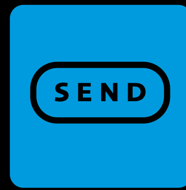
Bell Atlantic



1999
Annual Report

www.BellAtlantic.com

Bell Atlantic is at the forefront of the new communications and information industry. With 43 million domestic telephone access lines and 12 million wireless customers worldwide, the company is a premier provider of advanced wireline voice and data services, a market leader in wireless services and the world's largest publisher of directory information. Bell Atlantic is also one of the world's largest investors in high-growth global communications markets, with operations and investments in 23 countries.

Vision Statement

To be the customer's first choice for communications and information services in every market we serve, domestic and international.

The 1999 Annual Report, printed on non-glossy, recycled paper, reflects our continuing commitment to provide concise and cost-effective reporting of financial performance to our shareowners.

Bell Atlantic Foundation

Even as we re-define ourselves as a global communications company, Bell Atlantic's roots remain firmly planted in the hundreds of diverse communities we serve.

Bell Atlantic Foundation's overriding goal is to make information technology accessible to everyone, regardless of economics, demographics or education. In pursuit of this goal, our top priority is to support non-profit organizations that use innovative technology to address societal challenges. Across our region, the Foundation funds such programs as distance learning, Internet curriculum development and training, telemedicine and on-line arts-in-education.

In addition to the Foundation's activities, our employees volunteer more than seven million hours to a wide variety of community organizations, and we have community relations managers throughout our region to ensure that local civic and non-profit groups have input to our philanthropic activities.

For more information, see our Web site, www.bellatlanticfoundation.com.

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Additional investor information, as well as contact information, is available on our website at www.BellAtlantic.com/invest.

To receive a copy of the 1999 Bell Atlantic Annual Report on Form 10-K, which is filed with the Securities and Exchange Commission, contact Investor Relations:

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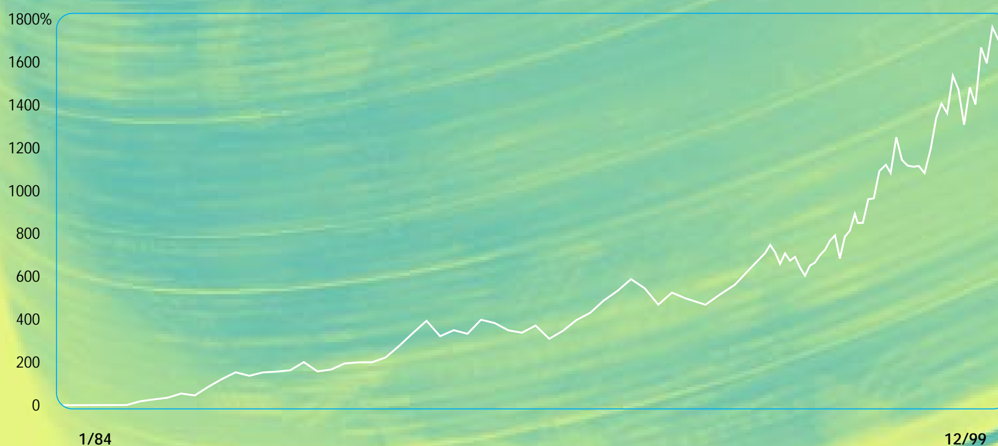
Bell Atlantic is in the midst of an extraordinarily eventful period in our drive to put together the assets and capabilities to compete in a restructured communications industry.

With the GTE and Vodafone AirTouch deals, we're on the brink of becoming a company with the scale, scope and national reach to deliver a full plate of services—voice, high-speed data, Internet access, and wireless—to customers all across the country.

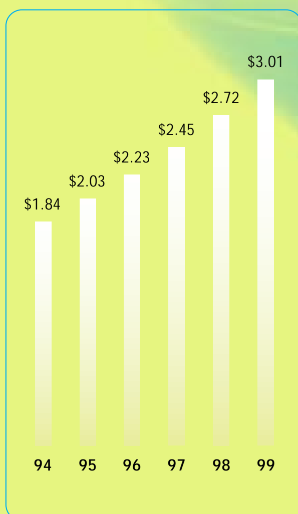
This transformation will allow us to fully participate in the growth of the new economy, creating a premier investment opportunity for shareowners.

Cumulative Total Return



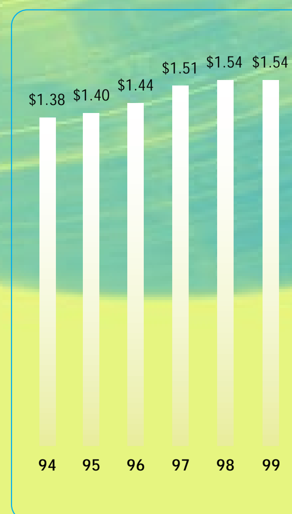
$100 invested in Bell Atlantic stock on 1/1/84, grew to $1,588 as of 12/31/99, assuming dividend reinvestment

Earnings per Share*



* Diluted basis, before special items
Reflects 2-for-1 stock split declared and paid in second quarter of 1998

Dividends per Share



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

Ivan G. Seidenberg

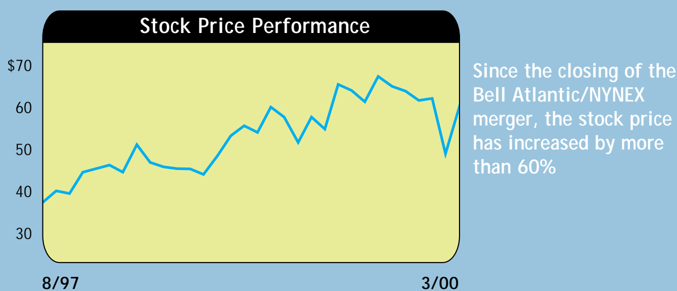
Fellow Shareowners:

With a fifth straight year of double-digit earnings growth, Bell Atlantic delivered another strong year in 1999. It has also been a year of transformation. As I write this letter, we stand on the brink of closing a merger with GTE and completing a wireless joint venture with Vodafone AirTouch–giving us the scale, scope and national reach to be one of the premier investments in the global communications industry.

Our new company puts an exclamation point on our continuing drive to re-create our business in the face of technological change and globalizing markets. We're strengthening our core telecom and wireless businesses by investing in data-centric networks, improving our productivity, and breaking the long distance barrier. We're accelerating our growth by extending our reach into the data, e-commerce and wireless markets that are at the heart of the new economy.

And we will continue to manage this strategic transformation while meeting our ambitious financial and operating targets and delivering top-quality service to millions of customers.

Thanks to our strong operating and financial results, Bell Atlantic delivered a total return to shareowners of 16.9 percent in 1999. However, we are disappointed that, despite our strong fundamentals, our stock performance trailed that of the overall market in 1999 and the first quarter of 2000. Some factors affecting our stock are not unique to us, such as rising interest rates and the tide of investor flight from large established companies to the high-technology sector. Other investor concerns, such as deal uncertainty and competitive risk, will recede as we execute our game plan and increase revenues in growth markets such as data, wireless and long distance.



Since the closing of the Bell Atlantic/NYNEX merger, the stock price has increased by more than 60%

Long term, though, the market rewards companies with the right assets, the right markets, and the right strategies for growth. Our own history proves the case, with our stock appreciating more than 60 percent since we closed the merger with NYNEX.

That's why the biggest catalysts for growth in shareowner value will be our merger with GTE and our joint venture with Vodafone AirTouch–deals that will give us the best set of assets in the industry and transform the growth profile of our company.

Strategic Transformation

For some time, our strategic goal has been to assemble the assets and capabilities to compete in a restructured communications industry. With the GTE and Vodafone AirTouch deals, we will be able to deliver a full plate of services–voice, data, Internet access and wireless–to customers all across the country.

Our new company will have the "pole position" in the three major segments of the communications industry.

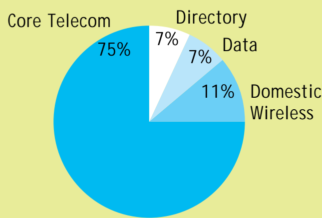
First, we will expand our telecom franchise from 43 million to 63 million access lines, making us the premier local exchange company in America. That means more ways to touch customers, more cash to fuel growth and innovation, and more investment capital to deploy the technologies of the future.

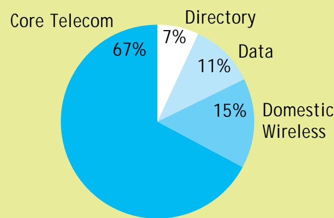
Second, we will expand our top-performing domestic wireless business by combining it with the U.S. wireless properties of Vodafone AirTouch and GTE. With a projected 27 million subscribers by the end of 2000, this joint venture will have no peer in the U.S. wireless market. Penetration for wireless is expected to more than double over the next few years, helped by new digital applications like wireless data. With a presence in 49 of the top 50 markets in the country, we'll be in a great position to participate in this growth.

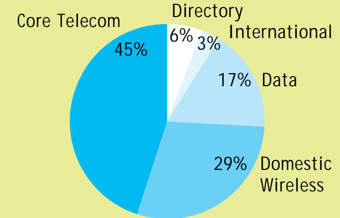
Third, the merger with GTE will ultimately give us access to a top-tier Internet infrastructure business–currently operating as GTE Internetworking (GTE-I)–meaning we will be able to compete in the lucrative market for bringing end-to-end connectivity and e-commerce solutions to national and global customers. As the final step to address regulatory requirements, we have proposed to the FCC a plan to transfer a 90 percent ownership interest in GTE-I to third-party public shareowners until we get sufficient long distance relief in the Bell Atlantic states to operate the business.

Finally, the merger gives us added scale in international markets and greater opportunities to provide global connectivity. Our domestic presence and investments in more than 30 countries around the world give us a platform for growth in both telecom and wireless markets.

Diversified Revenue Profile







In short, these two strategic deals will transform Bell Atlantic from a regional company into a global competitor, with increasing exposure to the markets that are driving the new economy. We will expand our top-line growth and diversify our growth profile, with almost one-half our revenues coming from the high-growth data, wireless and international segments by 2003.

Succeeding in the New Economy

Here's how the stars are lining up over the next year:

- Almost half the U.S. population–137 million people–will be on-line.
- Four million Americans will be able to surf the Web, get a stock quote, make an on-line purchase–from their cell phones.
- Millions of customers will have a high-speed DSL connection at home that's as fast or faster than what they have at work.
- And business-to-business commerce in the U.S. will be a $250 billion business.

For Bell Atlantic, the timing could not be better.

What we see in the year ahead is a convergence of all the "megatrends" that are transforming communications, combined with the birth of a new company perfectly positioned to capitalize on them.

This transformation is well within our reach. We are convinced–as I hope you are–that we have a tremendous opportunity to achieve a market valuation that better reflects our assets and growth prospects.

Of course, lots of companies talk about transformation. But talk is cheap. Doing it is the hard part.

We have, and we will.

Our success in making this transition is a testament, first and foremost, to the dedication of our 145,000 Bell Atlantic employees and the leadership of our management team. They have shown great resilience and adaptability in the midst of change and a deep belief in the core values of our company: integrity, customer commitment, respect and excellence.

It is also a tribute to the women and men who sit on our Board of Directors, whose unwavering faith in our strategies and clear-eyed focus on the interests of our shareowners have been invaluable. With the merger with GTE, several outside directors are retiring from the Board: Lodewijk de Vink, James Gilliam, Jr., Stanley Goldstein, Thomas Kean, Elizabeth Kennan, John Maypole, Eckhard Pfeiffer, Rozanne Ridgway and Shirley Young.

On behalf of all Bell Atlantic shareowners, I extend my personal gratitude to these dedicated colleagues.

Finally, we couldn't accomplish any of this without a good partner–and, in GTE, we've had the best. From the beginning, Chuck Lee and I have had a common vision of where we wanted to go and have approached all the challenges along the way in a spirit of cooperation and mutual respect. Now, as we begin to integrate our two companies, we see that same sense of teamwork extending throughout our management teams.

We can't wait to bring these two powerful teams together, and we're convinced that we will be a flagship company in our industry for many years to come: a great place to build a career, a company known for top-quality service to customers, and a "must-have" investment for shareowners.

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

March 2000

Domestic Telecom

Premier provider of advanced voice and data services from Maine to Virginia – the world's most information – intensive marketplace.

The Domestic Telecom business is organized around four major markets:

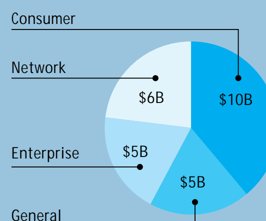
Consumer
22 million households; 27 million access lines

General Business
More than 2 million customers; 8 million access lines

Enterprise Business
More than 13,000 customers; 8 million access lines

Network Services
Nearly 1,000 wholesale customers

Revenues of $26 billion



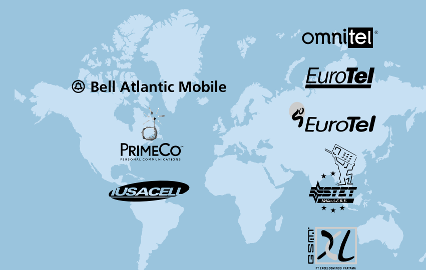
- **43 million access lines**
- **$43 billion of assets**
- **$7.5 billion capital program**

Global Wireless

One of the world's largest and most successful wireless companies, with domestic operations throughout the country and international investments in Latin America, Europe and the Pacific Rim.

The portfolio includes the following companies:

	Ownership %	Subscribers (M)
Bell Atlantic Mobile	100.0	7.7
PrimeCo Personal Communications	50.0	1.4
Grupo Iusacell (Mexico)	40.2	1.3
Omnitel Pronto Italia (Italy)	23.1	10.4
EuroTel Praha (Czech Republic)	24.5	1.1
EuroTel Bratislava (Slovakia)	24.5	0.3
STET Hellas (Greece)	20.0	1.2
Excelcomindo (Indonesia)	23.1	0.4
TuKa (Japan)	0.8	3.3



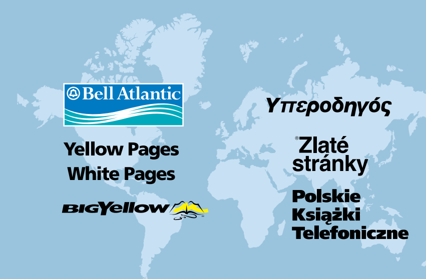
- **189 million proportionate POP's**
- **Consolidated revenues of $4.6 billion**
- **Proportionate revenues of $5.9 billion**
- **$10 billion of assets**

Directory

A global leader in publishing directories and in providing Internet-based shopping guides, website creation and hosting, and other electronic commerce services.

Directory Services has operations in the United States, China, Czech Republic, Gibraltar, Greece, Poland and Slovakia.

	Advertisers	Titles	Circulation
Domestic	735,000	510	69 M
International	215,000	128	17 M
Total	950,000	638	86 M



- **Revenues of $2.3 billion**
- **Nearly $2 billion of assets**

International

A mix of mature and start-up communications businesses in Europe and the Pacific Rim.

The portfolio includes the following companies:

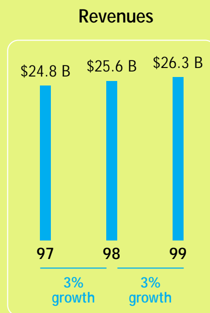
	Ownership %
Telecom Corporation of New Zealand (New Zealand)	24.9
Cable & Wireless Communications (United Kingdom)	18.5
FLAG (12 countries between UK and Japan)	29.4
TelecomAsia (Thailand)	18.2
Bayan Tel (Philippines)	20.0

- **Market value in excess of $7 billion**

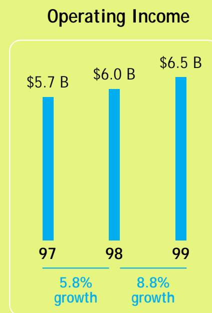
Domestic Telecom

Strong volumes in traditional voice services, robust demand for new data services, and continuing productivity improvements account for the healthy state of our core telecom business. With the opening of new markets such as long distance and Internet access, rapid advances in digital technology, and the lowering of regulatory and geographical barriers, our solid core business will be a platform for delivering a growing suite of advanced communications services.

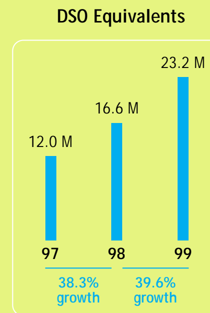
Revenues



Operating Income

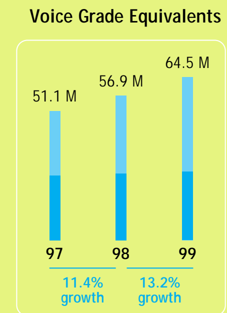


DSO Equivalents



DSO or "digital Signal: equivalents represent the conversion of high-bandwidth digital-based services to a common measure of band-width, which equals the capacity of one voice signal.

Voice Grade Equivalents



Residence
Business

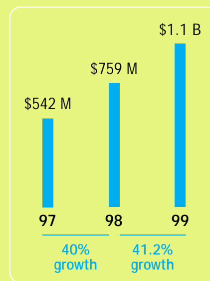
Voice Grade Equivalents represent the combination of switched access lines and DSO equivalents.

Global Wireless

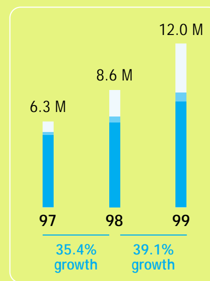
The businesses that comprise our Global Wireless portfolio are among the top-performing wireless companies in the industry and continue to produce strong growth in subscribers, revenues, and profitability. The outlook for the worldwide wireless market is bright, as digital technology, pricing innovations, new applications, and especially the explosion of the wireless data market transform wireless into a full-service communications platform.

Proportionate Revenue

Proportionate Operating Income

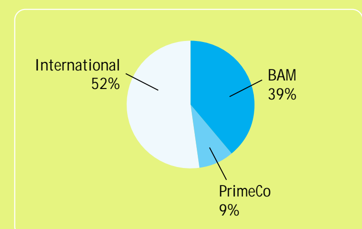


Proportionate Subscribers



BAM
PrimeCo
International

Sources of 1999 Subscriber Growth



Overview

We are in the midst of an extraordinarily eventful period in our history as we continue to transform our business, assembling the assets and capabilities to compete in a telecommunications industry that is rapidly consolidating and becoming global in scope. In 1999, we continued to deliver on our financial targets and made dramatic progress on the strategic front, as well.

Financially, we achieved our fifth consecutive year of double-digit earnings growth, accelerated our revenue growth to more than 5%, and did an excellent job of controlling costs and capturing synergy savings from the Bell Atlantic–NYNEX merger. In addition, we continued to aggressively invest in areas of new growth, namely data, wireless, and long distance.

On the strategic front, we became the first of our peers to enter the long distance market, gaining approval to offer long distance service in the State of New York in late December 1999. We believe that competition expands markets, and the opening of our network to other providers has created significant opportunities for us, not just in long distance, but as a wholesale provider, as well. During the year, we expanded our data capabilities for the large business customer with some targeted acquisitions and alliances. And we reached a strategic agreement with Metromedia Fiber Network, Inc. that gives us access to fiber-optic capacity in 50 cities across the country and several international locations. On the residential side, we accelerated the roll-out of our high-speed Internet access service, Digital Subscriber Line, aiming to be able to serve ten million households in early 2000.

In the wireless business, we announced that we will join the U.S. wireless assets of Bell Atlantic and Vodafone AirTouch plc which, with the addition of GTE Corporation's (GTE) U.S. wireless assets, will create a new nationwide wireless company serving 49 of the top 50 markets in the nation. In addition, we continued to fill out our regional footprint with a number of small acquisitions and fully acquired the cellular properties of Frontier Corporation. We extended digital coverage to 95% of our market and entered the fast-growing wireless data market with several commercial products in the fall of 1999. Internationally, we increased our equity stake in Omnitel Pronto Italia S.p.A. (Omnitel), the fastest growing wireless company in Europe, to 23.14% in 1999.

And we continued to make progress on our most important strategic initiative of all, the merger with GTE. The state approval process is complete, our discussions with the Federal Communications Commission (FCC) continue, and we aim for Bell Atlantic and GTE to be one company in the second quarter of 2000.

Consolidated Results of Operations

In reviewing our operating performance, we discuss our results of operations on what we call an adjusted basis. This means we take our as-reported results and adjust for the effects of special items, which are of a nonoperational nature. We believe that this will assist readers in better understanding Bell Atlantic in terms of trends from period to period. A discussion of these special items, including tables which illustrate their effects on our consolidated statements of income, follows.

We reported net income of $4,202 million or $2.65 diluted earnings per share for the year ended December 31, 1999, compared to net income of $2,965 million or $1.86 diluted earnings per share for the year ended December 31, 1998. In 1997, we reported net income of $2,455 million or $1.56 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 $4,760 million or $3.01 diluted earnings per share in 1999, $4,323 million or $2.72 diluted earnings per share in 1998, and $3,847 million or $2.45 diluted earnings per share in 1997.

The table below summarizes reported and adjusted results of operations for each period.

(dollars in millions)

Years Ended December 31,	1999	1998	1997
Operating revenues	$ 33,174	$ 31,566	$ 30,194
Operating expenses	24,679	24,939	24,853
Operating income	8,495	6,627	5,341
Reported Net Income	4,202	2,965	2,455
Special items–pre-tax			
Mark-to-market adjustment for exchangeable notes	664	–	–
Merger-related costs	205	196	519
Retirement incentive costs	–	1,021	513
Other charges and special items	–	589	1,041
Total special items–pre-tax	869	1,806	2,073
Tax effect and other tax-related items	(311)	(448)	(681)
Total special items–after-tax	558	1,358	1,392
Adjusted Net Income	$ 4,760	$ 4,323	$ 3,847
Diluted Earnings Per Share–Reported	$ 2.65	$ 1.86	$ 1.56
Diluted Earnings Per Share–Adjusted	$ 3.01	$ 2.72	$ 2.45

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

(dollars in millions)

Years Ended December 31,	1999	1998	1997
Operating Revenues			
Regulatory contingencies	$ –	$ –	$ 179
Employee Costs			
Retirement incentive costs	–	1,021	513
Merger direct incremental costs	–	–	53
Merger severance costs	–	–	223
Merger transition costs	58	15	4
Video-related charges	–	–	12
Other special items	–	30	–
Depreciation and Amortization			
Write-down of assets	–	40	300
Other Operating Expenses			
Merger direct incremental costs	–	–	147
Merger transition costs	147	181	92
Video-related charges	–	15	69
Real estate consolidation	–	–	55
Regulatory, tax and legal contingencies and other special items	–	9	347
	205	1,311	1,815
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)
Other Income and Expense, Net			
Write-down of assets	–	(45)	–
Interest Expense			
Write-down of assets	–	47	–
Mark-to-Market Adjustment for Exchangeable Notes	664	–	–
Total Special Items–Pre-Tax	869	1,806	2,073
Provision for Income Taxes			
Tax effect of special items and other tax-related items	(311)	(448)	(681)
Total Special Items–After-Tax	$ 558	$ 1,358	$ 1,392

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

Mark-to-Market Adjustment for Exchangeable Notes

Year 1999

In the fourth quarter of 1999, we recorded a loss on a mark-to-market adjustment of $664 million ($432 million after-tax) related to our $3.2 billion notes exchangeable into shares of Cable & Wireless Communications plc (CWC). This noncash, nonoperational adjustment resulted in an increase in the carrying value of the debt obligation and a charge to income. This mark-to-market adjustment was required because the CWC exchangeable notes are indexed to the fair market value of CWC's common stock. At December 31, 1999, the price of CWC shares exceeded the exchange price established at the offering date. If the share price of CWC subsequently declines, our debt obligation is reduced (but not to less than its amortized carrying value) and income is increased. A mark-to-market adjustment may be recorded monthly, recognizing either a gain or a loss, to reflect the difference between the CWC market price and the exchange price (no adjustment is required if the market price is below the exchange price). The CWC exchangeable notes may be exchanged beginning in July 2002. For additional information about the CWC exchangeable notes, see Note 10 to the consolidated financial statements.

Merger-related Costs

Years 1999, 1998 and 1997

In connection with the Bell Atlantic-NYNEX merger, which was completed in August 1997, we recorded pre-tax merger-related costs totaling $205 million in 1999, $196 million in 1998, and $519 million in 1997.

In 1999 and 1998, all merger-related costs were transition and integration 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 retraining. Transition and integration costs are expensed as incurred.

In 1997, direct incremental costs consisted 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 anticipated 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, 1998, and 1999, 245, 856, and 231 management employees were separated with severance benefits. At December 31, 1999, the merger-related separations were completed and the remaining liability balance represents our obligation for ongoing separations under the pre-existing separation plan pays in accordance with SFAS No. 112.

Merger-related costs were comprised of the following amounts in each year:

(dollars in millions)

Years Ended December 31,	1999	1998	1997
Transition and Integration Costs			
Systems modifications	$ 186	$ 149	$ 36
Advertising	–	20	–
Branding	1	11	48
Relocation, training and other	18	16	12
Total Transition and Integration Costs	205	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	$ 205	$ 196	$ 519

Retirement Incentives

Years 1998 and 1997

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 were offered under a voluntary program as a means of implementing substantially all of the work force reductions announced in 1993.

Since the inception of the retirement incentive program, we have 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 were comprised of special termination pension and postretirement benefit amounts, as well as employee costs for other items. These costs were reduced by severance and postretirement medical benefit reserves established in 1993 and transferred to offset the pension and postretirement benefit liabilities as employees accepted the retirement incentive offer. The voluntary retirement program covering associate employees was completed in September 1998. The severance and postretirement medical reserves balances were fully utilized at December 31, 1998. You can find additional information on retirement incentive costs in Note 16 to the consolidated financial statements.

Other Charges and Special Items

Year 1998

During 1998, we recorded other charges and special items totaling $589 million (pre-tax) in connection with the write-down of Asian investments and obsolete or impaired assets and for other special items arising during the period. The remaining liability associated with these charges was $2 million at December 31, 1999 and $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 had placed additional financial burdens on the company in servicing U.S. dollar-denominated debt.
- The economic instability and prospects for an extended recovery period had resulted in weaker than expected growth in TelecomAsia's business. This was 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 would 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 had placed additional financial burdens on the company in servicing U.S. dollar-denominated debt. The political unrest in Indonesia contributed to the currency's instability.
- The economic instability and prospects for an extended recovery period had resulted in weaker than expected growth in Excelcomindo's business. One significant factor was the inflexible tariff regulation despite rising costs due to inflation. This and other factors resulted in reduced expectations of future cash flows and, accordingly, a reduction in the value of our investment.
- Issues with cash flow required Excelcomindo's shareholders to evaluate the future funding of the business.

We 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 $179 million at December 31, 1999. 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

During 1998, we recorded pre-tax charges of $23 million related primarily to wireline and other nonsatellite video initiatives. We made a strategic decision in 1998 to focus our video efforts on satellite service 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 wireline video 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 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 the disposal.

Write-down of Other 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), which we account for as a consolidated subsidiary.

These assets relate to Iusacell's trial of fixed wireless service provided over the 450 MHz frequency. While continuing this trial, Iusacell has been considering whether or not to pursue its rights to acquire 450 MHz licenses for certain areas or to offer new services. Iusacell concluded that, in view of the capability of CDMA technology and the success it had with its deployment, an impairment existed with respect to assets related to the 450 MHz technology since the carrying value of these assets exceeded the sum of the estimated future cash flows associated with the assets. Iusacell is waiting for a definitive proposal from the Mexican Federal Telecommunications Commissions (COFETEL) as to the terms under which it could acquire certain 450 MHz licenses in 2000. At that time, we should have available the full facts to decide Iusacell's overall strategy concerning the 450 MHz licenses.

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 (pre-tax) 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 is held for disposal. At December 31, 1998 and 1999, the impaired assets had no remaining carrying value.

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 $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:

- 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 18.6% interest in CWC and account for our investment under the equity method.

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).

Segmental Results of Operations

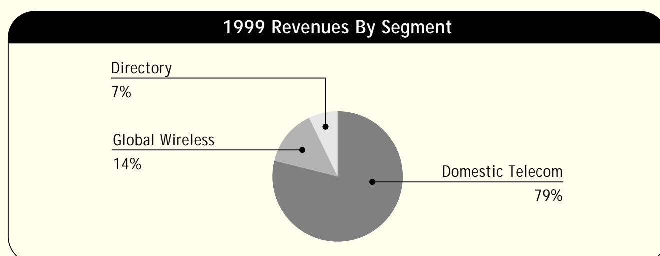
We have four reportable segments, which we operate and manage as strategic business units and organize by products and services. Our segments are Domestic Telecom, Global Wireless, Directory and Other Businesses. You can find additional information about our segments in Note 18 to the consolidated financial statements.

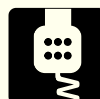
We measure and evaluate our reportable segments based on adjusted net income, which excludes undistributed corporate expenses and special items arising during each period. Special items are transactions that management has excluded from the business units' results, but are included in reported consolidated earnings. We previously described these special items in the Consolidated Results of Operations section. Special items affected our segments as follows:

(dollars in millions)

Years Ended December 31,	1999	1998	1997
Domestic Telecom			
Reported net income	$ 3,332	$ 2,383	$ 2,016
Special items	112	790	977
Adjusted net income	$ 3,444	$ 3,173	$ 2,993
Global Wireless			
Reported net income	$ 388	$ 50	$ 113
Special items	–	178	(18)
Adjusted net income	$ 388	$ 228	$ 95
Directory			
Reported net income	$ 712	$ 662	$ 564
Special items	14	22	93
Adjusted net income	$ 726	$ 684	$ 657
Other Businesses			
Reported net income (loss)	$ 67	$ (231)	$ 28
Special items	–	366	20
Adjusted net income	$ 67	$ 135	$ 48
Reconciling Items			
Reported net income (loss)	$ (297)	$ 101	$ (266)
Special items	432	2	320
Adjusted net income	$ 135	$ 103	$ 54

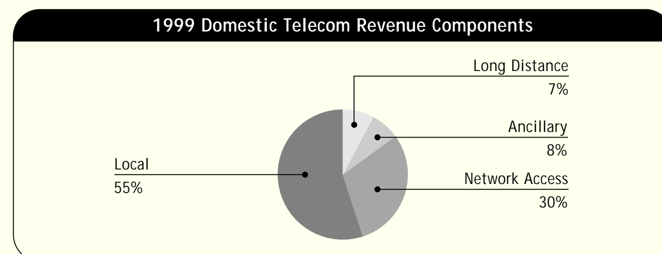
Reconciling items consist of corporate operations and intersegment eliminations.





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, data solutions and systems integration, billing and collections, and Internet access services. Domestic Telecom represents the aggregation of our domestic wireline business units (consumer, enterprise, general business, and network services) that focus on specific markets to meet customer requirements.



Highlights

Healthy demand for core communications services and robust demand for new data services enabled the Domestic Telecom group to increase total operating revenues 3.0% in each of 1999 and 1998 over the respective prior year. Access lines grew 3.1% in 1999 and 4.1% in 1998. Basic access line growth has declined because customers are now choosing high capacity/high speed services for their transport. The number of voice-grade equivalents (access lines plus data circuits) in service grew 13.2% in 1999 and 11.6% in 1998. The number of DSO circuits in service (digital, high-bandwidth and packet-switched services as measured in 64-kilobit voice-grade equivalents) increased 39.6% over 1998 and 38.3% over 1997. Growth in access minutes of use was 5.0% in 1999, compared to 7.8% in 1998, reflecting a decline in customer demand due to win-back programs for long distance services and a shift to wireless calling.

Data revenues (including those from high-bandwidth, packet-switched, and special access services and network integration businesses) reached over $2.9 billion for the year 1999, nearly 26% over 1998 levels. Data revenues in 1998 totaled $2.3 billion, an increase of 33% over 1997.

Adjusted operating expenses totaled $19.8 billion in 1999, 1.2% above 1998 levels and $19.5 billion in 1998, an increase of 2.2% over 1997. Results in all three years included costs for long distance entry, construction of a regional long distance network, Year 2000 compliance costs, and interconnection payments to competitive local exchange carriers.

Additional financial information about Domestic Telecom's results of operations for 1999, 1998, and 1997 follows.

Years Ended December 31,			(dollars in millions)
Results of Operations–Adjusted Basis	**1999**	1998	1997
Operating Revenues			
Local services	$ 14,346	$ 13,882	$ 13,256
Network access services	7,924	7,656	7,340
Long distance services	1,816	1,929	2,190
Ancillary services	2,236	2,090	2,023
	26,322	25,557	24,809
Operating Expenses			
Employee costs	7,275	7,298	7,436
Depreciation and amortization	5,505	5,195	4,990
Other operating expenses	6,994	7,047	6,696
	19,774	19,540	19,122
Operating Income	$ 6,548	$ 6,017	$ 5,687
Income (Loss) From Unconsolidated Businesses	$ 14	$ 27	$ (14)
Adjusted Net Income	$ 3,444	$ 3,173	$ 2,993

Operating Revenues

Local Services

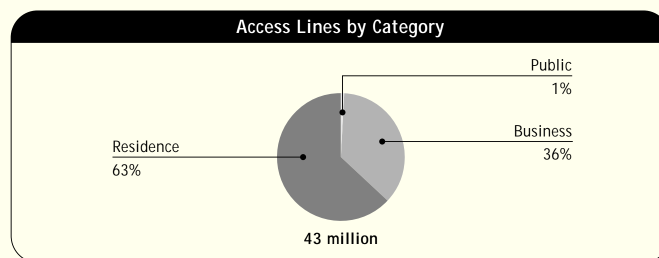
Local service revenues are earned by our operating telephone subsidiaries from the provision of local exchange, local private line, public telephone (pay phone) and value-added services. Value-added services are a family of services that expand the utilization of the network. These services include products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

Growth in local service revenues of $464 million or 3.3% in 1999 and $626 million or 4.7% in 1998 was spurred by higher usage of our network facilities. This growth, generated in part by an increase in access lines in service in each year, reflects strong customer demand and usage of our data transport and digital services, such as Frame Relay, Integrated Services Digital Network (ISDN) and Switched Multi-megabit Data Service (SMDS). Revenues from our value-added services were boosted in both years by marketing and promotional campaigns offering new service packages.

In 1999, local service revenue growth was partially offset by the effect of resold access lines and the provision of unbundled network elements to competitive local exchange carriers. Lower revenues from our pay phone services due to the increasing popularity of wireless communications and a rebate to customers in Massachusetts further reduced revenues in 1999.

In 1998, revenue growth 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.

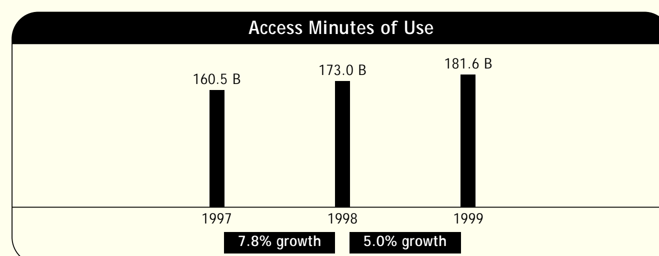
You can find additional information on the Telecommunications Act of 1996 (1996 Act) and its impact on the local exchange market under "Other Factors That May Affect Future Results."



Network Access Services

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

Our network access revenues grew $268 million or 3.5% in 1999 and $316 million or 4.3% in 1998. This growth was mainly attributable to customer demand, as reflected by growth in access minutes of use. Volume growth also reflects a continuing expansion of the business market, particularly for high capacity data services. In 1999 and 1998, demand for special access services increased, reflecting a greater utilization of the network. Higher network usage by alternative providers of intraLATA toll services and higher end-user revenues attributable to an increase in access lines in service further contributed to revenue growth in both years.



In 1999, network access revenues included approximately $90 million received from customers for the recovery of local number portability (LNP) costs. LNP allows customers to change local exchange carriers while maintaining their existing telephone numbers. In December 1998, the FCC issued an order permitting us to recover costs incurred for LNP in the form of monthly end-user charges for a five-year period beginning in March 1999.

Volume-related growth was partially offset by price reductions associated with federal and state price cap filings and other regulatory decisions. State public utility commissions regulate our operating telephone subsidiaries with respect to certain intrastate rates and services and certain other matters. State rate reductions on access services were approximately $104 million in 1999, $79 million in 1998, and $97 million in 1997.

The 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. In July 1999, we implemented interstate price decreases of approximately $235 million on an annual basis in connection with the FCC's Price Cap Plan. The rates included in our July 1999 filing will be in effect through June 2000. Interstate price decreases were $175 million on an annual basis for the period July 1998 through June 1999 and $430 million on an annual basis for the period July 1997 through June 1998. Beginning in January 1998, the rates include amounts necessary to recover our operating telephone subsidiaries' contribution to the FCC's universal service fund and are subject to change every quarter due to potential increases or decreases in our contribution to the universal service fund. The subsidiaries' contributions to the universal service fund are included in Other Operating Expenses.

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

Long Distance Services

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

IntraLATA toll calls originate and terminate within the same LATA, but generally cover a greater distance than a local call. These services are regulated by state regulatory commissions, except where they cross state lines. All of our state regulatory commissions permit other carriers to offer intraLATA toll services.

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 changed this dialing method and enabled customers to make these toll calls using another carrier without having to dial an access code. All of our operating telephone companies have implemented presubscription.

The competitive effects of presubscription for intraLATA toll services principally caused declines in long distance revenues of $113 million or 5.9% in 1999 and $261 million or 11.9% in 1998. The negative effect of presubscription on long distance revenues was partially mitigated by increased network access services for usage of our network by these alternative providers. In response to presubscription, we have implemented customer win-back and retention initiatives that include toll calling discount packages and product bundling offers. These revenue reductions were partially offset by higher calling volumes in both years.

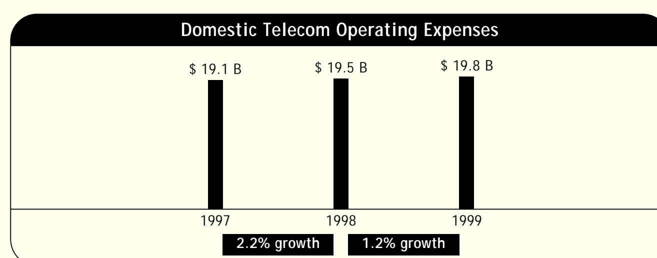
In December 1999, we won approval to offer in-region long distance service in the State of New York, which we launched in January 2000. You can find additional information on our entry into the in-region long distance market under "Other Factors That May Affect Future Results."

Ancillary Services

Our ancillary services include billing and collections for long distance carriers, collocation for competitive local exchange carriers, data solutions and systems integration, voice messaging, Internet access, customer premises equipment and wiring and maintenance services.

Revenues from ancillary services grew $146 million or 7.0% in 1999 and $67 million or 3.3% in 1998. Revenue growth in both years was attributable to higher demand for such services as data solutions and systems integration, voice messaging, and billing and collections. Revenue growth in 1999 was also boosted by higher payments received from competitive local exchange carriers for interconnection of their networks with our network. Revenues earned from our customer premises services increased in 1999, while in 1998 revenues from these services declined over the prior year. These factors were partially offset in both years by accruals primarily for regulatory matters.

Operating Expenses



Employee Costs

Employee costs, which consist of salaries, wages and other employee compensation, employee benefits and payroll taxes, declined by $23 million or 0.3% in 1999 and by $138 million or 1.9% in 1998. These cost reductions were largely attributable to lower pension and benefit costs of $158 million in 1999 and $286 million in 1998. Our pension and benefit costs have declined in each year chiefly due to favorable pension plan investment returns and changes in plan provisions and actuarial assumptions. These factors were partially offset in 1999 by increased health care costs caused by inflation, savings plan benefit improvements for certain management employees, as well as benefit improvements provided for under new contracts with associate employees.

In 1999, the effect of capitalizing employee-related expenses associated with developing internal use software under the new accounting standard, Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," also contributed approximately $100 million to the reduction in employee costs. For additional information on SOP No. 98-1, see Note 1 to the consolidated financial statements.

Cost reductions in both years were partially offset by annual salary and wage increases for management and associate employees and higher payroll taxes. 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 follows:

- The wages, pension and other benefits for our associate employees are negotiated with unions. During 1998, we entered into two-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% effective August 1998, and up to 4% effective August 1999. Over the course of this two-year contract period, pension increases range from 11% to 20%. 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% in April 1999, 3% in May 2000, and 3% in May 2001. Pensions will increase by a total of 11% for the years 1999-2001, and there will be improvements in a variety of other benefits and working conditions.

Other items affecting the change in employee costs in 1999, but to a lesser extent, were higher overtime payments due to severe rainstorms experienced throughout the region and higher work force levels attributable to our recent entry into the in-region long distance market in New York and service quality improvement initiatives. A reduction of work force in 1998 contributed to the decline in employee costs in that year.

You should also read "Other Factors That May Affect Future Results– Pension Plan Amendments" for additional information on employee benefit costs.

Depreciation and Amortization

Depreciation and amortization expense increased by $310 million or 6.0% in 1999 and by $205 million or 4.1% in 1998, principally due to growth in depreciable telephone plant and changes in the mix of plant assets. The adoption of SOP No. 98-1 contributed approximately $100 million to the increase in depreciation expense in 1999. Under this new accounting standard, computer software developed or obtained for internal use is now capitalized and amortized. Previously, we expensed most of these software purchases in the period in which they were incurred. These factors were partially offset in both years by the effect of lower rates of depreciation.

Other Operating Expenses

Other operating expenses declined by $53 million or 0.8% in 1999, compared to an increase of $351 million or 5.2% in 1998. The major components that caused the change in other operating expenses in both years included higher costs associated with entering new businesses such as long distance and data services, and higher interconnection payments to competitive local exchange and other carriers to terminate calls on their networks (reciprocal compensation). Payments for reciprocal compensation increased over the prior year by approximately $175 million in each of 1999 and 1998.

In 1999, these factors were largely offset by the effect of SOP No. 98-1, which reduced other operating expenses by approximately $370 million as a result of capitalizing expenditures for internal use software previously expensed in 1998 and prior years. Lