risk management. The notional amounts shown are used to calculate interest payments to be exchanged. These amounts are not actually paid or received, nor are they a measure of our potential gains or losses from market risks. They do not represent our exposure in the event of nonperformance by a counterparty or our future cash requirements. Our financial instruments are grouped based on the nature of the hedging activity.

(DOLLARS IN MILLIONS)

AT DECEMBER 31,	Notional Amount	Maturities	Weighted-Average Rate Receive	Weighted-Average Rate Pay
Interest Rate Swap Agreements				
Foreign Currency/Interest Rate Swaps				
1998	$ 303.2	1999 – 2002	5.3%	6.0%
1997	$ 375.4	1998 – 2002	4.5%	6.2%
Other Interest Rate Swaps				
Pay fixed				
1998	$ 260.0	1999 – 2005	5.0%	5.9%
1997	$ 260.0	1999 – 2005	5.7%	5.9%
Pay variable				
1998	$ 783.7	1999 – 2006	6.6%	5.3%
1997	$ 783.7	1999 – 2006	6.6%	6.1%
Structured Note Swap Agreements				
1998	$ 60.0	1999		
1997	$ 60.0	1999		
Interest Rate Cap/Floor Agreements				
1998	$ 297.0	1999 – 2002		
1997	$ 262.0	1999 – 2001		
Basis Swap Agreements				
1998	$ 1,001.0	2003 – 2004		
1997	$ 1,001.0	2003 – 2004		

We use foreign currency/interest rate swap agreements to hedge the value of certain international investments. The agreements generally require us to receive payments based on fixed interest rates and make payments based on variable interest rates.

The structured note swap agreements convert several structured medium-term notes to conventional fixed rate liabilities while reducing financing costs. The effective fixed interest rate on these notes averaged 6.1% at December 31, 1998 and 1997.

Other interest rate swap agreements, which sometimes incorporate options, and interest rate caps and floors are all used to adjust the interest rate profile of our debt portfolio and allow us to achieve a targeted mix of fixed and variable rate debt.

Earnings generated from our leveraged lease portfolio may be affected by changes in corporate tax rates. In order to hedge a portion of this risk, we entered into several basis swap agreements which require us to receive payments based on a variable interest rate (LIBOR-based) and make payments based on a tax-exempt market index (J.J.Kenney). We account for these basis swap agreements at fair value and recognized income (expense) of $(3.7) million in 1998, $4.2 million in 1997, and $20.2 million in 1996 related to mark-to-market adjustments.

FOREIGN EXCHANGE RISK MANAGEMENT

Our foreign exchange risk management includes the use of foreign currency forward contracts, options and foreign currency swaps. Forward contracts and options call for the sale or purchase, or the option to sell or purchase, certain foreign currencies on a specified future date. These contracts are typically used to hedge short-term foreign currency transactions and commitments. The total notional amounts of our foreign currency forward contracts and option contracts were $2.4 million at December 31, 1998 and $14.5 million at December 31, 1997, all of which had maturities of six months or less.

Certain of the interest rate swap agreements shown in the table contain both a foreign currency and an interest rate component. These agreements require the exchange of payments based on specified interest rates in addition to the exchange of currencies at the maturity of the contract. The required payments for both components are based on the notional amounts of the contracts.

Our net equity position in unconsolidated foreign businesses as reported in our consolidated balance sheets totaled $1,916.6 million at December 31, 1998 and $1,784.2 million at December 31, 1997. Our most significant investments at December 31, 1998 and 1997 had operations in the United Kingdom, Italy and New Zealand. We have not hedged our accounting translation exposure to foreign currency fluctuations relative to these investments except for our United Kingdom investment which is partially hedged.

Our equity income is subject to exchange rate fluctuations when our equity investee has balances denominated in a currency other than the investees' functional currency. We recognized $10.5 million in 1998, $(30.1) million in 1997, and $6.8 million in 1996 related to such fluctuations in Income (Loss) From Unconsolidated Businesses.

We continually monitor the relationship between gains and losses recognized on all of our foreign currency contracts and on the underlying transactions being hedged to mitigate market risk.

CONCENTRATIONS OF CREDIT RISK

Financial instruments that subject us to concentrations of credit risk consist primarily of temporary cash investments, short-term investments, trade receivables, certain notes receivable, preferred stock, and derivative contracts. Our policy is to place our temporary cash investments with major financial institutions. Counterparties to our derivative contracts are also major financial institutions and organized exchanges. The financial institutions have all been accorded high ratings by primary rating agencies. We limit the dollar amount of contracts entered into with any one financial institution and monitor our counterparties' credit ratings. We generally do not give or receive collateral on swap agreements due to our credit rating and those of our counterparties. While we may be exposed to credit losses due to the nonperformance of our counterparties, we consider the risk remote and do not expect the settlement of these transactions to have a material effect on our results of operations or financial condition.

FAIR VALUES OF FINANCIAL INSTRUMENTS

The tables that follow provide additional information about our material financial instruments:

Financial Instrument	Valuation Method
Cash and cash equivalents and short-term investments	Carrying amounts
Short- and long-term debt (excluding capital leases and exchangeable notes)	Market quotes for similar terms and maturities or future cash flows discounted at current rates
Exchangeable notes	Market quotes for similar instruments with both debt and embedded equity components
Cost investments in unconsolidated businesses and notes receivable	Future cash flows discounted at current rates, market quotes for similar instruments or other valuation models
Interest rate swap and other agreements	Gains or losses to terminate agreements or amounts paid to replicate agreements at current rates
Foreign currency forward and option contracts	Market quotes or gains or losses to terminate agreements

(DOLLARS IN MILLIONS)

AT DECEMBER 31,	1998 Carrying Amount*	1998 Fair Value	1997 Carrying Amount*	1997 Fair Value
Short- and long-term debt	$ 14,836.6	$ 15,928.3	$ 19,437.7	$ 19,988.9
Exchangeable notes	5,645.6	5,818.2	–	–
Cost investments in unconsolidated businesses	777.8	796.9	1,693.0	1,464.6
Notes receivable, net	18.4	18.3	32.9	33.2
Interest rate swap and other agreements				
Assets	6.1	26.7	26.3	31.8
Liabilities	25.5	39.7	24.8	31.8
Foreign currency forward and option contracts				
Assets	–	–	.2	–
Liabilities	–	–	.2	.2

* The carrying amounts shown for derivatives include deferred gains and losses.

In January 1999, we accepted an offer from Viacom to repurchase their preferred stock from us. Our investment in Viacom is included in the table under "Cost investments in unconsolidated businesses." We have used the sale price as the fair value of our Viacom investment at December 31, 1998. The fair value of our Viacom investment at December 31, 1997 was calculated using certain theoretical convertible valuation models since the preferred stock was not publicly traded. We were unable to determine the fair value of other investments, with carrying values of $.6 million and $183.3 million at December 31, 1998 and 1997, without incurring excessive costs.

10. Minority Interest

(DOLLARS IN MILLIONS)

AT DECEMBER 31,	1998	1997
Portion subject to redemption requirements	$ 18.6	$ 618.3
Portion nonredeemable	311.1	292.9
	$ 329.7	$ 911.2

VIACOM TRANSACTIONS

In December 1998, we accepted an offer from Viacom to repurchase one-half of our investment in Viacom, or 12 million shares of their preferred stock (with a book value of approximately $600 million), for approximately $564 million in cash. This preferred stock had been held by a fully consolidated subsidiary, which had been created as part of a transaction to monetize a portion of our Viacom investment during 1995 and 1996. This monetization transaction involved entering into nonrecourse contracts whereby we raised $600.0

million based, among other things, on the value of our investment in Viacom. To accomplish the monetization, two fully consolidated subsidiaries were created to manage and protect certain assets for distribution at a later date. In addition, an outside party contributed $600.0 million in cash in exchange for an interest in one of these subsidiaries, and we contributed a $600.0 million note that was collateralized by certain financial assets, including the 12 million shares of Viacom preferred stock and 22.4 million shares of our common stock. The outside party's contribution was reflected in Minority Interest, and the issuance of common stock was reflected as Treasury Stock in our consolidated balance sheets and statements of shareowners' investment.

The cash proceeds from the repurchase of the 12 million shares of Viacom preferred stock, together with additional cash, was used to repay the note that had been contributed to one of the subsidiaries. The total amount of cash was distributed to the outside party, under a pre-existing agreement, to redeem most of that party's interest in the subsidiary. We then purchased the remaining portion of the outside party's interest. The transaction was accounted for as a charge to Reinvested Earnings and a reduction from Net Income in calculating Net Income Available to Common Shareowners in the amount of $29.8 million. As a result of our purchase of the outside party's interest, we reduced Minority Interest by $600.0 million in 1998. However, the subsidiaries continue to hold shares of our common stock, which have been reported as Treasury Stock in our consolidated balance sheet at December 31, 1998.

The remaining 12 million shares of preferred stock were repurchased by Viacom in a second transaction in January 1999 for approximately $612 million in cash. You can find additional information on our Viacom investment in Note 3.

OTHER MINORITY INTERESTS

Minority interest in 1998 and 1997 also included the minority interests in certain partnerships consolidated by Bell Atlantic Mobile. The other shareowners' interest in Iusacell is also reflected as minority interest in 1998 and 1997 as a result of our change to full consolidation for our investment in Iusacell beginning in 1997. You can find a description of our Iusacell investment in Note 4.

11. Preferred Stock of Subsidiary

Our subsidiary Bell Atlantic New Zealand Holdings, Inc. (BANZHI) has the authority to issue 5,000,000 shares of Serial Preferred Stock. BANZHI has issued three series of preferred stock. BANZHI owns a portion of our investment in Iusacell and, with another subsidiary, indirectly owns our investment in TCNZ.

In 1994, BANZHI issued 850,000 shares of Series A Preferred Stock at $100 per share with an annual dividend rate of $7.08 per share. In 1995, 600,000 shares of Series B Preferred Stock were issued at $100 per share with an annual dividend rate of $5.80 per share. At December 31, 1998 and 1997, 95,000 shares ($9.5 million) of Series B Preferred Stock were held by a wholly owned subsidiary. Both series are subject to mandatory redemption on May 1, 2004 at a redemption price per share of $100, together with any accrued and unpaid dividends.

In 1997, 650,000 shares of Series C Variable Term Preferred Stock were issued at $100 per share. At December 31, 1998, these shares had an annual dividend rate of 4.24%.

12. Shareowners' Investment

Our certificate of incorporation provides authority for the issuance of up to 250 million shares of Series Preferred Stock, $.10 par value, in one or more series, with such designations, preferences, rights, qualifications, limitations and restrictions as the Board of Directors may determine.

We are authorized to issue up to 2.25 billion shares of common stock.

On January 23, 1996, the Board of Directors adopted a resolution ordering the redemption of all rights granted under our Shareholder Rights Plan, approved by the Board in 1989. Shareholders of record as of April 10, 1996 were paid the redemption price of $.01 per Right ($.0025 per share after adjusting for stock splits) on May 1, 1996.

13. Earnings Per Share

The following table is a reconciliation of the numerators and denominators used in computing earnings per share:

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

YEARS ENDED DECEMBER 31,	1998	1997	1996
Net Income Available to Common Shareowners			
Income before extraordinary item and cumulative effect of change in accounting principle	$ 2,990.8	$ 2,454.9	$ 3,128.9
Redemption of minority interest	(29.8)	-	-
Redemption of investee preferred stock	(2.5)	-	-
Income available to common shareowners*	2,958.5	2,454.9	3,128.9
Extraordinary item	(25.5)	-	-
Cumulative effect of change in accounting principle	-	-	273.1
Net income available to common shareowners*	$ 2,933.0	$ 2,454.9	$ 3,402.0
Basic Earnings Per Common Share			
Weighted-average shares outstanding	1,553.0	1,551.8	1,546.6
Income before extraordinary item and cumulative effect of change in accounting principle	$ 1.90	$ 1.58	$ 2.02
Extraordinary item	(.01)	-	-
Cumulative effect of change in accounting principle	-	-	.18
Net income	$ 1.89	$ 1.58	$ 2.20
Diluted Earnings Per Common Share			
Weighted-average shares outstanding	1,553.0	1,551.8	1,546.6
Effect of dilutive securities	25.3	19.3	13.6
Weighted-average shares – diluted	1,578.3	1,571.1	1,560.2
Income before extraordinary item and cumulative effect of change in accounting principle	$ 1.87	$ 1.56	$ 2.00
Extraordinary item	(.01)	-	-
Cumulative effect of change in accounting principle	-	-	.18
Net income	$ 1.86	$ 1.56	$ 2.18

* Income and Net income available to common shareowners is the same for purposes of calculating basic and diluted earnings per share.

Stock options to purchase .2 million, .1 million and 29.9 million shares of common stock were outstanding at December 31, 1998, 1997, and 1996, which were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares.

14. Stock Incentive Plans

We have stock-based compensation plans that include fixed stock option and performance-based share plans. We apply APB Opinion No. 25 and related interpretations in accounting for our plans. We have adopted the disclosure-only provisions of SFAS No. 123. We recognize no compensation expense for our fixed stock option plans. Compensation expense charged to income for our performance-based share plans was $14.3 million in 1998, $23.4 million in 1997, and $10.6 million in 1996. If we had elected to recognize compensation expense based on the fair value at the grant dates for 1996 and subsequent fixed and performance-based plan awards consistent with the provisions of SFAS No. 123, net income and earnings per share would have been changed to the pro forma amounts indicated below:

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

YEARS ENDED DECEMBER 31,		1998	1997	1996
Net income	As reported	$2,965.3	$2,454.9	$3,402.0
	Pro forma	2,917.9	2,393.6	3,355.8
Basic earnings per share	As reported	$ 1.89	$ 1.58	$ 2.20
	Pro forma	1.86	1.54	2.17
Diluted earnings per share	As reported	$ 1.86	$ 1.56	$ 2.18
	Pro forma	1.83	1.52	2.15

These results may not be representative of the effects on pro forma net income for future years.

We determined the pro forma amounts using the Black-Scholes option-pricing model based on the following weighted-average assumptions:

	1998	1997	1996
Dividend yield	4.59%	4.86%	4.72%
Expected volatility	18.63%	14.87%	15.16%
Risk-free interest rate	5.55%	6.35%	5.42%
Expected lives (in years)	5	5	5

The weighted-average value of options granted was $6.47 per option during 1998, $4.30 per option during 1997 and $2.96 per option during 1996.

The NYNEX stock options outstanding and exercisable at the date of the merger were converted to Bell Atlantic stock options. The NYNEX option activity and share prices have been restated, for all years presented, to Bell Atlantic shares using the exchange ratio of 0.768 per share of Bell Atlantic common stock to one share of NYNEX common stock. Our stock incentive plans are described below:

FIXED STOCK OPTION PLANS

We have fixed stock option plans for key management employees under which options to purchase Bell Atlantic common stock are granted at a price equal to the market price of the stock at the date of grant.

Under the 1985 Incentive Stock Option Plan (ISO Plan), key employees (including employees of the former NYNEX companies, after the merger) may be granted incentive and/or nonqualified stock options to purchase shares of common stock and certain key employees may receive reload options upon tendering shares of common stock to exercise options. In 1994, we adopted the Options Plus Plan. Under this plan, we granted nonqualified stock options to approximately 800 managers below the officer level in place of a portion of each manager's annual cash bonus in 1994 and 1995. The Options Plus Plan was discontinued after the January 1995 grant. The Stock Compensation Plan for Outside Directors entitles each outside director to receive up to 5,000 stock options per year. Options are exercisable after three years or less and the maximum term is ten years.

Fixed stock option plans covering key management employees of the former NYNEX companies include the 1990 and the 1995 Stock Option Plans. The 1990 Stock Option Plan, which expired on December 31, 1994, permitted the grant of options through December 1994 to purchase shares of common stock. In January 1995, NYNEX established the 1995 Stock Option Plan. Options under the 1995 Stock Option Plan are exercisable after three years or less and the maximum term is ten years. Since the merger with NYNEX, the new options granted under this plan are reload options. Both the 1990 and 1995 plans will continue to exist until the last outstanding option has been exercised or has expired.

In 1992, 1994 and 1996, NYNEX established stock option plans for associates and management employees other than those eligible to participate in the other stock option plans. These employees were granted options (with the number of options granted varying according to employee level) to purchase a fixed number of shares of common stock at the market price of the stock on the grant date. Options granted under these plans are exercisable after two years or less and the maximum term is ten years.

This table is a summary of the status of the fixed stock option plans:

	Stock Options	Weighted-Average Exercise Price
Outstanding, December 31, 1995	68,715,924	$ 24.93
Granted	31,866,368	33.28
Exercised	(8,889,406)	24.65
Canceled/forfeited	(1,099,888)	31.51
Outstanding, December 31, 1996	90,592,998	27.93
Granted	15,670,210	33.10
Exercised	(26,238,090)	26.40
Canceled/forfeited	(885,184)	29.39
Outstanding, December 31, 1997	79,139,934	29.28
Granted	24,061,468	46.40
Exercised	(23,373,126)	29.01
Canceled/forfeited	(1,744,531)	36.88
Outstanding, December 31, 1998	78,083,745	34.87
Options exercisable, December 31,		
1996	56,482,864	27.68
1997	63,650,570	28.27
1998	55,395,762	30.17

NOTE 14 CONTINUED

The following table summarizes information about fixed stock options outstanding as of December 31, 1998:

	Stock Options Outstanding			Stock Options Exercisable	
Range of Exercise Prices	Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
$ 15.00 – 19.99	5,552	.1 years	$ 18.00	5,552	$ 18.00
20.00 – 24.99	8,711,764	3.5	23.07	8,711,764	23.07
25.00 – 29.99	16,780,585	5.6	25.87	16,780,585	25.87
30.00 – 34.99	27,780,786	7.4	33.00	25,765,996	33.01
35.00 – 39.99	1,480,557	8.6	37.76	796,719	37.71
40.00 – 44.99	361,306	9.1	43.39	318,057	43.36
45.00 – 49.99	21,661,784	9.1	47.56	2,720,337	46.46
50.00 – 54.99	1,087,712	9.6	52.13	295,852	51.84
55.00 – 59.99	213,699	9.9	56.44	900	57.78
Total	78,083,745	7.1	34.87	55,395,762	30.17

PERFORMANCE-BASED SHARE PLANS

Our performance-based share plans provided for the granting of awards to certain key employees, including employees of the former NYNEX companies in the form of Bell Atlantic common stock. Authority to make new grants expired in December 1994. Final awards were credited to pre-merger employees of Bell Atlantic in January 1996 and to employees of the former NYNEX companies in March 1994. Effective January 1, 1998, the Income Deferral Plan replaced the deferred compensation plans, including deferred performance shares, and expands the award distribution options for those employees. Employees who were active as of January 1, 1998 had their performance share balances transferred to the Income Deferral Plan. Those employees who were inactive as of that date continue to hold deferred share balances.

We also have deferred compensation plans that allow members of the Board of Directors to defer all or a portion of their compensation. Some of these plans provide for returns based on the performance of, and eventual settlement in, Bell Atlantic common stock. Compensation expense for all of these plans is recorded based on the fair market value of the shares as they are credited to participants' accounts. The Income Deferral Plan is accounted for with our pension plans.

The number of shares outstanding in the performance share plans were 393,491 at December 31, 1998, 1,099,690 at December 31, 1997, and 1,252,286 at December 31, 1996.

A total of 180,560,000 shares may be distributed under the fixed stock option plans and the performance-based share plans. As of December 31, 1998 and 1997, a total of 56,578,766 and 69,615,880 shares of common stock were available for the granting of stock options under the fixed stock option plans and for distributions of shares under the performance-based share plans.

In addition to plans described above, Iusacell maintains a separate stock option plan for its key employees in which it awards options to acquire Iusacell common stock. The effect of this plan on our consolidated results of operations was not significant.

15. Employee Benefits

The FASB issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," in February 1998. This new standard does not change the measurement or recognition of costs for pensions or other postretirement plans. It standardizes disclosures and eliminates those that are no longer useful. The information provided below for 1998, 1997 and 1996 has been presented under the requirements of the new standard.

We maintain noncontributory defined benefit pension plans for substantially all management and associate employees, as well as postretirement healthcare and life insurance plans for our retirees and their dependents. We also sponsor 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 our company.

In 1997, following the completion of the merger with NYNEX, the assets of the Bell Atlantic and NYNEX pension and savings plans were commingled in a master trust, and effective January 1, 1998 we established common pension and savings plan benefit provisions for all management employees. The disclosures provided for 1997 and 1996 were determined using weighted-average assumptions for the combined Bell Atlantic and NYNEX benefit plans.

PENSION AND OTHER POSTRETIREMENT BENEFITS

At December 31, 1998, shares of our common stock accounted for less than 1% of the plan assets. Substantive commitments for future amendments are reflected in the pension costs and benefit obligations. Pension and other postretirement benefits for our associate employees (approximately 69% of our work force) are subject to collective bargaining agreements. Modifications in associate benefits have been bargained from time to time, and we may also periodically amend the benefits in the management plans.

The following tables summarize benefit costs, as well as the benefit obligations, plan assets, funded status and rate assumptions associated with pension and postretirement healthcare and life insurance benefit plans.

NOTE 15 CONTINUED

BENEFIT COST

(DOLLARS IN MILLIONS)

	Pension			Healthcare and Life		
YEARS ENDED DECEMBER 31,	1998	1997	1996	1998	1997	1996
Service cost	$ 388.6	$ 355.8	$ 398.6	$ 101.1	$ 98.4	$ 122.5
Interest cost	1,855.4	1,877.3	1,831.2	593.1	626.3	653.0
Expected return on plan assets	(2,544.9)	(2,346.6)	(2,169.5)	(287.6)	(249.1)	(214.8)
Amortization of transition asset	(82.0)	(82.0)	(79.6)	–	–	–
Amortization of prior service cost	(132.7)	(136.0)	(129.9)	52.7	50.0	66.1
Actuarial (gain), net	(111.5)	(62.5)	(9.4)	(101.8)	(40.3)	(2.5)
Net periodic (income) benefit cost	(627.1)	(394.0)	(158.6)	357.5	485.3	624.3
Special termination benefits	1,029.3	687.7	481.3	57.9	60.0	39.8
Curtailment (gain) loss (including recognition of prior service cost)	(134.4)	(221.8)	(174.0)	149.9	117.9	90.6
Release of severance and postretirement medical reserves	(38.8)	(68.8)	(91.0)	(54.6)	(88.4)	(126.0)
Retirement incentive cost, net*	856.1	397.1	216.3	153.2	89.5	4.4
Total benefit cost	$ 229.0	$ 3.1	$ 57.7	$ 510.7	$ 574.8	$ 628.7

* See "Retirement Incentives" section for additional information

ASSUMPTIONS

The actuarial assumptions used are based on financial market interest rates, past experience, and management's best estimate of future benefit changes and 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		
	1998	1997	1996	1998	1997	1996
Discount rate at end of year	7.00%	7.25%	7.75%	7.00%	7.25%	7.75%
Long-term rate of return on plan assets for the year	8.90	8.90	8.60	8.90	8.70	8.35
Rate of future increases in compensation at end of year	4.00	4.00	4.40	4.00	4.00	4.40
Medical cost trend rate at end of year				6.00	6.50	8.30
Ultimate (year 2001 for 1998 and 1997, year 2008 for 1996)				5.00	5.00	4.75
Dental cost trend rate at end of year				3.50	3.50	3.75
Ultimate (year 2002)				3.00	3.00	3.50

The medical cost trend rate significantly affects the reported postretirement benefit costs and benefit obligations. A one-percentage-point change in the assumed healthcare cost trend rate would have the following effects:

(DOLLARS IN MILLIONS)

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total service and interest cost	$ 57.7	$ (46.5)
Effect on postretirement benefit obligation	631.2	(515.8)

NOTE 15 CONTINUED

(DOLLARS IN MILLIONS)

AT DECEMBER 31,	Pension 1998	Pension 1997	Healthcare and Life 1998	Healthcare and Life 1997
Benefit Obligation				
Beginning of year	$ 26,732.0	$ 24,935.7	$ 8,852.2	$ 8,617.2
Service cost	388.6	355.8	101.1	98.4
Interest cost	1,855.4	1,877.3	593.1	626.3
Plan amendments	38.2	(97.0)	10.9	–
Actuarial (gain) loss, net	349.9	1,173.4	(90.9)	(59.8)
Benefits paid	(2,370.6)	(2,041.5)	(549.7)	(537.1)
Curtailments	(96.3)	(159.4)	88.5	47.2
Special termination benefits	1,029.3	687.7	57.9	60.0
Transfers	153.8	–	–	–
End of year	28,080.3	26,732.0	9,063.1	8,852.2
Fair Value of Plan Assets				
Beginning of year	35,253.0	31,075.5	3,824.6	3,209.9
Actual return on plan assets	4,018.9	6,194.1	721.9	673.3
Company contribution	60.6	24.1	173.1	182.7
Benefits paid	(2,370.6)	(2,041.5)	(257.0)	(241.3)
Transfers	4.6	.8	–	–
End of year	36,966.5	35,253.0	4,462.6	3,824.6
Funded Status				
End of year	8,886.2	8,521.0	(4,600.5)	(5,027.6)
Unrecognized				
Actuarial (gain), net	(10,534.0)	(9,521.4)	(1,951.9)	(1,512.1)
Prior service cost	(1,316.7)	(1,493.1)	143.2	192.3
Transition asset	(357.1)	(439.0)	–	–
Net amount recognized	$ (3,321.6)	$ (2,932.5)	$ (6,409.2)	$ (6,347.4)
Amounts recognized on the balance sheet				
Employee benefit obligations	$ (3,372.7)	$ (2,974.7)	$ (6,409.2)	$ (6,347.4)
Other assets	23.7	42.2	–	–
Accumulated other comprehensive loss	27.4	–	–	–
Net amount recognized	$ (3,321.6)	$ (2,932.5)	$ (6,409.2)	$ (6,347.4)

The changes in benefit obligations from year to year were caused by a number of factors, including changes in actuarial assumptions (see Assumptions), plan amendments and special termination benefits.

RETIREMENT INCENTIVES

In 1993, we announced a restructuring plan which included an accrual of approximately $1.1 billion (pre-tax) for severance and postretirement medical benefits under an involuntary force reduction plan. Beginning in 1994, retirement incentives have been offered under a voluntary program as a means of implementing substantially all of the work force reductions planned in 1993.

Since the inception of the retirement incentive program, we recorded additional costs totaling approximately $3.0 billion (pre-tax) through December 31, 1998. These additional costs and the corresponding number of employees accepting the retirement incentive offer for each year ended December 31 are as follows:

(DOLLARS IN MILLIONS)

YEARS	Amount	Employees
1994	$ 694.0	7,209
1995	514.9	4,759
1996	235.8	2,996
1997	513.1	4,311
1998	1,021.1	7,299
	$ 2,978.9	26,574

The retirement incentive costs are included in Employee Costs in our statements of income and the accrued liability is a component of Employee Benefit Obligations reported in our consolidated balance sheets. The additional costs are comprised of special termination pension and postretirement benefit amounts, as well as employee costs for other items. These costs have been reduced by severance and postretirement medical benefit reserves established in 1993 and transferred to the pension and postretirement benefit liabilities as employees accepted the retirement incentive offer.

NOTE 15 CONTINUED

The retirement incentive program covering management employees ended on March 31, 1997 and the program covering associate employees was completed in September 1998.

The following table provides the amounts transferred from the 1993 reserve balance to pension and postretirement benefits (OPEB) liabilities:

(DOLLARS IN MILLIONS)

YEARS	Pension	OPEB	Total
1994	$ 293.0	$ 179.0	$ 472.0
1995	81.6	72.0	153.6
1996	91.0	126.0	217.0
1997	81.6	88.4	170.0
1998	38.8	54.6	93.4
	$ 586.0	$ 520.0	$1,106.0

The remaining severance and postretirement medical reserves balances associated with the 1993 restructuring plan were as follows at December 31, 1997 and 1998:

(DOLLARS IN MILLIONS)

	1997	1998
Beginning of year	$ 263.4	$ 93.4
Utilization	(170.0)	(93.4)
End of year	$ 93.4	$ –

SAVINGS PLANS AND EMPLOYEE STOCK OWNERSHIP PLANS

We maintain three leveraged employee stock ownership plans (ESOPs). Under these plans, we match a certain percentage of eligible employee contributions with shares of our common stock. In 1989, two leveraged ESOPs were established by Bell Atlantic to purchase Bell Atlantic common stock and fund matching contributions. In 1990, NYNEX established a leveraged ESOP to fund matching contributions to management employees and purchased shares of NYNEX common stock. At the date of the merger, NYNEX common stock outstanding was converted to Bell Atlantic shares using an exchange ratio of 0.768 per share of Bell Atlantic common stock to one share of NYNEX common stock.

The Bell Atlantic leveraged ESOP trusts were funded by the issuance of $790.0 million in senior notes. The annual interest rate on the senior notes is 8.17%. The senior notes are payable in semiannual installments, which began on January 1, 1990 and end in the year 2000. The NYNEX leveraged ESOP trust was established through a company loan of $450 million, the proceeds of which were used to purchase common shares of NYNEX stock held in treasury. NYNEX issued and guaranteed $450 million of 9.55% debentures, the proceeds of which were principally used to repurchase common shares in the open market. The debentures require annual payments of principal and are due on May 1, 2010. Interest payments are due semiannually. All of the leveraged ESOP trusts repay the debt, including interest, with funds from our contributions to the ESOP trusts, as well as dividends received on unallocated and allocated shares of common stock.

The obligations of the leveraged ESOP trusts, which we guarantee, are recorded as Long-term Debt and the offsetting deferred compensation is classified as a reduction of Shareowners' Investment. As the ESOP trusts make principal payments, we reduce the long-term debt balance. The deferred compensation balance is reduced by the amount of employee compensation recognized as the ESOP shares are allocated to participants.

Common stock is allocated from all leveraged ESOP trusts based on the proportion of principal and interest paid on ESOP debt in a year to the remaining principal and interest due over the term of the debt. At December 31, 1998, the number of unallocated and allocated shares of common stock was 18.9 million and 32.4 million. All leveraged ESOP shares are included in earnings per share computations.

We recognize leveraged ESOP cost based on the modified shares allocated method for the Bell Atlantic leveraged ESOP trusts which held securities before December 15, 1989 and the shares allocated method for the NYNEX leveraged ESOP trust which held securities after December 15, 1989.

ESOP cost and trust activity consist of the following:

(DOLLARS IN MILLIONS)

YEARS ENDED DECEMBER 31,	1998	1997	1996
Compensation	$ 98.4	$ 105.4	$ 93.5
Interest incurred	48.6	57.0	69.4
Dividends	(34.0)	(36.9)	(42.1)
Other trust earnings and expenses, net	(.4)	(.5)	(.2)
Net leveraged ESOP cost	112.6	125.0	120.6
Additional (reduced) ESOP cost	(8.5)	(2.3)	14.6
Total ESOP cost	$ 104.1	$ 122.7	$ 135.2
Dividends received for debt service	$ 65.6	$ 66.7	$ 68.3
Total company contributions to leveraged ESOP trusts	$ 143.9	$ 136.5	$ 141.8

In addition to the ESOPs described above, we maintain savings plans for associate employees of the former NYNEX companies, and employees of certain other subsidiaries. Compensation expense associated with these savings plans was $80.8 million in 1998, $71.1 million in 1997, and $69.1 million in 1996.

16. Income Taxes

The components of income tax expense from continuing operations are presented in the following table:

(DOLLARS IN MILLIONS)

YEARS ENDED DECEMBER 31,	1998	1997	1996
Current			
Federal	$ 1,513.9	$ 1,207.4	$ 1,450.2
State and local	368.3	222.2	195.4
	1,882.2	1,429.6	1,645.6
Deferred			
Federal	178.4	279.2	235.9
State and local	85.8	(42.3)	48.3
	264.2	236.9	284.2
Investment tax credits	(28.9)	(38.1)	(57.3)
Other credits	(109.4)	(99.2)	(90.2)
Total income tax expense	$ 2,008.1	$ 1,529.2	$ 1,782.3

During 1997, two states in our operating region enacted significant changes in their tax laws. In New Jersey, a law was enacted that repealed the gross receipts tax applicable to telephone companies and extended the net-income-based corporate business tax to include telephone companies. This resulted in a decrease in deferred state income tax expense of $75.4 million. In Maryland, a law was enacted that changed the determination of taxable income. This resulted in an increase in deferred state income tax expense of $8.3 million.

The following table shows the principal reasons for the difference between the effective income tax rate and the statutory federal income tax rate:

YEARS ENDED DECEMBER 31,	1998	1997	1996
Statutory federal income tax rate	35.0%	35.0%	35.0%
Investment tax credits	(.4)	(.6)	(.8)
State income taxes, net of federal tax benefits	5.5	2.6	3.1
Write-down of foreign investments	3.8	–	–
Other, net	(3.7)	1.4	(1.0)
Effective income tax rate	40.2%	38.4%	36.3%

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:

(DOLLARS IN MILLIONS)

AT DECEMBER 31,	1998	1997
Deferred tax liabilities		
Depreciation	$ 3,634.5	$ 3,564.5
Leveraged leases	2,437.0	2,225.3
Partnership investments	470.8	329.9
Other	631.1	1,044.2
	7,173.4	7,163.9
Deferred tax assets		
Employee benefits	(4,122.8)	(4,065.0)
Investment tax credits	(83.9)	(94.3)
Allowance for uncollectible accounts receivable	(94.1)	(117.4)
Other	(985.6)	(1,114.8)
	(5,286.4)	(5,391.5)
Valuation allowance	317.2	79.4
Net deferred tax liability	$ 2,204.2	$ 1,851.8

Deferred tax assets include approximately $2,609 million at December 31, 1998 and $3,126 million at December 31, 1997 related to postretirement benefit costs recognized under SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This deferred tax asset will gradually be realized over the estimated lives of current retirees and employees.

The valuation allowance primarily represents the tax benefits of capital losses, certain state net operating loss carryforwards, and other deferred tax assets which may expire without being utilized. During 1998, the valuation allowance increased $237.8 million. This increase primarily relates to state net operating losses and the write-down of certain foreign investments, for which tax benefits may never be realized.

17. ■ Segment Information

We have adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 establishes standards for the way companies must determine and report information about operating segments in their annual and interim reports.

We have four reportable segments, which we operate and manage as strategic business units and we organize by products and services. We measure and evaluate our reportable segments based on adjusted net income, which excludes undistributed corporate expenses and special items arising during each period. Special items are transactions that management has excluded from the business units' results, but have included in reported consolidated earnings. We generally account for intersegment sales of products and services and asset transfers at current market prices. Intersegment revenues were not material in 1998, 1997 and 1996. We are not dependent on any single customer.

Our segments and their principal activities consist of the following:

Segment	Description
Domestic Telecom	Domestic wireline telecommunications services–primarily our nine operating telephone subsidiaries that provide local telephone services from Maine to Virginia including voice and data transport, enhanced and custom calling features, network access, directory assistance, private lines and public telephones. This segment also provides customer premises equipment distribution, systems integration, billing and collections, and Internet access services. Domestic Telecom represents the aggregation of our domestic wireline business units (consumer, enterprise, general, and network services), which focus on specific markets to increase revenues and customer satisfaction.
Global Wireless	Wireless telecommunications services to customers in 24 states in the United States and foreign wireless investments servicing customers in Latin America, Europe and the Pacific Rim.
Directory	Domestic and international publishing businesses including print directories and Internet-based shopping guides, as well as website creation and hosting and other electronic commerce services. This segment has operations principally in the United States and Central Europe.
Other Businesses	International wireline telecommunications investments in Europe and the Pacific Rim and lease financing and other businesses.

GEOGRAPHIC AREAS

Our foreign investments are located principally in Europe, Latin America and the Pacific Rim. Domestic and foreign operating revenues are based on the location of customers. Long-lived assets consist of property, plant and equipment (net of accumulated depreciation) and investments in unconsolidated businesses. The table below presents financial information by major geographic area:

(DOLLARS IN MILLIONS)

YEARS ENDED DECEMBER 31,	1998	1997	1996
Domestic			
Operating revenues	$ 31,168.2	$ 29,760.2	$ 28,817.7
Long-lived assets	38,527.8	37,431.5	36,929.7
Foreign			
Operating revenues	397.7	433.7	337.5
Long-lived assets	2,563.7	2,752.1	4,127.3
Consolidated			
Operating revenues	31,565.9	30,193.9	29,155.2
Long-lived assets	41,091.5	40,183.6	41,057.0

NOTE 17 CONTINUED

OPERATING SEGMENT FINANCIAL INFORMATION

(DOLLARS IN MILLIONS)

	1998	1997	1996
Domestic Telecom			
Operating revenues	$ 25,557.5	$ 24,809.2	$ 24,136.2
Depreciation and amortization	5,195.1	4,989.6	4,911.5
Income (loss) from unconsolidated businesses	27.2	(13.7)	(71.7)
Interest income	44.6	14.6	5.9
Interest expense	972.1	906.4	840.2
Income tax expense	1,958.3	1,792.0	1,598.5
Extraordinary item	(10.8)	–	–
Net income	3,172.5	2,993.3	2,790.5
Segment assets	41,216.8	39,428.6	38,618.9
Investments in unconsolidated businesses	.2	3.9	151.9
Capital expenditures	6,409.4	5,485.9	4,913.8
Global Wireless			
Operating revenues	$ 3,797.9	$ 3,347.4	$ 2,684.3
Depreciation and amortization	591.6	481.0	303.3
(Loss) from unconsolidated businesses	(96.2)	(195.5)	(141.1)
Interest income	10.6	9.4	2.0
Interest expense	275.4	267.2	140.8
Income tax expense	114.6	65.0	99.2
Net income	228.5	95.0	79.6
Segment assets	7,738.6	7,089.7	6,093.4
Investments in unconsolidated businesses	1,767.7	1,570.6	1,706.5
Capital expenditures	995.7	987.7	936.6
Directory			
Operating revenues	$ 2,263.6	$ 2,215.2	$ 2,159.3
Depreciation and amortization	36.7	39.4	33.7
Income (loss) from unconsolidated businesses	28.6	22.7	(.5)
Interest income	.8	1.1	.7
Interest expense	19.9	16.5	20.8
Income tax expense	436.2	410.7	384.2
Net income	683.9	656.6	585.1
Segment assets	1,741.0	1,474.5	906.2
Investments in unconsolidated businesses	14.5	22.1	8.4
Capital expenditures	34.6	34.0	32.3
Other Businesses			
Operating revenues	$ 123.9	$ 278.1	$ 455.8
Depreciation and amortization	2.4	47.9	103.1
Income from unconsolidated businesses	85.9	77.7	106.8
Interest income	23.7	13.0	44.7
Interest expense	38.4	33.9	30.1
Income tax benefit	(34.3)	(40.7)	(59.2)
Extraordinary item	(14.7)	–	–
Net income	135.3	48.4	11.8
Segment assets	5,353.2	5,583.3	8,081.6
Investments in unconsolidated businesses	1,867.6	2,080.6	1,813.3
Capital expenditures	3.3	134.0	508.6
Noncash financing and investing activities			
Contributions of net assets to unconsolidated businesses	–	681.8	–
Contributions to partnerships	–	73.0	220.1

RECONCILIATION TO CONSOLIDATED FINANCIAL INFORMATION

(DOLLARS IN MILLIONS)

	1998	1997	1996
Operating Revenues			
Domestic Telecom	$ 25,557.5	$ 24,809.2	$ 24,136.2
Global Wireless	3,797.9	3,347.4	2,684.3
Directory	2,263.6	2,215.2	2,159.3
Other Businesses	123.9	278.1	455.8
Total segments	31,742.9	30,649.9	29,435.6
Reconciling items	(177.0)	(192.9)	(210.6)
Adjustments	–	(263.1)	(69.8)
Total consolidated	$ 31,565.9	$ 30,193.9	$ 29,155.2
Net Income			
Domestic Telecom	$ 3,172.5	$ 2,993.3	$ 2,790.5
Global Wireless	228.5	95.0	79.6
Directory	683.9	656.6	585.1
Other Businesses	135.3	48.4	11.8
Total segments	4,220.2	3,793.3	3,467.0
Reconciling items	103.5	53.5	7.2
Adjustments	(1,358.4)	(1,391.9)	(72.2)
Total consolidated	$ 2,965.3	$ 2,454.9	$ 3,402.0
Segment Assets			
Domestic Telecom	$ 41,216.8	$ 39,428.6	$ 38,618.9
Global Wireless	7,738.6	7,089.7	6,093.4
Directory	1,741.0	1,474.5	906.2
Other Businesses	5,353.2	5,583.3	8,081.6
Total segments	56,049.6	53,576.1	53,700.1
Reconciling items	(905.7)	388.0	(339.0)
Total consolidated	$ 55,143.9	$ 53,964.1	$ 53,361.1

Reconciling items include undistributed corporate expenses, corporate assets and intersegment eliminations. Corporate assets are comprised primarily of our investment in Viacom. In December 1998, one-half of our investment in Viacom was repurchased (see Note 3).

NOTE 17 CONTINUED

Adjustments include special items and line item reclassifications. Special items included merger-related costs (see Note 2), retirement incentives (see Note 15), and other charges. The effect of these special items on each of the segment's net income is provided in the following table:

(DOLLARS IN MILLIONS)

YEARS ENDED DECEMBER 31,	1998	1997	1996
Domestic Telecom			
Reported net income	$ 2,382.1	$ 2,016.5	$ 2,413.4
Special items	790.4	976.8	377.1
Adjusted net income	$ 3,172.5	$ 2,993.3	$ 2,790.5
Global Wireless			
Reported net income	$ 50.9	$ 112.5	$ 72.9
Special items	177.6	(17.6)	6.7
Adjusted net income	$ 228.5	$ 94.9	$ 79.6
Directory			
Reported net income	$ 661.6	$ 563.7	$ 855.0
Special items	22.3	92.9	(269.9)
Adjusted net income	$ 683.9	$ 656.6	$ 585.1
Other Businesses			
Reported net income	$ (230.2)	$ 28.6	$ 56.9
Special items	365.6	19.8	(45.1)
Adjusted net income	$ 135.4	$ 48.4	$ 11.8
Reconciling Items			
Reported net income	$ 100.9	$ (266.4)	$ 3.8
Special items	2.5	320.0	3.4
Adjusted net income	$ 103.4	$ 53.6	$ 7.2

18. Proposed Bell Atlantic – GTE Merger

Bell Atlantic and GTE Corporation have announced a proposed merger of equals under a definitive merger agreement dated as of 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 that they own. Bell Atlantic shareholders will continue to own their existing shares after the merger.

We expect the merger to qualify as a pooling of interests. The completion of the merger is subject to a number of conditions, including certain regulatory approvals, receipt of opinions that the merger will be tax-free, and the approval of the shareholders of both Bell Atlantic and GTE.

19. Additional Financial Information

The tables that follow provide additional financial information related to our consolidated financial statements:

INCOME STATEMENT INFORMATION

(DOLLARS IN MILLIONS)

YEARS ENDED DECEMBER 31,	1998	1997	1996
Taxes other than income	$ 1,465.9	$ 1,606.9	$ 1,499.9
Interest expense incurred, net of amounts capitalized	1,375.9	1,275.2	1,124.1
Capitalized interest	90.4	81.0	128.5
Advertising expense	453.2	397.0	357.5

Interest expense incurred includes $40.5 million in 1998, $45.2 million in 1997 and $42.1 million in 1996 related to our lease financing business. Such interest expense is classified as Other Operating Expenses.

BALANCE SHEET INFORMATION

(DOLLARS IN MILLIONS)

AT DECEMBER 31,	1998	1997
Accounts Payable and Accrued Liabilities		
Accounts payable	$ 3,401.1	$ 3,575.4
Accrued expenses	1,271.5	1,089.7
Accrued vacation pay	634.3	618.1
Accrued salaries and wages	231.9	279.9
Interest payable	329.0	245.8
Accrued taxes	237.2	157.5
	$ 6,105.0	$ 5,966.4
Other Current Liabilities		
Advance billings and customer deposits	$ 695.7	$ 643.0
Dividend payable	610.6	597.8
Other	132.3	114.2
	$ 1,438.6	$ 1,355.0

CASH FLOW INFORMATION

(DOLLARS IN MILLIONS)

YEARS ENDED DECEMBER 31,	1998	1997	1996
Cash Paid			
Income taxes, net of amounts refunded	$ 1,369.3	$ 1,402.8	$ 1,667.9
Interest, net of amounts capitalized	1,201.2	1,215.4	1,162.5

20. Comprehensive Income

Effective January 1, 1998, we adopted SFAS No. 130, "Reporting Comprehensive Income." The new rules establish standards for the reporting of comprehensive income and its components in financial statements. Comprehensive income consists of net income and other gains and losses affecting shareowners' equity that, under generally accepted accounting principles, are excluded from net income. The adoption of SFAS No. 130 did not affect our statement of income, but did affect the presentation of our statement of changes in shareowners' investment and balance sheet.

Changes in the components of other comprehensive income (loss), net of income tax expense (benefit), are as follows:

(DOLLARS IN MILLIONS)

YEARS ENDED DECEMBER 31,	1998	1997	1996
Foreign Currency Translation Adjustments			
Foreign currency translation adjustments, taxes of $1.8, $(1.8) and $(4.7)	$ (146.4)	$ (234.0)	$ 221.8
Less: reclassification adjustments	(.2)	–	(.1)
Net foreign currency translation adjustments	(146.2)	(234.0)	221.9
Unrealized Gains (Losses) on Securities			
Unrealized holding gains (losses), taxes of $15.9, $0 and $(1.3)	12.0	3.5	(5.8)
Less: reclassification adjustments for gains realized in net income, taxes of $12.8, $.7 and $.1	10.0	1.2	.1
Net unrealized gains (losses) on securities	2.0	2.3	(5.9)
Minimum Pension Liability Adjustment, taxes of $(10.7)	(16.7)	–	–
Other Comprehensive Income (Loss)	$ (160.9)	$ (231.7)	$ 216.0

The components of accumulated other comprehensive income (loss) are as follows:

(DOLLARS IN MILLIONS)

AT DECEMBER 31,	1998	1997
Foreign currency translation adjustments	$ (699.6)	$ (553.4)
Unrealized gains (losses) on securities	2.1	.1
Minimum pension liability adjustment	(16.7)	–
Accumulated other comprehensive income (loss)	$ (714.2)	$ (553.3)

21. Quarterly Financial Information (Unaudited)

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

			Income (Loss) Before Extraordinary Item			
QUARTER ENDED	Operating Revenues	Operating Income	Amount	Per Share-Basic	Per Share-Diluted	Net Income (Loss)
1998						
March 31	$ 7,651.1	$ 1,712.0	$ 909.6	$ .58	$ .57	$ 893.4
June 30	7,927.8	1,952.6	1,027.2	.66	.65	1,020.9
September 30*	7,909.9	1,130.1	(7.2)	(.01)	(.01)	(8.1)
December 31	8,077.1	1,832.5	1,061.2	.66	.65	1,059.1
1997						
March 31	$ 7,416.5	$ 1,458.5	$ 698.2	$ .45	$ .45	$ 698.2
June 30	7,707.8	1,847.9	896.8	.58	.57	896.8
September 30**	7,373.9	421.0	(80.1)	(.05)	(.05)	(80.1)
December 31	7,695.7	1,614.1	940.0	.61	.60	940.0

* Results of operations for the third quarter of 1998 include approximately $1,100 million (after-tax) of costs associated with the completion of our retirement incentive program, as well as charges to adjust the carrying values of two Asian investments and to write-down assets.

** Results of operations for the third quarter of 1997 include approximately $1,050 million (after-tax) of costs incurred in connection with consolidating operations and combining the organizations of Bell Atlantic and NYNEX and for other special items arising during the quarter, as well as charges associated with the completion of the merger and with our retirement incentive program.

Income (loss) before extraordinary item per common share is computed independently for each quarter and the sum of the quarters may not equal the annual amount.

20. Comprehensive Income

Effective January 1, 1998, we adopted SFAS No. 130, "Reporting Comprehensive Income." The new rules establish standards for the reporting of comprehensive income and its components in financial statements. Comprehensive income consists of net income and other gains and losses affecting shareowners' equity that, under generally accepted accounting principles, are excluded from net income. The adoption of SFAS No. 130 did not affect our statement of income, but did affect the presentation of our statement of changes in shareowners' investment and balance sheet.

Changes in the components of other comprehensive income (loss), net of income tax expense (benefit), are as follows:

(DOLLARS IN MILLIONS)

YEARS ENDED DECEMBER 31,	1998	1997	1996
Foreign Currency Translation Adjustments			
Foreign currency translation adjustments, taxes of $1.8, $(1.8) and $(4.7)	$ (146.4)	$ (234.0)	$ 221.8
Less: reclassification adjustments	(.2)	–	(.1)
Net foreign currency translation adjustments	(146.2)	(234.0)	221.9
Unrealized Gains (Losses) on Securities			
Unrealized holding gains (losses), taxes of $15.9, $0 and $(1.3)	12.0	3.5	(5.8)
Less: reclassification adjustments for gains realized in net income, taxes of $12.8, $.7 and $.1	10.0	1.2	.1
Net unrealized gains (losses) on securities	2.0	2.3	(5.9)
Minimum Pension Liability Adjustment, taxes of $(10.7)	(16.7)	–	–
Other Comprehensive Income (Loss)	$ (160.9)	$ (231.7)	$ 216.0

The components of accumulated other comprehensive income (loss) are as follows:

(DOLLARS IN MILLIONS)

AT DECEMBER 31,	1998	1997
Foreign currency translation adjustments	$ (699.6)	$ (553.4)
Unrealized gains (losses) on securities	2.1	.1
Minimum pension liability adjustment	(16.7)	–
Accumulated other comprehensive income (loss)	$ (714.2)	$ (553.3)

21. Quarterly Financial Information (Unaudited)

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

			Income (Loss) Before Extraordinary Item			
QUARTER ENDED	Operating Revenues	Operating Income	Amount	Per Share-Basic	Per Share-Diluted	Net Income (Loss)
1998						
March 31	$ 7,651.1	$ 1,712.0	$ 909.6	$ .58	$ .57	$ 893.4
June 30	7,927.8	1,952.6	1,027.2	.66	.65	1,020.9
September 30*	7,909.9	1,130.1	(7.2)	(.01)	(.01)	(8.1)
December 31	8,077.1	1,832.5	1,061.2	.66	.65	1,059.1
1997						
March 31	$ 7,416.5	$ 1,458.5	$ 698.2	$ .45	$ .45	$ 698.2
June 30	7,707.8	1,847.9	896.8	.58	.57	896.8
September 30**	7,373.9	421.0	(80.1)	(.05)	(.05)	(80.1)
December 31	7,695.7	1,614.1	940.0	.61	.60	940.0

* Results of operations for the third quarter of 1998 include approximately $1,100 million (after-tax) of costs associated with the completion of our retirement incentive program, as well as charges to adjust the carrying values of two Asian investments and to write-down assets.

** Results of operations for the third quarter of 1997 include approximately $1,050 million (after-tax) of costs incurred in connection with consolidating operations and combining the organizations of Bell Atlantic and NYNEX and for other special items arising during the quarter, as well as charges associated with the completion of the merger and with our retirement incentive program.

Income (loss) before extraordinary item per common share is computed independently for each quarter and the sum of the quarters may not equal the annual amount.

Report of Management

We, the management of Bell Atlantic Corporation, are responsible for the consolidated financial statements and the information and representations contained in this report. The financial statements have been prepared in conformity with generally accepted accounting principles and include amounts based on management's best estimates and judgments. Financial information elsewhere in this report is consistent with that in the financial statements.

Management has established and maintained a system of internal control which is designed to provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period. The system of internal control includes widely communicated statements of policies and business practices, which are designed to require all employees to maintain high ethical standards in the conduct of our business. The internal controls are augmented by organizational arrangements that provide for appropriate delegation of authority and division of responsibility and by a program of internal audits.

The financial statements have been audited by PricewaterhouseCoopers LLP, independent accountants. Their audit was conducted in accordance with generally accepted auditing standards and included an evaluation of our internal control structure and selective tests of transactions. The Report of Independent Accountants appears on this page.

The Audit Committee of the Board of Directors, which is composed solely of outside directors, meets periodically with the independent accountants, management and internal auditors to review accounting, auditing, internal controls, litigation and financial reporting matters. Both the internal auditors and the independent accountants have free access to the Audit Committee without management present.

Ivan Seidenberg

Ivan G. Seidenberg
Chairman of the Board
and Chief Executive Officer

Frederic V. Salerno

Frederic V. Salerno
Senior Executive Vice President
and Chief Financial Officer/
Strategy and Business Development

Doreen A. Toben

Doreen A. Toben
Vice President – Controller

Report of Independent Accountants

TO THE BOARD OF DIRECTORS AND SHAREOWNERS OF BELL ATLANTIC CORPORATION:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Bell Atlantic Corporation and its subsidiaries at 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. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and 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 audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 1 to the consolidated financial statements, in 1996, the Company changed its method of accounting for directory publishing revenues and expenses.

PricewaterhouseCoopers LLP

New York, New York
February 9, 1999

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

(DOLLARS IN MILLIONS)

		Additions			
Description	Balance at Beginning of Period	Charged To Expenses	Charged to Other Accounts-Note (a)	Deductions-Note (b)	Balance at End of Period
Allowance for Uncollectible Accounts Receivable:					
Year 1998	$ 611.9	$ 460.5	$ 577.9	$ 1,057.0	$ 593.3
Year 1997	566.7	530.5	557.3	1,042.6	611.9
Year 1996	475.0	493.7	554.6	956.6	566.7
Valuation Allowance for Deferred Tax Assets:					
Year 1998	$ 79.4	$ 276.3	$ -	$ 38.5	$ 317.2
Year 1997	44.8	64.7	.5	30.6	79.4
Year 1996	39.3	14.2	1.3	10.0	44.8
Restructuring Reserves:					
Year 1998	$ 149.6	$ -	$ -	$ 95.1	$ 54.5
Year 1997	330.1	-	-	180.5	149.6
Year 1996	700.6	-	-	370.5	330.1
Allowance For Uncollectible Finance Lease Receivable:					
Year 1998	$ 24.9	$ 5.0	$ 7.4	$ -	$ 37.3
Year 1997	23.8	12.9	-	11.8	24.9
Year 1996	24.3	-	-	.5	23.8

(a) Allowance for Uncollectible Accounts Receivable includes (1) 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 were billed by us. Allowance for Uncollectible Finance Lease Receivables includes amounts transferred from other accounts.

(b) Amounts written off as uncollectible or transferred to other accounts or utilized (except for the valuation allowance for deferred tax assets).

Computation of Ratio of Earnings to Fixed Charges

Exhibit 12

(DOLLARS IN MILLIONS)

YEARS ENDED DECEMBER 31,	1998	1997*	1996*	1995*	1994*
Income before provision for income taxes, extraordinary items, and cumulative effect of changes in accounting principles	$ 4,998.9	$ 3,984.1	$ 4,911.2	$ 4,535.0	$ 3,430.8
Minority interest	32.3	45.6	130.9	130.2	48.7
Loss (income) from unconsolidated businesses	414.6	124.1	(14.2)	22.1	(65.9)
Dividends from unconsolidated businesses	169.4	192.1	194.8	179.0	168.4
Interest expense, including interest related to lease financing activities	1,375.9	1,275.2	1,124.1	1,305.0	1,298.4
Portion of rent expense representing interest	185.2	190.9	177.3	177.1	165.6
Amortization of capitalized interest	21.7	16.4	10.0	5.4	3.1
Income, as adjusted	$ 7,198.0	$ 5,828.4	$ 6,534.1	$ 6,353.8	$ 5,049.1
Fixed charges:					
Interest expense, including interest related to lease financing activities	$ 1,375.9	$ 1,275.2	$ 1,124.1	$ 1,305.0	$ 1,298.4
Portion of rent expense representing interest	185.2	190.9	177.3	177.1	165.6
Capitalized interest	90.4	81.0	128.5	73.2	19.1
Priority distributions	–	18.8	58.5	47.1	29.9
Preferred stock vidend requirement	20.5	15.5	14.9	9.8	5.4
Fixed Charges	$ 1,672.0	$ 1,581.4	$ 1,503.3	$ 1,612.2	$ 1,518.4
Ratio of Earnings to Fixed Charges	4.31	3.69	4.35	3.94	3.33

* Restated as required by revision of Item 503(d) of Regulation S-K

ATTACHMENT IV

Bell Atlantic Communications, Inc.

Proposed Tariff

Specialized Common Carrier Service

Regulations and Rates

of

BELL ATLANTIC COMMUNICATIONS, INC.

This tariff is filed in accordance with the Rules and Regulations of the South Dakota Public Utilities Commission. All services contained in this tariff are competitive.

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service and facilities for interexchange telecommunications services provided by Bell Atlantic Communications, Inc. ("BACI") within the State of South Dakota. This tariff is on file with the Commission. Copies may be inspected during normal business hours at the Company's principal place of business at 1320 N. Courthouse Road, 9th Floor, Arlington, Virginia 22201.

CHECK SHEET

Pages of this tariff listed below are effective as of the date shown at the bottom of the respective page(s). Original and revised pages as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this page.

Page	Number of Revisions		Page	Number of Revisions	
Title	Original	*	26	Original	*
1	Original	*	27	Original	*
2	Original	*	28	Original	*
3	Original	*	29	Original	*
4	Original	*	30	Original	*
5	Original	*	31	Original	*
6	Original	*	32	Original	*
7	Original	*	33	Original	*
8	Original	*	34	Original	*
9	Original	*	35	Original	*
10	Original	*	36	Original	*
11	Original	*	37	Original	*
12	Original	*	38	Original	*
13	Original	*	39	Original	*
14	Original	*	40	Original	*
15	Original	*	41	Original	*
16	Original	*	42	Original	*
17	Original	*	43	Original	*
18	Original	*			
19	Original	*			
20	Original	*			
21	Original	*			
22	Original	*			
23	Original	*			
24	Original	*			
25	Original	*			

* - Indicates those pages included with this filing.

CONCURRING CARRIERS

None

CONNECTING CARRIERS

None

OTHER PARTICIPATING CARRIERS

None

EXPLANATION OF SYMBOLS AND ABBREVIATIONS

SYMBOLS

(C) To signify changed regulation.

(D) To signify discontinued rate or regulation.

(I) To signify an increase.

(M) To signify matter relocated without change.

(N) To signify new rate or regulation.

(R) To signify reduction.

(S) To signify reissued matter.

(T) To signify change in text but no change in rate or regulation.

(z) To signify a correction.

ABBREVIATIONS

BACI - Bell Atlantic Communications, Inc.

ISDN - Integrated Services Digital Network

LEC - Local Exchange Company

MTS - Measured Toll Service

PBX - Private Branch Exchange

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APPLICATION OF TARIFF

The regulations, rules and conditions set forth in this tariff apply to the provision of non-facilities based long distance resold intrastate telecommunications services furnished within the State of South Dakota by Bell Atlantic Communications, Inc., subject to the jurisdiction of the South Dakota Public Utilities Commission.

SECTION 1 - DEFINITIONS

The following definitions are applicable to this tariff:

Access Line - A local channel for voice, data, or video communications which connects the Customer location to a location of the Company or its underlying carrier or service provider.

Account - The Customer who has agreed, orally or in writing, to honor the terms of service established by the Company. An Account may have more than one service or telephone number and/or telephone numbers billed to the same Customer address. An Account may include multiple locations for the same Customer.

Account Code - A numerical code, assigned to the Customer, to enable the Company to complete calls as authorized by the Customer. Multiple Account Codes may be assigned to the Customer.

Aggregator - Any person or other legal entity that may be a Customer and, in the ordinary course of its operations, makes telephones available to the public or to transient users of its premises, for telephone calls using a provider of operator services.

Authorization Code - A pre-defined series of numbers to be dialed by the Customer upon access to the Company's system to identify the caller and validate the caller's authorization to use the services provided. The Customer is responsible for charges incurred through the use of his or her assigned Authorization Code. An example of an Authorization Code is a calling card account number and personal identification number.

Business Customer - For the purpose of this tariff, a Business Customer is a customer of the Company whose primary use of the Company's service is for business purposes. A Business Customer is also a Customer who accesses the Company's service using an access line that has been assigned to a business class of service by the local service provider.

Calling Card Call - A Calling Card Call is an operator assisted or automated call placed by a Customer where the call charges are billed to a local telephone company issued authorization code rather than to the originating or terminating telephone number.

SECTION 1 - DEFINITIONS, (Cont'd.)

Casual Calling - A service whereby the Customer accesses the Company's service by dialing a Company-provided access code prior to placing the call, such as 101XXXX + 1 + area code + destination number.

Collect Call - A billing arrangement by which the charges for a call may be billed to the called party, provided the called party agrees to accept the charges.

Commission - The South Dakota Public Utilities Commission.

Company - Bell Atlantic Communications, Inc. unless stated otherwise.

Consumer - A person who is not a Customer initiating any telephone calls using operator services.

Customer - Any person, firm, partnership, corporation or other entity which subscribes to or uses service under the terms and conditions of this tariff. The Customer is responsible for the payment of charges for service offered by the Company which are subscribed to or used by the Customer. The Customer is also responsible for payment of charges for a third person's use of service to which the Customer subscribes.

Equal Access - The ability of the Company to serve Customers on a presubscribed basis rather than through the use of dial access codes such as, 101XXXX.

Initial And Additional Period - The Initial Period denotes the interval of time allowed for a service at the rate specified for a connection between given service points. The Additional Period denotes the interval of time used for measuring and charging for time in excess of the Initial Period.

LATA - Local access and transport area. A geographic area established by the US District Court for the District of Columbia in Civil Action No. 82-0192.

LEC - Local Exchange Company

SECTION 1 - DEFINITIONS, (Cont'd.)

Operator Station Call - A service whereby the Customer places a non-Person to Person call with the assistance of an operator (live or automated).

Person to Person Call - A service whereby the person originating the call specifies a particular person to be reached, or a particular station, room number, department, or office to be reached.

Premises - The physical space designated by the Customer for the termination of the Company's service.

Residential Customer - For the purpose of this tariff, a Residential Customer is a Customer of the Company whose primary use of the Company's service is for personal use in a house, apartment or other residential dwelling. A Residential Customer is also a Customer who accesses the Company's service using an access line that has not been assigned a business class of service by the local service provider.

Switched Access - A method for reaching the Company through the local service provider's switched network whereby the Customer uses standard and/or ISDN local lines.

Terminal Equipment - Telecommunications devices, apparatus and associated wiring on the Premises of the Customer.

Third Party Billing - A billing arrangement by which the charges for a call may be billed to a telephone number that is different from the calling number and the called number.

Travel Card - A proprietary calling card offered by Bell Atlantic Communications, Inc. which is accessed by dialing a Company-provided access number.

SECTION 2 - TERMS AND CONDITIONS

2.1 Undertaking of BACI and Locations of Service

The Company's service is furnished to Customers for interexchange communications originating and terminating within South Dakota under the terms of this tariff. The Company's service is available twenty-four hours per day, seven days per week, except as otherwise provided in the Company's tariffs..

Travel Card services will be provided within other states, between this state and other states, and between other states only where the Company has all necessary authorizations from the Federal Communications Commission and the applicable state commission. Interstate Travel Card services will be provided under tariffs filed with the FCC. Travel Card services furnished within other states will be provided under tariffs filed with such other states or prevailing terms where tariffs are not required by applicable law.

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.2 Use of Service

2.2.1 Service may be used for any lawful purpose for which it is technically suited. Service may not be used for unlawful purposes.

2.2.2 The Customer obtains no property right or interest in the use of any specific type of facility, service, equipment, number, process, or code. All rights, title and interest to such items remain, at all times, solely with the Company or its underlying carrier or service provider, as appropriate.

2.2.3 Recording of telephone conversations transmitted over service provided by the Company under this tariff is prohibited except as authorized by applicable federal, state and local laws.

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.3 Limitations of Service

2.3.1 Service is offered subject to the availability of the necessary facilities and/or equipment, including, but not limited to, billing systems, and subject to the provisions of this tariff. The Company may decline applications for service to or from a location where the necessary facilities or equipment are not available. The Company may discontinue furnishing service in accordance with the terms of this tariff.

2.3.2 The Company reserves the right to discontinue or limit service when necessitated by conditions beyond its control (examples of these conditions are more fully set forth elsewhere in this tariff), or when service is used in violation of provisions of this tariff or the law.

2.3.3 The Company does not undertake to transmit messages, but offers the use of its service when available, and, as more fully set forth elsewhere in this tariff, shall not be liable for errors in transmission or for failure to establish connections.

2.3.4 The Company reserves the right to refuse to process Third Party Billed calls when the billed party and/or standard validation techniques do not confirm acceptance, or based on characteristics of the originating or terminating location.

2.3.5 The Company reserves the right to refuse to process Travel Card, Calling Card/credit card billed calls when authorization for use of the card cannot be validated or to prevent the unlawful use of service. The Customer may be required to provide an acceptable alternate billing method or the Company may refuse to place the call.

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.3 Limitations of Service, (cont'd.)

2.3.6 The Company reserves the right to discontinue service, limit service, or to impose requirements as required to meet changing regulatory or statutory rules and standards, or when such rules and standards have an adverse material affect on the business or economic feasibility of providing service, as determined by the Company in its reasonable judgment. In such circumstances, the Company's tariff will be revised accordingly.

2.3.7 Service is offered subject to restrictions imposed upon the Company by any authority having jurisdiction over the Company's provision of service.

2.3.8 The Company may require the Customer to sign an application for service form furnished by the Company and to establish credit as provided in this tariff, as a condition precedent to the initial establishment of service. The Company's acceptance of an application or order for service by an applicant whose credit has not been duly established may be subject to the deposit , advance payment and/or refusal of service provisions described in this tariff. The Company may also require a signed authorization from the Customer for additions to or changes in existing service for such Customer. An application for service canceled by the applicant or by the Company prior to the establishment of service is subject to the provisions of this tariff concerning cancellation charges.

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.4 Assignment or Transfer

The Customer may not transfer or assign the use of service offered by the Company without the express prior written consent of the Company. Such transfer or assignment shall only apply where there is no interruption of the use or in the location of service. All terms and conditions contained in this tariff shall apply to all such permitted transferees or assignees, as well as all conditions of service.

2.5 Limitation of Liabilities

2.5.1 The liability of the Company for damages of any nature arising from errors, mistakes, omissions, interruptions, or delays of the Company, its agents, servants, or employees, in the course of establishing, furnishing, rearranging, moving, terminating, or changing the service or facilities or equipment shall not exceed an amount equal to the charges applicable under this tariff (calculated on a proportionate basis where appropriate) for the period during which such error, mistake, omission, interruption or delay occurs.

2.5.2 In no event shall the Company be liable for any incidental, indirect, special, or consequential damages (including, but not limited to, lost revenue or profits) of any kind whatsoever regardless of the cause or foreseeability thereof.

2.5.3 When the services or facilities of other common carriers or other service providers are used separately or in conjunction with the Company's services, facilities or equipment in establishing connection to points not reached by the Company's services, facilities or equipment, the Company shall not be liable for any act or omission of such other common carriers, or other service providers, or their respective agents, servants or employees.

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.5 Limitation of Liabilities, (cont'd.)

2.5.4 The Company shall not be liable for any failure of performance hereunder if such failure is due to any cause or causes beyond the reasonable control of the Company. Such causes shall include, without limitation, acts of God, fire, explosion, vandalism, cable cut, meteorological phenomena, floods, storm or other similar occurrence, any law, order, regulation, direction, action or request of the United States government or of any other government or of any civil or military authority, national emergencies, insurrections, riots, wars, strikes, lockouts or work stoppages or other labor difficulties, supplier failures, shortages, breaches or delays, or preemption of existing service to restore service in compliance with state and federal laws.

2.5.5 The Company shall not be liable for interruptions, delays, errors, or defects in transmission, or for any injury whatsoever, caused by the Customer, or the Customer's agents, servants, employees, or customers, or by services, facilities or equipment provided by the Customer or such agents, servants, employees, or customers.

2.5.6 The Company shall not be liable for unlawful use, or use by any unauthorized person, of its service, or for any claim arising out of a breach in the privacy or security of communications transmitted by the Company. The Company is not liable for any damages, including toll usage charges, the Customer may incur as a result of the unauthorized use of its telecommunications facilities. Such unauthorized use of its telecommunications facilities includes, but is not limited to, the placement of calls through Customer-provided equipment which are transmitted or carried on the Company's network. The Customer is responsible for controlling access to, and the use of, its own telecommunications facilities.

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.5 Limitation of Liabilities, (cont'd.)

2.5.7 **WITH RESPECT TO SERVICE PROVIDED BY THE COMPANY, THE COMPANY HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESSED OR IMPLIED, NOT STATED IN THIS TARIFF, AND IN PARTICULAR DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.**

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.6 Liabilities of the Customer

The Customer shall indemnify, defend and hold harmless the Company (including the costs of litigation and reasonable attorney's fees) against:

(i) Claims for libel, slander, infringement of copyright or unauthorized use of any trademark, trade name or service mark arising out of the material, data, information, or other content transmitted over the Company's services, facilities or equipment; and

(ii) Claims for patent infringement arising from combining or connecting the Company's services, facilities or equipment with services, facilities, equipment, apparatus or systems of the Customer or the Customer's agents, servants, employees, or customers; and

(iii) All other claims (including, without limitation, claims for damage to any business or property, or injury to, or death of, any person) arising out of any act or omission of the Customer, or the Customer's agents, servants, employees, or customers, in connection with any service or facilities or equipment provided by the Company.

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.7 Taxes and Fees

2.7.1 All state and local taxes (e.g., gross receipts tax, sales tax, municipal utilities tax) are listed as a separate line item on the Customer's bill and are not included in the quoted rates and charges set forth in this tariff.

2.7.2 To the extent that a municipality, other political subdivision or agency of government, or the Commission imposes upon and collects from the Company a gross receipts tax, occupation tax, license tax, permit fee, franchise fee, or regulatory fee, such taxes and fees shall, insofar as practicable and allowed by law, be billed pro rata to Customers receiving service from the Company within the territorial limits of such municipality, other political subdivision or agency of government.

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.8 Terminal Equipment

The Company's facilities and service may be used with or terminated in Customer-provided terminal equipment or Customer-provided communications systems, such as a telephone set, PBX or key system. Such terminal equipment shall be furnished and maintained at the expense of the Customer, except as otherwise provided in this tariff or separately agreed upon by the Customer and the Company. The Customer is responsible for all costs at his or her premises, including, but not limited to, personnel, wiring, electrical power, and the like, incurred in the use of the Company's service. When such terminal equipment is used, the equipment shall comply with applicable rules and regulations of the Federal Communications Commission, including, but not limited to, Part 68. In addition, equipment must comply with generally accepted minimum protective criteria standards and engineering requirements of the telecommunications industry which are not barred by the Federal Communications Commission.

2.9 Installation

No installation of the Company's services at the Customer's premises is required to use the Company's service. Service is initiated by request of the Customer. The Company may refuse to provision service when the Company cannot verify that the party requesting the Company's service is authorized to request or to change service.

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.10 Payment for Service

2.10.1 Service is provided and billed on a monthly basis unless otherwise stated in the service description in this tariff. Bills are due and payable upon receipt. A late fee of 1.5% per month (or the maximum amount allowed by law, whichever is lower) may apply to any unpaid and past due balance. The late fee may be charged by the Company directly or by the Company's billing service provider. The late fee begins to accrue no sooner than the 25th day after the billing date. In the event that the Company incurs fees or expenses, including attorney's fees, collecting, or attempting to collect, any charges owed to the Company, the Company may charge the Customer, and the Customer will pay, all such fees and expenses reasonably incurred. Collection fees on overdue charges apply in addition to all applicable late payment charges and shall begin to accrue when the Account is assigned to an outside collection agency.

2.10.2 The Customer is responsible for payment of all charges for service furnished to or used by the Customer, or the Customer's agents, servants, employees or customers. The Customer is also responsible for payment of charges for all other third persons' use of service to which the Customer subscribes. All charges due from the Customer are payable to the Company or to the Company's authorized billing agent in immediately available U.S. dollars. Any objections to billed charges must be reported to the Company or its billing agent within six months after receipt of bill. Adjustments to the Customer's bill shall be made to the extent that circumstances exist which reasonably indicate that such changes are appropriate.

2.10.3 The security of the Customer's Authorization Codes is the responsibility of the Customer. All calls placed using such Authorization Codes shall be billed to and shall be the obligation of the Customer. The Customer is responsible for all calls placed via the Customer's Authorization Code, whether such use is as a result of the Customer's intentional or negligent disclosure of the Authorization Code or otherwise. However, the Customer shall not be responsible for charges in connection with the unauthorized use of Authorization Codes arising after the Customer notifies the Company of the loss, theft, or other breach of security of such Authorization Codes.

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.10 Payment for Service, (cont'd.)

2.10.4 The Company reserves the right to assess a charge of $20.00, or the maximum amount allowed by law (whichever is less), whenever a check or draft presented for payment of service is not accepted by the institution upon which it is written.

2.10.5 The Customer shall be responsible for payment of rates and charges for all calls placed by or through Customer's equipment by any person. In particular and without limitation of the foregoing, the Customer is responsible for payment of rates and charges for any calls placed by or through the Customer's equipment via any remote access features.

2.10.6 The Company reserves the right to examine the credit record or other available external sources of credit of an applicant or Customer. The Customer whose service has been disconnected for nonpayment of bills shall be required to pay any unpaid balance due to the Company before service is restored, and a deposit may be required.

2.10.7 The Company shall make no refund of overpayment by the Customer unless the claim for such overpayment, together with proper evidence, is submitted within two years of the date of alleged overpayment. In calculating refunds, any applicable discounts shall be adjusted based upon the actual monthly usage after all credits and adjustments have been applied.

2.10.8 Billing Disputes / Customer Complaint Procedure

South Dakota law provides for Customers to dispute a bill up to 180 days from receipt of the bill. While the charge is in dispute, the Customer shall only be required to pay the undisputed portion in full. The Company will resolve any disputes brought to its attention as promptly and effectively as possible. Customer Service Representatives can be reached via the following toll-free telephone number: 1-800-556-2355. Billing Inquires may be directed to 1-800-556-2355.

Any unresolved disputes may be directed to the attention of the South Dakota Public Utilities Commission, State Capitol Building, 500 East Capitol Avenue, Pierre, South Dakota 57501-5070. The toll free telephone number is 1-800-332-1782 and TTY through Relay South Dakota 1-800-877-1113.

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.11 Deposits

2.11.1 Each applicant for service may be required to establish credit. Any applicant whose credit has not been duly established may be required to make a deposit at the time of application to be held as a guarantee of payment of charges. In addition, an existing Customer may be required to make a deposit or increase a deposit currently held. The Company shall pay interest on deposits pursuant to applicable rules and regulations.

2.11.2 A deposit shall not exceed the estimated charges for two months service for customers with past service and average cost of service for two months or $130 whichever is less for customer with no past service, and shall be returned: 1) when an application for service has been canceled prior to the establishment of service; or 2) at the end of twelve (12) consecutive months of a satisfactory credit history; or 3) upon discontinuation of service. The Company shall apply the deposit against any outstanding balances due. If a credit balance exists after such application, the Company shall refund the balance to the Customer.

2.11.3 The fact that a security deposit has been made in no way relieves the Customer from the prompt payment of bills upon presentation.

2.12 Advance Payments

The Company reserves the right to require an advance payment from the Customer instead of, or in addition to, a security deposit. The advance payment shall be in an amount equal to, or less than, estimated installation charges plus two months' estimated billing.

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.13 Interruption of Service

2.13.1 Credit allowances for interruptions of service which are not due to the Company's testing or adjusting, to the negligence or other wrongful act or omission of the Customer, or to the failure of services, channels, equipment and/or communications systems provided by the Customer or the Customer's agents, servants, employees, or customers, are subject to the general liability provisions set forth in this tariff. It shall be the obligation of the Customer to notify the Company immediately of any interruption in service for which a credit allowance is desired by the Customer. Before giving such notice, the Customer shall ascertain that the trouble is not within his or her control, or is not in wiring or equipment, if any, furnished by the Customer. Interruptions caused by Customer-provided, or Company-provided, automatic dialing equipment are not deemed an interruption of service as defined herein since the Customer has the option of using the long distance network via dial access code.

2.13.2 For purposes of credit computation, every month shall be considered to have 30 days and every day 24 hours. For services with a monthly recurring charge, no credit shall be allowed for an interruption of continuous duration of less than two hours. For toll services billed on a per-call basis, credits will be limited to, at maximum, the price of the initial period of the individual call that was interrupted.

Credit is computed by multiplying the monthly recurring rate by the ratio that the number of hours in the period of interruption bears to 720 hours (30 days times 24 hours). The credit shall be based upon the non-usage charges for the month during which the interruption occurred, excluding equipment and access line charges.

2.13.3 An interruption is measured from the time the Customer notifies the Company of the interruption until the trouble is cleared. Each interruption is considered separately for the purposes of establishing credit allowance. Unless otherwise specified in this tariff, the credit for a billing period shall not exceed the monthly rate.

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.14 Cancellation, Suspension and Restoration of Service

Service continues to be provided until canceled by the Customer or until canceled by the Company as set forth below. The Company may render bills subsequent to the cancellation of service for charges incurred before cancellation. The Customer shall pay such bills in full in accordance with the payment terms of this tariff.

2.14.1 Cancellation by the Customer

The Customer may have service canceled upon written or verbal notice to the Company. The Customer shall pay the Company for service furnished until the cancellation date specified by the Customer or until the date that the written cancellation notice is received, whichever is later. Cancellation of service is subject to early termination liability obligations as set forth in the tariff.

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.14 Cancellation and Restoration of Service, (cont'd.)

2.14.2 Refusal, Suspension or Cancellation of Service Without Prior Notice

A. Service may be suspended by the Company, without prior notice to the Customer, by blocking traffic and all services to certain cities, countries, NPA-NXX exchanges, or individual telephone numbers, or by blocking calls using certain Customer Travel Cards, when the Company deems it necessary to take such action to prevent unlawful or fraudulent use of its service. The Company will restore services as soon as it can be provided without undue risk, and will upon request by the Customer, assign new Travel Card numbers and authorization codes to replace ones that have been deactivated.

B. For violation of law or this tariff: Except as provided elsewhere in this tariff, the Customer shall be subject to refusal, suspension or cancellation of service, without prior notice, for any violation of terms of this tariff, for any actual or apparent violation of any law, rule, regulation, order, decree or policy of any government authority of competent jurisdiction, or by reason of any order or decision of a court or other government authority having jurisdiction which prohibits the Company from furnishing such service or prohibits Customer from subscribing to, using, or paying for such service.

C. For the Company to comply with any order or request of any governmental authority having jurisdiction: The Customer shall be subject to refusal, suspension or cancellation of service, without prior notice, in order to permit the Company to comply with any order or request of any governmental authority having jurisdiction.

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.14 Cancellation and Restoration of Service, (cont'd.)

2.14.2 Refusal, Suspension or Cancellation by the Company Without Prior Notice, (cont'd.)

D. For unauthorized or unlawful use of Travel Card numbers and Authorization Codes: Travel Card Numbers and Authorization Codes are issued by the Company only to the Customer and may not be sold or otherwise distributed without the written consent of the Company. Any unauthorized or unlawful use of such numbers or Authorization Codes shall result in the immediate refusal, suspension or cancellation of service without prior notice.

E. The Company may refuse, suspend, or cancel service immediately and without prior notice in the event of excessive network usage which is determined to be fraudulent or beyond the Customer's demonstrated ability to pay.

F. Without prior notice in the event of Customer or Customer's authorized user use of equipment in such a manner as to adversely affect the Company's facilities and/or equipment or service to others.

G. Without prior notice in the event of tampering with the facilities and/or equipment or services owned by the Company or its suppliers and used to provide service under this tariff.

H. Without prior notice in the event of unauthorized or fraudulent use of service. Whenever service is discontinued for fraudulent use of service, the Company may, before restoring service, require the Customer to make, at his or her own expense, all changes in facilities or equipment necessary to eliminate illegal use and to pay an amount reasonably estimated as the loss in revenues resulting from such fraudulent use.

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.14 Cancellation and Restoration of Service, (cont'd.)

2.14.3 Refusal, Suspension, or Cancellation of Service with Notice

The Company may refuse, suspend or cancel service under the following conditions provided that, unless otherwise stated in this tariff, existing Customers shall be given 15 days written notice to comply with any rule or remedy any deficiency.

A. The Company reserves the right to refuse, suspend, or cancel service for applicants or Customers who cannot show reasonable credit-worthiness or cannot satisfy deposit requirements set forth in this tariff.

B. For nonpayment: The Company, by written notice to the Customer and in accordance with applicable law, may refuse, suspend or cancel service without incurring any liability when there is an unpaid balance for service that is more than 30 days overdue.

C. For returned checks: The Customer whose check or draft is returned unpaid for any reason, after two attempts at collection, shall be subject to refusal, suspension or cancellation of service in the same manner as provided for nonpayment of overdue charges.

D. For lack of use: The Company, by written notice to the Customer, may refuse, suspend or cancel service in the same manner as provided for nonpayment of overdue charges if after three full billing cycles the service has not been used.

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.14 Cancellation and Restoration of Service, (cont'd.)

2.14.3 Refusal, Suspension, or Cancellation of Service with Notice, (cont'd.)

E. For use of service for any purpose other than that described in this tariff for the application for service.

F. For neglect or refusal to provide reasonable access to the Company or its agents, employees, or contractors for the purpose of inspection and maintenance of facilities and/or equipment owned by the Company or its suppliers and used to provide service under this tariff.

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.14 Cancellation and Restoration of Service, (cont'd.)

2.14.4 Restoration of Service

If service has been refused, suspended, or canceled for nonpayment or as otherwise provided herein and the Customer wishes it continued, service shall, at the Company's discretion, be restored when all past due amounts are paid or the event giving rise to the refusal, suspension, or cancellation (if other than nonpayment) is corrected.

2.14.5 Use and Restoration in Emergencies

The use and restoration of service in emergencies shall in all cases be subject to the priority system specified in Part 64, Subpart D, of Chapter 47 of the Code of Federal Regulations.

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.15 Application for Service

The Company reserves the right to require Customers to make application(s) for service in writing using forms provided by the Company. Upon acceptance of an application for service by the Company, all applicable provisions in the Company's tariffs, as amended from time-to-time which are lawfully on file, become the agreement for service between the Company and the Customer. Requests for additional service and changes to service, upon acceptance by the Company, become a part of the agreement for service, provided that each item of additional service shall be subject to the applicable minimum term of service. Acceptance or use of service offered by the Company shall be deemed an application for such service and an agreement by the Customer to subscribe to, use, and pay for such service in accordance with the applicable tariffs of the Company, as amended from time to time, which are lawfully on file. Any change in rates or other tariff provisions which are lawfully made and for which required notice has been given shall be deemed to modify all agreements for service affected by such changes without further notice by Company to the Customer. Customer provision of false information, or a failure by the Customer to provide material information, in an application for service (either written or verbal) shall be deemed an attempt to avoid payment or to otherwise defraud the Company. In such circumstances, the Company may, at its option and with proper notice, revoke the application and refuse, cancel or suspend any service provided to the Customer without further liability or obligation to the Customer.

2.16 Interconnection

2.16.1 Service furnished by the Company may be interconnected with services or facilities of other authorized communications common carriers and with private systems, subject to technical limitations established by the Company. Service furnished by the Company is not part of a joint undertaking with such other common carriers or systems. The Company does not undertake to provide any special facilities, equipment, or services to enable the Customer to interconnect the facilities or the equipment of the Company with services or facilities of other common carriers or with private systems. Customer is responsible for all charges billed by other carriers in connection with the use of service. Any special equipment or facilities necessary to achieve compatibility between carriers are the sole responsibility of the Customer.

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.16 Interconnection, (cont'd.)

2.16.2 Interconnection with the services or facilities of other common carriers shall be under the applicable terms and conditions of this tariff and the other common carrier's tariffs.

2.16.3 The Customer shall ensure that the facilities or equipment provided by the Customer are properly interconnected with the services, facilities and equipment of the Company and its suppliers. If the Customer maintains or operates the interconnected services, facilities or equipment in a manner which results or may result in harm to the Company's facilities, equipment, personnel, or the quality of service, the Company may, upon written notice, require the use of protective equipment at the Customer's expense. If this written notice fails to eliminate the actual or potential harm, the Company may, upon written notice, terminate the existing service of the Customer.

2.17 Inspection, Testing and Adjustment

Upon reasonable notice, the facilities provided by the Company and its suppliers shall be made available to the Company for such inspection, tests and adjustments as may be deemed necessary for maintenance in a condition satisfactory to the Company. No interruption allowance will be granted for the time during which such tests and adjustments are made.

2.18 Local Charges and Wireless Air Time Charges

In certain instances, the Customer may be subject to charges by local exchange companies, including, but not limited to, message unit charges or to wireless air time charges to access the Company's network or to terminate calls. The Company shall not be responsible for any such charges incurred by the Customer in gaining access to the Company's network.

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.19 Other Rules

2.19.1 The Company reserves the right to discontinue service, limit service, or to impose requirements on Customers as required to meet changing regulations, rules or standards of the Commission.

SECTION 3 - DESCRIPTION OF SERVICE AND RATES

3.1 General

Presubscribed service is offered from locations served with equal access end offices.

The Company's service is available twenty-four hours per day, seven days a week except as otherwise provided in the Company's tariffs.

SECTION 3 - DESCRIPTION OF SERVICE AND RATES, (Cont'd.)

3.2 Calculation of Distance

Usage charges for all mileage sensitive services are based on the airline distance between the rate center locations associated with the originating and terminating points of the call.

The distance between the originating and terminating points is calculated by using the "V" and "H" coordinates of the applicable rate centers as defined by BellCore (Bell Communications Research) and on file with the FCC in AT&T Tariff FCC No. 10, in the following manner:

Step 1 - Obtain the "V" and "H" coordinates for the rate center of the originating and the destination points.

Step 2 - Obtain the difference between the "V" coordinates of each of the rate centers. Obtain the difference between the "H" coordinates.

Step 3 - Square the differences obtained in Step 2.

Step 4 - Add the squares of the "V" difference and "H" difference obtained in Step 3.

Step 5 - Divide the sum of the square obtained in Step 4 by ten (10). Round to the next higher whole number if any fraction results from the division.

Step 6 - Obtain the square root of the whole number obtained in Step 5. Round to the next higher whole number if any fraction is obtained. This is the distance between the originating and terminating rate centers of the call.

Formula: $$\sqrt{\frac{(v_1 - v_1)^2 + (h_1 - h_2)^2}{10}}$$

SECTION 3 - DESCRIPTION OF SERVICE AND RATES, (Cont'd.)

3.3 Timing of Calls

Billing for calls placed over the network is based in part on the duration of the call.

3.3.1 Timing for all calls begins when the called party answers the call (i.e. when two way communications are established). Answer detection is based on standard industry answer detection methods, including hardware and software answer detection.

3.3.2 Chargeable time for all calls ends when the calling party disconnects from the call.

3.3.3 Minimum call duration for billing purposes is one minute unless otherwise specified in the individual rate schedules of this tariff..

3.3.4 Calls are measured and billed in one minute increments on a per call basis, unless otherwise indicated in this tariff. Any partial minute is rounded up to a full minute. Fractional billing increments are round to the full billing increment as stated in the product description.

3.3.5 No charges apply to incomplete calls. An incomplete call is a station call in which the called station does not answer, or a person to person call in which the station does not answer or the requested person is unavailable, or a collect call for which the called party refuses to accept the charges.

3.3.6 Usage charges are computed on a per call basis. When computation of call charges result in fractional cents, the resulting charge is rounded to the nearest penny.

SECTION 3 - DESCRIPTION OF SERVICE AND RATES, (Cont'd.)

3.4 Time-Of-Day Rate Periods

Unless otherwise specified in the product description in this tariff, the following time-of-day and day-of-week rate periods are applicable to all calls.

DAY RATE PERIOD	8:00 AM to 5:00* PM Monday through Friday
EVENING RATE PERIOD	5:00 PM to 11:00* PM Sunday through Friday
NIGHT/WEEKEND RATE PERIOD	11:00 PM to 8:00* AM Sunday through Friday, all day Saturday and Sunday until 5:00* PM

* to, but not including

Calls are billed based on the rate in effect for the actual time-of-day rate period(s) during which the call occurs. Calls that cross rate period boundaries are billed the rate in effect in that boundary for each portion of the call.

Other Rate Periods

Peak:	Daytime Rate Period, per above.
Off Peak:	All other days and hours which are not included in Daytime Rate Period above.
Flat:	Twenty-four hours per day, seven days a week.

SECTION 3 - DESCRIPTION OF SERVICE AND RATES, (Cont'd.)

3.5 Plan 1

3.5.1 General Description

Plan 1 Service is offered to Residential Subscribers for outbound direct dialed calling. Plan 1 Service utilizes Customer-provided switched access lines that are presubscribed to the Company.

Calls are billed in one (1) minute increments after an initial minimum call duration of one (1) minute. Any partial minute is rounded up to a full minute. There is no minimum monthly billing.

3.5.2 Usage Rate Per Minute

The Customer is charged for actual usage for each call.

Intrastate Usage Sensitive Charges:

Rate Per Minute (Peak):	$0.2800
Rate Per Minute (Off-Peak):	$0.1800

SECTION 3 - DESCRIPTION OF SERVICE AND RATES, (Cont'd.)

3.5 Plan 1 Service, (cont'd.)

3.5.3 Travel Card Service

Optional Travel Card Service is available to Plan 1 Subscribers for originating telephone calls while away from home. Service is accessed by dialing the Company-designated toll free access number, followed by 0 + the destination number, the Travel Card number, and the personal identification (PIN) number. Calls are billed in one (1) minute increments. The minimum call duration for billing purposes is one (1) minute. Partial minutes are rounded up to the next minute.

Usage Charge Per Minute: $0.5000

When operator assistance is provided by the Company operator to complete the call, a per call service charge applies as specified in Section 4.4.6 of this tariff. Service charges do not apply when the caller is placing the call from a rotary dial telephone and must use the operator to input the required digits.

SECTION 4 - MISCELLANEOUS SERVICES

4.1 Directory Assistance

Directory Assistance is available to the Customer using the Company's communications services. The Directory Assistance charge applies to each call regardless of whether the Directory Assistance bureau is able to furnish the requested telephone number. All applicable service charges and surcharges apply in addition to the Directory Assistance charge specified below.

4.1.1 Directory Assistance Rates

Per Call	$0.95

Issued By: Dorothy L. Jones, Acting Director - Regulatory
Bell Atlantic Communications, Inc.
1320 N. Courthouse Road, 9th Floor
Arlington, Virginia 22201

SECTION 4 - MISCELLANEOUS SERVICES, (Cont'd.)

4.2 Operator Services

Operator Services allow Customers and Consumers to place calls using operator assistance for call completion or billing.

Usage charges and an appropriate service charge will be assessed on a per call basis, as stated in this tariff. For calls made using a Travel and/or Calling Card, acceptance of the card will be dependent upon the Company's ability to verify the card as valid. Only those cards accepted by the Company may be used to bill the Company's services. The Company reserves the right to verify acceptance of charge prior to billing charges to a third party number.

4.2.1 Operator Services may be used by a Customer and by an Aggregator and their respective Consumers (i.e., patrons, guests, invitees or employees) to complete Operator Station, Person-to-Person, Collect, Third-Party, Calling Card, and/or Travel Card calls.

4.2.2 Charges for Operator Assisted Calls include two components: a usage-sensitive component and a fixed per-call service charge based upon the type of operator service provided. A third component, the Operator Assisted 0- Surcharge, applies to calls for which the Customer or Consumer has the capability of dialing the destination number but elects to have the Company operator dial the number instead.

4.2.3 The usage-sensitive portion of the charge for an Operator Assisted Call is set forth in Section 4.2.7 below.

4.2.4 The fixed per-call service charge portions of the charge for an Operator Assisted Call is set forth in Section 4.2.6 below.

SECTION 4 - MISCELLANEOUS SERVICES, (Cont'd.)

4.2 Operator Services, (cont'd.)

4.2.5 Service may be suspended by the Company, without notice to the Customer or the Aggregator, by blocking traffic to certain countries, cities, or NPA-NXX exchanges, or individual telephone number, or by blocking calls using certain Customer Authorization Codes, Travel Cards, Calling Cards or credit cards, when the Company deems it necessary to take such action to prevent unlawful or fraudulent use of service. The Company shall restore service as soon as it can be provided without undue risk, and shall, upon request by the Customer affected, assign a new Authorization Code to replace the one that has been deactivated. The Company reserves the right to validate the credit worthiness of Customers through available credit card, Travel Card, Calling Card, called number, Third Party telephone number and room number verification procedures. Where a requested billing method cannot be validated, the Customer or Consumer may be required to provide an acceptable alternate billing method or the Company may refuse to place the call.

SECTION 4 - MISCELLANEOUS SERVICES, (Cont'd.)

4.2 Operator Services, (cont'd.)

4.2.6 Per-Call Service Charges

Customer Dialed Calling Card Station	
Customer Dialed/Automated	$1.20
Customer Dialed and Operator Assisted	$1.20
Operator Station	
Collect	$2.45
Third Party Billed	$2.45
Other	$2.45
Person to Person	$4.90
Operator Dialed Calling Card	$2.25
Travel Card, Operator Assisted	$2.25
Operator Dialed Surcharge, per call	$1.15

SECTION 4 - MISCELLANEOUS SERVICES, (Cont'd.)

4.2 Operator Services, (cont'd.)

4.2.7 Per Minute Usage Charges

Mileage	Day		Evening		Night/Weekend	
	Initial Minute	Each Add'l Minute	Initial Minute	Each Add'l Minute	Initial Minute	Each Add'l Minute
1 - 10	.4700	.4700	.4700	.4700	.4700	.4700
11 - 16	.4700	.4700	.4700	.4700	.4700	.4700
17 - 22	.4700	.4700	.4700	.4700	.4700	.4700
23 - 40	.4700	.4700	.4700	.4700	.4700	.4700
41 - 55	.4700	.4700	.4700	.4700	.4700	.4700
56 - 124	.4700	.4700	.4700	.4700	.4700	.4700
125 - 292	.4700	.4700	.4700	.4700	.4700	.4700
293+	.4700	.4700	.4700	.4700	.4700	.4700

SECTION 4 - MISCELLANEOUS SERVICES, (Cont'd.)

4.3 Busy Line Verification and Interrupt

Busy Line Verification and Interrupt services are offered in areas where the service may be obtained from the local exchange carrier.

With Busy Line Verification (BLV), the BACI operator will contact the LEC operator to determine if the called number or line is in use. Only one BLV will be made per telephone call and an associated service charge will apply whether or not conversation was detected on the line. The operator will not complete the call for the Customer initiating the verification request. The following service charge will apply per BLV request.

Busy Line Interrupt (BLI) allows the BACI operator to contact a LEC operator to interrupt a telephone conversation in progress, upon the caller's request and after a Busy Line Verification occurs. Upon the caller's request, the BACI operator will contact the LEC operator, who will interrupt the busy line and inform the called party that there is a call waiting from the caller. The LEC operator will not complete the call, but will only inform the called party of the request. If the call is released the BACI operator will offer to complete the call for the Customer initiating the interrupt request. The following service charge will apply per BLI request. Applicable per minute charges will apply to the completed call. Only one BLI attempt will be made per telephone call and a charge will apply whether or not the called party releases the line.

Busy Line Verification, per request	$6.50
Busy Line Interrupt, per request	$13.00

When a call is subject to more than one of the service charges listed above, only the highest service charge applies.

ATTACHMENT V

Bell Atlantic Communications, Inc.

Sales & Marketing Material

There are no sales and marketing materials currently available.

ATTACHMENT VI

Bell Atlantic Communications, Inc.

Cost Support Data

This information is being filed as proprietary and confidential.

CONFIDENTIAL 1

BELL ATLANTIC COMMUNICATIONS, INC.

ATTACHMENT VI

PROFILES OF KEY PERSONNEL

BELL ATLANTIC COMMUNICATIONS, INC.

PROFILES OF KEY PERSONNEL

Bell Atlantic Communications, Inc. possesses the managerial and technical expertise to provide resold interexchange telecommunications services. The Company's management team consists of professionals with backgrounds in finance, telecommunications and marketing. Included in Bell Atlantic Communications, Inc. managerial team are the following individuals:

MAURA C. BREEN, President and CEO

Maura C. Breen is president and chief executive officer of Bell Atlantic Communications, Inc. She is responsible for leading the business unit that will market and sell Bell Atlantic's long distance services to consumers as regulatory approvals are received. She has over 20 years experience in managing telecommunications businesses with Bell Atlantic and NYNEX Corporation.

Prior to her current position, Breen served as Vice President, Operations, Consumer Sales and Service for Bell Atlantic's local telephone companies in the mid-Atlantic and Northeastern United States. In that role, she directed and led the execution of competitive marketing and customer care strategies.

Previously, Breen held several positions with increasing responsibility with NYNEX Corporation and its affiliates before consummation of the NYNEX/Bell Atlantic merger, including Vice President of Consumer Sales and Service, North and Vice President of Channel Management.

A graduate of Skidmore College in Saratoga Springs, New York, Breen also attended executive development programs at Rutgers University and Harvard University. She is currently a David Rockefeller Fellow.

MANAGEMENT HISTORY AND
PROFILES OF KEY PERSONNEL, (cont'd)

JILL WAGNER, Vice President – Marketing

Jill Wagner is vice president of marketing for Bell Atlantic Communications, Inc. She is responsible for the launch of long distance service and oversees the marketing effort for the company's consumer long distance products including the development of calling plans.

Wagner is a 22-year veteran of the telecommunications and high technology industries and led Southern New England Telephone (SNET) into a new competitive era. She joined Bell Atlantic Communications on July 26, 1999. Wagner began her career in AT&T's management development program in 1977. She joined MCI Communications in 1983 and managed the corporate development team responsible for strategic and new product planning. In 1985, Wagner moved to IBM, where she managed marketing and sales for various products, networking systems and applications software divisions. Prior to joining SNET in 1993, Wagner was a partner with Yankelovich Partners.

Wagner holds a Master's degree in policy analysis from Harvard University and a Bachelor of Science degree in industrial administration from Iowa State University.

MANAGEMENT HISTORY AND
PROFILES OF KEY PERSONNEL, (cont'd)

DONALD J. CARR, Vice President, Sales and Customer Service

Donald J. Carr joined Bell Atlantic Communications, Inc. in 1996 bringing 27 years of sales, organizational development, operations, and management experience from various Bell Atlantic leadership positions in Large Business, Marketing, External Affairs, and C&P Telephone of Maryland. Before his position at Bell Atlantic Communications, Mr. Carr was Vice President of Sales for Bell Atlantic Public and Operator Services.

At Bell Atlantic Communications, Mr. Carr is responsible for leadership of all channel activity relative to the acquisition and service of long distance customers. Responsibilities include the planning, selection, and implementation of sales channels and the attainment of acquisition goals. These channels include internal and external channels, inbound and outbound telemarketing, as well as alternate channels. Mr. Carr's other responsibilities include New Business Development and Out of Region Operations.

Mr. Carr holds a MBA in Marketing from Loyola College and a BS in Business Administration from Elizabethtown College.

DOROTHY L. JONES, Acting Director - Regulatory

Dorothy Jones brings to Bell Atlantic Communications, Inc. 25 years of telecommunications experience. Before joining BACI, Ms. Jones was Lead Product Manager for IntraLATA Consumer Toll Services for Bell Atlantic Network Services, Inc. In that position, her responsibilities included pricing, regulatory support and marketing coordination of toll services of Bell Atlantic. Ms. Jones' previous experience includes a variety of regulatory and product management positions in Billing & Collection, Switched Access and Special Access. She also held numerous positions in both line and staff capacities in Operator Services. Ms. Jones received a Business Administration degree from Howard Community College.

GILBERT A. SMITH, Chief Financial Officer

Gilbert Smith joined Bell Atlantic in 1994, where he worked in planning, program administration and international finance. Most recently, he was responsible for controlling Bell Atlantic's foreign wireline investments, including the accounting functions, finance operations, treasury and tax administration, compliance, auditing, investor relations, business practices, contract and project accounting, and general administration. Prior to joining Bell Atlantic, Mr. Smith spent several years with Arthur Andersen & Co. as an audit manager. He is a graduate of Howard University-Washington, DC and has an MBA from George Washington University.

TECHNOLOGIES MANAGEMENT, INC.
P.O. BOX 200
WINTER PARK, FL 32790-0200
(407) 740-8575

BANK OF AMERICA
WINTER PARK, FL 32789
63-27/631

24799

11/26/1999

PAY TO THE ORDER OF South Dakota Public Service Comm. $ **250.00

Two Hundred Fifty and 00/100** DOLLARS

Security features included. Details on back.

South Dakota Public Service Comm.
State Capitol
Pierre, SD 57501-5070

TECHNOLOGIES MANAGEMENT, INC.

MEMO Filing fee for Bell Atlantic

C.M. Wright

⑈024799⑈ ⑆063100277⑆ 28300⑈66505⑈

TECHNOLOGIES MANAGEMENT, INC. 24799

South Dakota Public Service Comm. 11/26/1999

11/26/1999	Bill #Bell Atlant	250.00

TC99-110

Cash operating	Filing fee for Bell Atlantic	250.00

South Dakota Public Utilities Commission

WEEKLY FILINGS

For the Period of November 25, 1999 through December 1, 1999

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five business days of this filing.
Phone: 605-773-3705 Fax: 605-773-3809

CONSUMER COMPLAINTS

CT99-064 In the Matter of the Complaint filed by Janice Catron, Mitchell, South Dakota, against Qwest Communications, Inc. Regarding Unauthorized Switching of Services.

The Complainant indicates that her long distance service was switched without her authorization. For relief, the Complainant requests all charges be removed and $1000 damages.

Staff Analyst: Leni Healy
Staff Attorney: Karen Cremer
Dated Filed: 11/23/99
Intervention Deadline: NA

CT99-065 In the Matter of the Complaint filed by Frank and Dorothy Vavra, Gregory, South Dakota, against Qwest Communications, Inc. Regarding Unauthorized Switching of Services.

The Complainants allege that their long distance service was switched to Qwest without authorization. The Complainants are requesting that all charges and the $5 switching fee be removed, that Qwest pay all associated fees for pursuing the complaint and that the Commission impose appropriate fines and penalties.

Staff Analyst: Leni Healy
Staff Attorney: Karen Cremer
Date Filed: 11/23/99
Intervention Date: NA

CT99-066 In the Matter of the Complaint filed by Frank E. Daly, Aberdeen, South Dakota, against OLS, Inc. Regarding Switching Telecommunications Services Through Deceptive Tactics.

The Complainant claims that he was contacted by OLS to maintain one billing for telecommunication services. The Complainant further claims that the OLS representative was questioned if the process would change his current long distance service. The Complainant claims the OLS representative promised that his service would not change. The Complainant's service was switched to OLS. The Complainant requests that South Dakota Law be implemented and that OLS should be banned from operating in this state.

Staff Analyst: Leni Healy
Staff Attorney: Karen Cremer
Date Filed: 12/01/99
Intervention Deadline: NA

TELECOMMUNICATIONS

TC99-110 In the Matter of the Application of Bell Atlantic Communications, Inc. for a Certificate of Authority to Provide Telecommunications Services in South Dakota.

On November 29, 1999, the Commission received a request from Bell Atlantic Communications, Inc. (Bell Atlantic) for a Certificate of Authority to provide intrastate interexchange telecommunications services in South Dakota. Bell Atlantic intends to provide travel cards, operator services, and outbound intrastate toll service on a presubscribed basis to customers.

Staff Analyst: Heather Forney
Staff Attorney: Camron Hoseck
Date Filed: 11/29/99
Intervention Date: 12/17/99

TC99-111 In the Matter of the Application of MVX.COM Communications, Inc. for a Certificate of Authority to Provide Local Exchange Services in South Dakota.

On December 1, 1999, the Commission received a request from MVX.COM for a certificate of authority to provide local exchange service within the State of South Dakota. It intends to provide service through resale only.

Staff Analyst: Heather Forney
Staff Attorney: Karen Cremer
Date Filed: 12/01/99
Intervention Date: 12/17/99

TECHNOLOGIES MANAGEMENT INC

210 N. Park Ave.
Winter Park, FL
32789

P.O. Drawer 200
Winter Park, FL
32790-0200

Tel: 407-740-8575
Fax: 407-740-0613
tmi@tminc.com

RECEIVED

JAN 14 2000

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

January 13, 2000
Via Overnight Delivery

Mr. William Bullard, Jr.
Executive Director
South Dakota Public Utilities Commission
500 East Capitol
Pierre, South Dakota 57501

Re: TC99-110; Registration of Bell Atlantic Communications, Inc. for Authority to Provide Intrastate Telecommunications Services within the State of South Dakota - **Data Request Responses**

Dear Mr. Bullard:

Enclosed for filing are the original and ten (10) copies of responses of Bell Atlantic Communications, Inc. to the Data Requests issued on January 3, 2000 by Utility Analyst Heather K. Forney.

Please return, date-stamped, the extra copy of this cover letter in the enclosed self-addressed stamped envelope provided for this purpose.

Any questions you may have regarding the above filing should be directed to me at (407) 740-8575.

Sincerely,

C.M. Wightman

Connie Wightman
Consultant to
Bell Atlantic Communications, Inc.

cc: John Broten, BACI
Calvin Whetstone, BACI
Heather Forney
file: BACI - SD
tms: sdo9900a

Before the South Dakota

Public Utilities Commission

In the Matter of the Application of Bell A.lantic Communications, Inc. for a Certificate of Authority to Provide Telecommunications Services in South Dakota	)))))	TC99-110

Data Request Responses of Bell Atlantic Communications, Inc.

1. SDCL 49:31:03 states, "A telecommunications company has the burden to prove in its application that it has sufficient technical, financial and managerial capabilities to offer the telecommunications services described in its application before the commission may grant a certificate of authority." ARSD 20:10:24:02(8) states that the applicant shall submit a current balance sheet, income statement, and cash flow statement. The financial statements that were provided as part of the application were for Bell Atlantic Corporation, an affiliate of BACI. Please submit financial statements for the Applicant itself. If BACI is unable to provide this information, I would suggest that the applicant provide a written request for a waiver of the specific rule subsection including an explanation and justification for the request. Without the required financial information, Commission staff is unable to determine the " financial capability" of the applicant. I staff is unable to determine BACI's financial capability, we would request that the applicant post a $25,000 bond naming the South Dakota Public Utilities Commission and South Dakota Consumers as beneficiaries. If the applicant agrees to this option, bond requirement language would be placed in the Commission Order granting authority. The applicant is free to apply to the Commission for removal of the bond requirement once financial capability improves or is made known.

   Response: See Attachment 1. The Applicant is wiling to post a bond if deemed necessary by the Commission.

2. Please provide the federal tax identification number of the Applicant in accordance with ARSD 20:10:24:02(13).

   Response: 54-1762657

3. The number and nature of complaints filed against the applicant with any state or federal regulatory commission regarding the unauthorized switching of a customer's telecommunications provider and the act of charging customers for services that have not been ordered has not been provided as required by ARSD 20:10:24:02(14).

   Response: BACI has had no formal complaints for unauthorized switching or charging for services not ordered.

4. BACI's tariff attemps to limit the liability of the company. Under South Dakota law found at 49-13-1 and 49-13-1.1, a person has the right to claim damages from a telecommunciations company by coming before the Commission or a court of competent jurisdiction. Please remove sections 2.5.1, 2.5.2 and 2.6 (iii) from the tariff. If you have any questions or concerns regarding this issues, please contact Camron Hoseck, staff attorney.

Response: See Attachment 2. Pursuant to the telephone conversation between Steve Bozzo of BACI and Camron Hoseck, 2.6(iii) has not be removed as it pertains only to customer indemnity and does not need to be removed. BACI agrees to withdraw Sections 2.5.1 and 2.5.2 of its tariff at this time. This action is without prejudice to BACI's view that Sections 49-13-1 and 49-13.1.1 do not bar reasonable tariff liability limitation.

Attachment 1

Financial Statements

LDLOBBU   BCIX BA COMMUNICATIONS, INC   RUN: January 08,2000 at 13:52
T: ests_dept
SUMER Total Consumer

BELL ATLANTIC LONG DISTANCE

INCOME STATEMENT AS OF DECEMBER 1999

	[redacted]				[redacted]				
	ACTUAL	CV	DIFF.	% DIFF.	ACTUAL	CV	DIFF.	% DIFF.	[redacted]
SALES									
Revenues	168,402	175,000	(6,598)	-3.8%	1,570,222	3,220,000	(1,649,778)	-51.2%	3,220,000
Cost of Goods Sold	43,190	-	(43,190)	N/A	606,735	560,000	(46,735)	-8.3%	560,000
Gross Margin	125,211	175,000	(49,789)	-28.5%	963,487	2,660,000	(1,696,513)	-63.8%	2,660,000
OPERATIONS									
Billing	41,967	506,012	464,045	91.7%	258,490	1,046,582	788,092	75.3%	1,046,582
Collections	93,774	17,030	(76,744)	-450.6%	130,609	240,349	109,740	45.7%	240,349
Customer Care	6,365,029	4,118,405	(2,246,[illegible]24)	-54.6%	7,597,132	6,716,282	(880,850)	-13.1%	6,716,282
Fraud Management	-	-	-	N/A	40,815	-	(40,815)	N/A	-
Provisioning	(665,803)	21,500	687,303	3196.8%	1,096,221	1,696,968	600,747	35.4%	1,696,968
Back Office	728,950	950,000	221,050	23.3%	728,950	2,850,000	2,121,050	74.4%	2,850,000
Uncollectibles	7,670	-	(7,670)	N/A	116,447	112,000	(4,447)	-4.0%	112,000
Operating Expenses	6,571,587	5,610,947	(960,640)	-17.1%	9,968,663	12,662,181	2,693,518	21.3%	12,662,181
MARKETING ADMINISTRATION									
Acquisition Costs	6,462,570	4,814,513	(1,648,057)	-34.2%	6,802,801	7,829,026	1,026,225	13.6%	7,829,026
Advertising & Fulfillment	1,251,896	1,276,687	24,791	1.9%	1,246,386	2,554,375	1,307,989	51.2%	2,554,375
Marketing Programs	984,518	3,681,409	2,696,891	73.3%	1,236,611	6,704,818	5,468,207	81.6%	6,704,818
Commissions	7,762	-	(7,762)	N/A	21,153	-	(21,153)	N/A	-
Marketing Expenses	8,706,746	9,772,609	1,065,863	10.9%	9,106,952	16,888,219	7,781,267	46.1%	16,888,219
GENERAL & ADMINISTRATIVE									
Salaries & Incentives	1,569,767	965,778	(603,989)	-62.5%	9,851,315	9,489,720	(361,595)	-3.8%	9,489,720
Benefits	138,963	125,976	(12,986)	-10.3%	1,540,643	1,563,544	22,901	1.5%	1,563,544
Payroll Taxes	63,751	70,843	7,092	10.0%	727,517	723,860	(3,657)	-0.5%	723,860
Employee Expenses	221,247	95,748	(125,499)	-131.1%	895,038	1,429,124	534,086	37.4%	1,429,124
EDP Expenses	324,043	30,888	(293,155)	-949.1%	782,781	338,266	(444,515)	-131.4%	338,266
Office Expense	1,333,304	128,287	(1,207,017)	-965.8%	2,748,456	958,125	(1,790,331)	-186.9%	958,125
Professional Services	1,942,054	719,575	(1,222,479)	-169.9%	4,679,515	4,468,395	(211,120)	-4.7%	4,468,395
Administrative Services	75,006	38,700	(36,306)	-93.8%	254,589	230,200	(24,389)	-10.6%	230,200
NSI Allocation	9,018,430	473,500	(8,544,930)	-1804.6%	15,374,928	7,784,406	(7,590,522)	-97.5%	7,784,406
Miscellaneous	(40,476)	93,675	134,151	143.2%	164,536	2,492,727	2,328,191	93.4%	2,492,727
Depreciation/Amortization	93,312	75,000	(18,312)	-24.4%	786,685	1,200,000	413,315	34.4%	1,200,000
Software Development	5,257,803	8,140,566	2,882,763	35.4%	56,132,597	63,508,916	7,376,319	11.6%	63,508,916
G&A Expenses	19,997,205	10,956,538	(9,040,667)	-82.5%	93,938,610	94,187,283	248,673	0.3%	94,187,283
Operating Profit	(35,150,327)	(26,165,094)	8,985,233	-34.3%	(112,050,738)	(121,077,683)	(9,026,945)	7.5%	(121,077,683)
OTHER INCOME/(EXPENSE)									
Interest Income/(Expense)	(869,968)	(1,074,720)	(204,752)	19.1%	(6,988,297)	(7,743,540)	(755,243)	9.8%	(7,743,540)
Taxes Other Than Income	(3,534)	(23,400)	(19,866)	84.9%	(42,019)	(335,400)	(293,381)	87.5%	(335,400)
Other Miscellaneous	-	-	-	N/A	52,000	-	(52,000)	N/A	-
Other Gains/(Losses)	-	-	-	N/A	(2,733)	-	2,733	N/A	-
Total Other Inc./(Exp.)	(873,503)	(1,098,120)	(224,617)	20.5%	(6,981,050)	(8,078,940)	(1,097,890)	13.6%	(8,078,940)
TAXES									
State Income Tax	-	-	-	N/A	1,650	-	(1,650)	N/A	-
Federal Income Tax	(12,606,806)	(9,542,399)	3,064,407	-32.1%	(41,668,337)	(45,062,374)	(3,394,037)	7.5%	(45,062,374)
Other Income Taxes	-	-	-	N/A	-	-	-	N/A	-
Total Income Taxes	(12,606,806)	(9,542,399)	3,064,407	-32.1%	(41,669,987)	(45,062,374)	(3,396,687)	7.5%	(45,062,374)
NET INCOME	(23,417,023)	(17,720,815)	(5,696,208)	32.1%	(77,366,101)	(84,094,249)	6,728,148	-8.0%	(84,094,249)

LDLOBBU
T: costs_dept
CONSUMER Total Consumer

BCIX BA COMMUNICATIONS, INC

RUN: January 08,2000 at 13:52

BELL ATLANTIC LONG DISTANCE

INCOME STATEMENT AS OF DECEMBER 1999

	[redacted]				[redacted]				
	ACTUAL	CV	DIFF.	% DIFF.	ACTUAL	CV	DIFF.	% DIFF.	[redacted]
SALES									
Revenues	168,402	175,000	(6,598)	-3.8%	1,570,222	3,220,000	(1,649,778)	-51.2%	3,220,000
Cost of Goods Sold	43,190	-	(43,190)	N/A	606,735	560,000	(46,735)	-8.3%	560,000
Gross Margin	125,211	175,000	(49,789)	-28.5%	963,487	2,660,000	(1,696,513)	-63.8%	2,660,000
OPERATIONS									
Billing	41,967	506,012	464,045	91.7%	258,490	1,046,582	788,092	75.3%	1,046,582
Collections	93,774	17,030	(76,744)	-450.6%	130,609	240,349	109,740	45.7%	240,349
Customer Care	6,365,029	4,116,405	(2,248,624)	-54.6%	7,597,132	6,716,282	(880,850)	-13.1%	6,716,282
Fraud Management	-	-	-	N/A	40,815	-	(40,815)	N/A	-
Provisioning	(665,803)	21,500	687,303	3196.8%	1,096,221	1,696,968	600,747	35.4%	1,696,968
Back Office	728,960	950,000	221,050	23.3%	728,950	2,850,000	2,121,050	74.4%	2,850,000
Uncollectibles	7,670	-	(7,670)	N/A	116,447	112,000	(4,447)	-4.0%	112,000
Operating Expenses	6,571,587	5,610,947	(960,640)	-17.1%	9,968,663	12,662,181	2,693,518	21.3%	12,662,181
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Marketing Programs	984,518	3,681,409	2,696,891	73.3%	1,236,611	6,704,818	5,468,207	81.6%	6,704,818
Commissions	7,762	-	(7,762)	N/A	21,153	-	(21,153)	N/A	-
Marketing Expenses	8,706,746	9,772,600	1,065,853	10.9%	9,106,952	16,888,219	7,781,267	46.1%	16,888,219
GENERAL & ADMINISTRATIVE									
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Payroll Taxes	63,751	70,843	7,092	10.0%	727,517	723,860	(3,657)	-0.5%	723,860
Employee Expenses	221,247	95,748	(125,499)	-131.1%	895,038	1,429,124	534,086	37.4%	1,42[illegible]
EDP Expenses	324,043	30,888	(293,155)	-949.1%	782,781	338,266	(444,515)	-131.4%	338,266
Office Expense	1,333,304	126,287	(1,207,017)	-955.8%	2,748,456	958,125	(1,790,331)	-186.9%	958,125
Professional Services	1,942,054	719,575	(1,222,479)	-169.9%	4,679,515	4,468,395	(211,120)	-4.7%	4,468,395
Administrative Services	75,006	38,700	(36,306)	-93.8%	254,599	230,200	(24,399)	-10.6%	230,200
NSI Allocation	9,018,430	473,500	(8,544,930)	-1804.6%	15,374,928	7,784,406	(7,590,522)	-97.5%	7,784,406
Miscellaneous	(40,476)	93,675	134,151	143.2%	164,536	2,492,727	2,328,191	93.4%	2,492,727
Depreciation/Amortization	93,312	75,000	(18,312)	-24.4%	786,685	1,200,000	413,315	34.4%	1,200,000
Software Development	5,257,803	8,140,566	2,882,763	35.4%	56,132,597	63,508,916	7,376,319	11.6%	63,508,916
G&A Expenses	19,997,205	10,956,538	(9,040,667)	-82.5%	93,938,610	94,187,283	248,673	0.3%	94,187,283
Operating Profit	(35,150,327)	(26,165,054)	8,985,233	-34.3%	(112,050,738)	(121,077,683)	(9,026,945)	7.5%	(121,077,683)
OTHER INCOME/(EXPENSE)									
Interest Income/(Expense)	(869,968)	(1,074,720)	(204,752)	19.1%	(6,988,297)	(7,743,540)	(755,243)	9.8%	(7,743,540)
Taxes Other Than Income	(3,534)	(23,400)	(19,866)	84.9%	(42,019)	(335,400)	(293,381)	87.5%	(335,400)
Other Miscellaneous	-	-	-	N/A	52,000	-	(52,000)	N/A	-
Other Gains/(Losses)	-	-	-	N/A	(2,733)	-	2,733	N/A	-
Total Other Inc./(Exp.)	(873,503)	(1,098,120)	(224,617)	20.5%	(6,981,050)	(8,078,940)	(1,097,890)	13.6%	(8,078,940)
TAXES									
State Income Tax	-	-	-	N/A	1,650	-	(1,650)	N/A	-
Federal Income Tax	(12,506,806)	(9,542,399)	3,064,407	-32.1%	(41,668,337)	(45,062,374)	(3,394,037)	7.5%	(45,062,374)
Other Income Taxes	-	-	-	N/A	-	-	-	N/A	-
Total Income Taxes	(12,606,806)	(9,642,399)	3,064,407	-32.1%	(41,666,687)	(45,062,374)	(3,395,687)	7.5%	(45,062,374)
NET INCOME	(23,417,023)	(17,720,815)	(5,696,208)	32.1%	(77,365,101)	(84,094,249)	6,729,148	-8.0%	(84,094,249)

REPT ID: BALSHTBU
LAYOUT: Balshtbu

BCIX BA COMMUNICATIONS, INC.
BALANCE SHEET
As Of: 12/31/99

RUN: January 12,2000 at 16:15

	ACTUAL	PLAN	VARIANCE	CHANGE FROM PRIOR PERIOD ACTUAL
ASSETS				
[redacted]				
CASH & CASH EQUIVALENTS				
CASH & CASH EQUIVALENTS	(13,941)	0	(13,941)	4,395
ACCOUNTS RECEIVABLE				
A/R AFFILIATE	97,470	0	97,470	(126,147)
ACCRUED REVENUE	0	0	0	0
ACCTS REC - TRADE	503,725	0	503,725	13,781
OTHER ACCTS REC	279,702	0	279,702	40,611
EMPLOYEE ADVANCES	2,841	0	2,841	(472)
UNBILLED REVENUE	48,247	0	48,247	14,748
BAD DEBT ALLOWANCE	(454,596)	0	(454,596)	(7,129)
TOTAL ACCOUNTS RECEIVABLE	477,390	0	477,390	(64,607)
INTEREST RECEIVABLE				
INTEREST RECEIVABLE AFFILATE	0	0	0	0
INTEREST RECEIVABLE O/S	0	0	0	0
TOTAL INTEREST RECEIVABLE	0	0	0	0
PREPAIDS	0	0	0	0
CURR PORTION NOTES REC				
ADVANCE DUE FROM AFFILIATE	0	0	0	0
CURR PORTION MTN N/R AFFILIATE	0	0	0	0
CURR NOTE RECEIVABLE O/S	0	0	0	0
TOTAL CUR PORTION NOTES REC	0	0	0	0
CURRENT TAX ASSETS				
CURRENT FIT BENEFIT	0	0	0	0
CURRENT SIT BENEFIT	0	0	0	0
CURRENT FOREIGN TAX BENEFIT	0	0	0	0
DEFERRED FIT BENEFIT	0	0	0	0
DEFERRED SIT BENEFIT	0	0	0	0
TOTAL CURR TAX ASSETS	0	0	0	0
OTHER CURRENT ASSETS	100,072	0	100,072	(36,710)
[redacted]	563,520	0	563,520	(96,921)
[redacted]				
INVENTORY	0	0	0	0
NC PREPAIDS	0	0	0	0
NON CURRENT NOTES REC				
NOTE RECEIVABLE AFFIL - L/T	0	0	0	0
L/T NOTES RECEIVABLE O/S	0	0	0	0
TOTAL NON CUR NOTES REC	0	0	0	0
FIXED ASSETS	4,807,165	0	4,807,165	1,345,518
ACCUM DEPRECIATION-FIXED ASSET	(2,348,367)	0	(2,348,367)	(93,312)
FIN LSE REC	0	0	0	0
INVESTMENTS				
INVEST IN CONSOL SUBS	0	0	0	0
INVEST IN UNCONS SUBS	0	0	0	0
OTHER INVESTMENTS	0	0	0	0
TOTAL INVESTMENTS	0	0	0	0
DEFERRED TAX ASSETS				
NC DEFFERRED FIT BENEFIT	0	0	0	0
NC DEFERRED SIT BENEFIT	0	0	0	0
TOTAL DEFERRED TAX ASSETS	0	0	0	0
NON CURR ASSETS - OTHER				
DEFERRED COSTS	0	0	0	0
GOODWILL	0	0	0	0
ACC AMORT-GOODWILL	0	0	0	0
OTHER NC ASSETS	24,309	0	24,309	0
TOTAL NON-CUR ASSETS-OTH	24,309	0	24,309	0
[redacted]	2,483,107	0	2,483,107	1,252,206
TOTAL ASSETS	3,046,628	0	3,046,628	1,155,285

LIABILITIES

REPT ID: BALSHTBU
LAYOUT: Balshtbu

BCDX BA COMMUNICATIONS, INC
BALANCE SHEET
As Of: 12/31/99

RUN: January 12,2000 at 16:15

	ACTUAL	PLAN	VARIANCE	CHANGE FROM PRIOR PERIOD ACTUAL
[redacted]				
ACCOUNTS PAYABLE				
DUE TO AFFILIATE	(20,201,344)	0	(20,201,344)	(12,964,401)
ACCOUNTS PAYABLE OTHER	(3,000,752)	0	(3,000,752)	(1,113,495)
INTEREST PAYABLE	(870,020)	0	(870,020)	(61,354)
TOTAL ACCOUNTS PAYABLE	(24,072,116)	0	(24,072,116)	(14,139,250)
ACCRUED EXPENSE	(20,192,511)	0	(20,192,511)	(17,130,073)
PAYROLL LIABILITIES	(2,739,178)	0	(2,739,178)	(596,061)
CURR PORTION NOTES PAYABLE				
NOTE PAY AFFILAITE ST	0	0	0	0
ADVANCE DUE TO AFFILIATE	(153,839,438)	0	(153,839,438)	(6,718,829)
CURRENT PORTION NOTES PAY O/S	0	0	0	0
TOTAL CURR NOTES PAYABLE	(153,839,438)	0	(153,839,438)	(6,718,829)
CURRENT TAX LIABILITY				
CURRENT FIT LIABILITY	11,242,657	0	11,242,657	14,068,093
CURRENT SIT LIABILITY	0	0	0	0
CURRENT FOREIGN TAX LIAB	0	0	0	0
DEFERRED FIT LIABILITY	354,898	0	354,898	0
DEFERRED SIT LIABILITY	0	0	0	0
TOTAL CURR TAX LIABILITY	11,597,555	0	11,597,555	14,068,093
DIVIDENDS PAYABLE	0	0		
OTHER CURRENT LIABILITY	175	0	175	97
[redacted]	(189,245,514)	0	(189,245,514)	(24,518,024)
[redacted]				
LONG TERM NOTES PAYABLE				
NOTES PAY AFFILIATE L/T	0	0	0	0
LONG TERM NOTE PAY - O/S	0	0	0	0
LONG TERM LESOP DEBT	0	0	0	0
TOTAL LT NOTES PAYABLE	0	0	0	0
NON-CURR TAX LIABILITY				
N/C DEFERRED FIT LIABILITY	2,194,224	0	2,194,224	0
N/C DEFERRED SIT LIABILITY	0	0	0	0
TOTAL NON CUR TAX LIAB	2,194,224	0	2,194,224	0
LT EMPLOYEE PAYROLL LIAB	(2,564,048)	0	(2,564,048)	(54,285)
ACCRUED RESERVES	0	0	0	0
OTHER NON-CURRENT LIABILITIES	0	0	0	0
[redacted]	(369,824)	0	(369,824)	(54,285)
TOTAL LIABILITIES	**(189,615,338)**	**0**	**(189,615,338)**	**(24,572,308)**
MINORITY INTEREST	0	0		
PREFERRED STOCK	0	0		
EQUITY				
CAPITAL STOCK	(10)	0	(10)	0
TREASURY STOCK - COMMON	0	0	0	0
CONTRIB CAP-TREASURY SHARES	0	0	0	0
ADDTL PAID IN CAPITAL	0	0	0	0
RETAINED EARNINGS	109,203,621	0	109,203,621	0
PROFIT/LOSS ACCTS	77,365,099	84,094,249	(6,729,150)	23,417,024
MISC CREDITS TO RETAIN EARN	0	0	0	0
MISC DEBITS TO RETAIN EARN	0	0	0	0
CUM TRANSLATION ADJUSTMENT	0	0	0	0
GUARENTEED LESOP OBLIGATION	0	0	0	0
DIVIDENDS DECL COMMON STOCK	0	0	0	0
MINIMUM PENSION LIABILITY	0	0	0	0
[redacted]	**186,568,710**	**84,094,249**	**102,474,461**	**23,417,024**
TOTAL LIAB & EQUITY	**(3,046,628)**	**84,094,249**	**(87,140,877)**	**(1,155,285)**

Attachment 2

Revised Tariff Pages

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.4 Assignment or Transfer

The Customer may not transfer or assign the use of service offered by the Company without the express prior written consent of the Company. Such transfer or assignment shall only apply where there is no interruption of the use or in the location of service. All terms and conditions contained in this tariff shall apply to all such permitted transferees or assignees, as well as all conditions of service.

2.5 Limitation of Liabilities

2.5.1 When the services or facilities of other common carriers or other service providers are used separately or in conjunction with the Company's services, facilities or equipment in establishing connection to points not reached by the Company's services, facilities or equipment, the Company shall not be liable for any act or omission of such other common carriers, or other service providers, or their respective agents, servants or employees.

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.5 Limitation of Liabilities, (cont'd.)

2.5.2 The Company shall not be liable for any failure of performance hereunder if such failure is due to any cause or causes beyond the reasonable control of the Company. Such causes shall include, without limitation, acts of God, fire, explosion, vandalism, cable cut, meteorological phenomena, floods, storm or other similar occurrence, any law, order, regulation, direction, action or request of the United States government or of any other government or of any civil or military authority, national emergencies, insurrections, riots, wars, strikes, lockouts or work stoppages or other labor difficulties, supplier failures, shortages, breaches or delays, or preemption of existing service to restore service in compliance with state and federal laws.

2.5.3 The Company shall not be liable for interruptions, delays, errors, or defects in transmission, or for any injury whatsoever, caused by the Customer, or the Customer's agents, servants, employees, or customers, or by services, facilities or equipment provided by the Customer or such agents, servants, employees, or customers.

2.5.4 The Company shall not be liable for unlawful use, or use by any unauthorized person, or its service, or for any claim arising out of a breach in the privacy or security of communications transmitted by the Company. The Company is not liable for any damages, including toll usage charges, the Customer may incur as a result of the unauthorized use of its telecommunications facilities. Such unauthorized use of its telecommunications facilities includes, but is not limited to, the placement of calls through Customer-provided equipment which are transmitted or carried on the Company's network. The Customer is responsible for controlling access to, and the use of, its own telecommunications facilities.

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.5 Limitation of Liabilities, (cont'd.)

2.5.5 **WITH RESPECT TO SERVICE PROVIDED BY THE COMPANY, THE COMPANY HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESSED OR IMPLIED, NOT STATED IN THIS TARIFF, AND IN PARTICULAR DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.**

SECTION 2 - TERMS AND CONDITIONS, (Cont'd.)

2.5 Limitation of Liabilities, (cont'd.)

2.5.5 **WITH RESPECT TO SERVICE PROVIDED BY THE COMPANY, THE COMPANY HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESSED OR IMPLIED, NOT STATED IN THIS TARIFF, AND IN PARTICULAR DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.**

TECHNOLOGIES MANAGEMENT INC

210 N. Park Ave.
Winter Park, FL
32789

P.O. Drawer 200
Winter Park, FL
32790-0200

Tel: 407-740-8575
Fax: 407-740-0613
tmi@tminc.com

RECEIVED

FEB 25 2000

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

February 24, 2000
Via Overnight Delivery

Mr. William Bullard, Jr.
Executive Director
South Dakota Public Utilities Commission
500 East Capitol
Pierre, South Dakota 57501

Re: TC99-110; Registration of Bell Atlantic Communications, Inc. for Authority to Provide Intrastate Telecommunications Services within the State of South Dakota - **Bond Requirement**

Dear Mr. Bullard:

Enclosed for filing are the original and ten (10) copies of the bond posted by Bell Atlantic Communications, Inc. in response to the recommendation of Utility Analyst Heather K. Forney.

Please return, date-stamped, the extra copy of this cover letter in the enclosed self-addressed stamped envelope provided for this purpose.

Any questions you may have regarding the above filing should be directed to me at (407) 740-8575.

Sincerely,

C.W.W.

Connie Wightman
Consultant to
Bell Atlantic Communications, Inc.

cc: John Broten, BACI
Calvin Whetstone, BACI
Heather Forney
file: BACI - SD
tms: sdo9900b

INDEMNITY BOND
To the
PEOPLE OF THE STATE OF SOUTH DAKOTA

Bond No. 8149-80-35

We, Bell Atlantic Communications Inc the principal and applicant for a CERTIFICATE OF AUTHORITY to resell long distance telecommunications services within the State of South Dakota, and Federal Insurance Company as an admitted surety insurer, bind ourselves unto the Public Utilities Commission of the State of South Dakota and the consumers of South Dakota as Obligee, in the sum of $25,000.00.

The conditions of the obligation are such that the principal, having been granted such CERTIFICATE OF AUTHORITY subject to the provision that said principal purchases this Indemnity Bond, and if said principal shall in all respects fully and faithfully comply will all applicable provisions of South Dakota State Law, and reimburse customers of Bell Atlantic Communications Inc. for any prepayment or deposits they have made which may be unable or unwilling to return to said customers as a result of insolvency or other business failure, then this obligation shall be void, discharged and forever exonerated, otherwise to remain in full force and effect.

This bond shall take effect as of the date hereon and shall remain in force and effect until the surety is released from liability by the written order of the Public Utilities Commission, provided that the surety may cancel this Bond and be relieved of further liability hereunder by delivering thirty (30) days written notice to the Public Utilities Commission. Such cancellation shall not affect any liability incurred or accrued hereunder prior to the termination of said thirty (30) day period.

Dated this 14th day of February, 2000.

To be effective this 14th day of February, 2000.

Original Bond is in Delaine's bottom desk drawer.

By Bell Atlantic Commnications Inc.

Albert A. Smith

Countersigned this 15th day of

February, 2000

By [signature]
Resident Agent

By Federal Insurance Company

By Frank J. Niestadt
Attorney in Fact, Frank J. Niestadt

Chubb Surety | **POWER OF ATTORNEY** | **Federal Insurance Company** **Vigilant Insurance Company** **Pacific Indemnity Company** | **Attn.: Surety Department** **15 Mountain View Road** **Warren, NJ 07059**

Know All by These Presents, That **FEDERAL INSURANCE COMPANY**, an Indiana corporation, **VIGILANT INSURANCE COMPANY**, a New York corporation, and **PACIFIC INDEMNITY COMPANY**, a Wisconsin corporation, do each hereby constitute and appoint Barbara Guzzardo, Betty Calderon, Glenn Pelletiere, Vivian Carti, Debra A. Deming, Thomas Branigan, Caroline Scotto, Frank J. Niestadt, Robert P. McDonough and Marisol Plaza of New York, New York--

each as their true and lawful Attorney-in-Fact to execute under such designation in their names and to affix their corporate seals to and deliver for and on their behalf as surety thereon or otherwise, bonds and undertakings and other writings obligatory in the nature thereof (other than bail bonds) given or executed in the course of business, and any instruments amending or altering the same, and consents to the modification or alteration of any instrument referred to in said bonds or obligations.

In Witness Whereof, said **FEDERAL INSURANCE COMPANY, VIGILANT INSURANCE COMPANY**, and **PACIFIC INDEMNITY COMPANY** have each executed and attested these presents and affixed their corporate seals on this 24th day of September, 1999.

Kenneth C. Wendel
Kenneth C. Wendel, Assistant Secretary

Frank E. Robertson
Frank E. Robertson, Vice President

STATE OF NEW JERSEY } ss.
County of Somerset }

On this 24th day of September, 1999, before me, a Notary Public of New Jersey, personally came Kenneth C. Wendel, to me known to be Assistant Secretary of FEDERAL INSURANCE COMPANY, VIGILANT INSURANCE COMPANY, and PACIFIC INDEMNITY COMPANY, the companies which executed the foregoing Power of Attorney, and the said Kenneth C. Wendel being by me duly sworn, did depose and say that he is Assistant Secretary of FEDERAL INSURANCE COMPANY, VIGILANT INSURANCE COMPANY, and PACIFIC INDEMNITY COMPANY and knows the corporate seals thereof, that the seals affixed to the foregoing Power of Attorney are such corporate seals and were thereto affixed by authority of the By-Laws of said Companies; and that he signed said Power of Attorney as Assistant Secretary of said Companies by like authority; and that he is acquainted with Frank E. Robertson, and knows him to be Vice President of said Companies; and that the signature of Frank E. Robertson, subscribed to said Power of Attorney is in the genuine handwriting of Frank E. Robertson, and was thereto subscribed by authority of said By-Laws and in deponent's presence.

Notarial Seal

WENDIE C. WALSH NOTARY PUBLIC NEW JERSEY

WENDIE C. WALSH
Notary Public, State of New Jersey
No.0054504
Commission Expires April 10, 2003

Wendie Walsh
Notary Public

CERTIFICATION

Extract from the By-Laws of FEDERAL INSURANCE COMPANY, VIGILANT INSURANCE COMPANY, and PACIFIC INDEMNITY COMPANY:

"All powers of attorney for and on behalf of the Company may and shall be executed in the name and on behalf of the Company, either by the Chairman or the President or a Vice President or an Assistant Vice President, jointly with the Secretary or an Assistant Secretary, under their respective designations. The signature of such officers may be engraved, printed or lithographed. The signature of each of the following officers: Chairman, President, any Vice President, any Assistant Vice President, any Secretary, any Assistant Secretary and the seal of the Company may be affixed by facsimile to any power of attorney or to any certificate relating thereto appointing Assistant Secretaries or Attorneys-in-Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and any such power of attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached."

I, Kenneth C. Wendel, Assistant Secretary of FEDERAL INSURANCE COMPANY, VIGILANT INSURANCE COMPANY, and PACIFIC INDEMNITY COMPANY (the "Companies") do hereby certify that

(i) the foregoing extract of the By-Laws of the Companies is true and correct,
(ii) the Companies are duly licensed and authorized to transact surety business in all 50 of the United States of America and the District of Columbia and are authorized by the U. S. Treasury Department; further, Federal and Vigilant are licensed in Puerto Rico and the U. S. Virgin Islands, and Federal is licensed in American Samoa, Guam, and each of the Provinces of Canada except Prince Edward Island; and
(iii) the foregoing Power of Attorney is true, correct and in full force and effect.

Given under my hand and seals of said Companies at Warren, NJ this 14th day of February, 2000.

FEDERAL INSURANCE COMPANY INDIANA

PACIFIC INDEMNITY COMPANY INCORPORATED JAN. 16, 1932 WISCONSIN

VIGILANT INSURANCE COMPANY NEW YORK

Kenneth C. Wendel
Kenneth C. Wendel, Assistant Secretary

IN THE EVENT YOU WISH TO NOTIFY US OF A CLAIM, VERIFY THE AUTHENTICITY OF THIS BOND OR NOTIFY US OF ANY OTHER MATTER, PLEASE CONTACT US AT ADDRESS LISTED ABOVE, OR BY
Telephone (908) 903-3485 Fax (908) 903-3656 e-mail: surety@chubb.com

FEDERAL INSURANCE COMPANY

STATEMENT OF ASSETS, LIABILITIES AND SURPLUS TO POLICYHOLDERS

Statutory Basis

DECEMBER 31, 1998

(in thousands of dollars)

ASSETS

Cash	$ (173,956)
United States Government, State and Municipal Bonds	6,266,068
Other Bonds	1,488,398
Stocks	495,285
Short Term Investments	582,620
Other invested Assets	259,781
TOTAL INVESTMENTS	8,918,196
Investments In Affiliates:	
Pacific Indemnity Company	545,749
Vigilant Insurance Company	319,067
Great Northern Insurance Company	143,234
Chubb Insurance Company of Europe	101,771
CC Canada Holdings Ltd.	94,780
Other Affiliates	102,226
Net Premiums Receivable	541,836
Other Assets	619,842
TOTAL ADMITTED ASSETS	$ 11,386,701

LIABILITIES AND SURPLUS TO POLICYHOLDERS

Outstanding Losses and Loss Expenses	$ 6,348,319
Unearned Premiums	1,803,791
Provision for Reinsurance	61,891
Other Liabilities	384,481
TOTAL LIABILITIES	8,598,482
Capital Stock	13,987
Paid-In Surplus	378,890
Unassigned Funds	2,262,121
Unrealized Appreciation of Investments	133,221
SURPLUS TO POLICYHOLDERS	2,788,219
TOTAL LIABILITIES AND SURPLUS TO POLICYHOLDERS	$ 11,386,701

Investments are valued in accordance with requirements of the National Association of Insurance Commissioners. Investments valued at $23,771 are deposited with government authorities as required by law.

State, County & City of New York, — ss:

Anna Maria Lovecchio, Assistant Secretary of the Federal Insurance Company being duly sworn, deposes and says that the foregoing Statement of Assets, Liabilities and Surplus to Policyholders of said Federal Insurance Company on December 31, 1998 is true and correct and is a true abstract of the Annual Statement of said Company as filed with the Secretary of the Treasury of the United States for the 12 months ending December 31, 1998.

Subscribed and sworn to before me
this 14th day of February, 2000

Elba Santiago
Notary Public

ELBA SANTIAGO
Notary Public, State of New York
No. 01SA4846450
Qualified in Bronx County
Commission Expires Jan. 31, 2000

Anna Maria Lovecchio
Assistant Secretary

* * * TRANSMISSION RESULT REPORT (FEB.24.2000 11:57AM) * * *

TTI

DATE	TIME	ADDRESS	MODE	TIME	PAGE	RESULT	PERS. NAME	FILE
FEB.24.	11:55AM	703 526 3624	TES	2'07"	P. 5	OK		069

\# : BATCH
M : MEMORY
S : STANDARD

C : CONFIDENTIAL
L : SEND LATER
D : DETAIL

$: TRANSFER
@ : FORWARDING
F : FINE

P : POLLING
E : ECM
> : REDUCTION

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF BELL ATLANTIC COMMUNICATIONS, INC. FOR A CERTIFICATE OF AUTHORITY TO PROVIDE TELECOMMUNICATIONS SERVICES IN SOUTH DAKOTA	)))))	**ORDER GRANTING CERTIFICATE OF AUTHORITY** **TC99-110**

On November 29, 1999, the Public Utilities Commission (Commission), in accordance with SDCL 49-31-3 and ARSD 20:10:24:02, received an application for a certificate of authority from Bell Atlantic Communications, Inc. (Bell Atlantic).

Bell Atlantic proposes to offer intrastate interexchange telecommunications services, including outbound intrastate toll service (presubscribed), operator services and travel card services. A proposed tariff was filed by Bell Atlantic. The Commission has classified long distance service as fully competitive.

On December 2, 1999, the Commission electronically transmitted notice of the filing and the intervention deadline of December 17, 1999, to interested individuals and entities. No petitions to intervene or comments were filed and at its March 14, 2000, meeting, the Commission considered Bell Atlantic's request for a certificate of authority. Commission Staff recommended granting a certificate of authority, subject to a continuous $25,000 surety bond.

The Commission finds that it has jurisdiction over this matter pursuant to SDCL Chapter 49-31, specifically 49-31-3 and ARSD 20:10:24:02 and 20:10:24:03. The Commission finds that Bell Atlantic has met the legal requirements established for the granting of a certificate of authority. Bell Atlantic has, in accordance with SDCL 49-31-3, demonstrated sufficient technical, financial and managerial capabilities to offer telecommunications services in South Dakota. The Commission approves Bell Atlantic's application for a certificate of authority, subject to a continuous $25,000 surety bond. As the Commission's final decision in this matter, it is therefore

ORDERED, that Bell Atlantic's application for a certificate of authority is hereby granted, subject to a continuous $25,000 surety bond. It is

FURTHER ORDERED, that Bell Atlantic shall file informational copies of tariff changes with the Commission as the changes occur.

Dated at Pierre, South Dakota, this 20th day of March, 2000.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: Delaine Kolbo

Date: 3/22/00

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg

JAMES A. BURG, Chairman

Pam Nelson

PAM NELSON, Commissioner

Laska Schoenfelder

LASKA SCHOENFELDER, Commissioner

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

CERTIFICATE OF AUTHORITY

To Conduct Business As A Telecommunications Company
Within The State Of South Dakota

Authority was Granted March 14, 2000
Docket No. TC99-110

This is to certify that

BELL ATLANTIC COMMUNICATIONS, INC.

is authorized to provide telecommunications services in South Dakota.

This certificate is issued in accordance with SDCL 49-31-3 and ARSD 20:10:24:02, and is subject to all of the conditions and limitations contained in the rules and statutes governing its conduct of offering telecommunications services.

Dated at Pierre, South Dakota, this 20th day of March, 2000.

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner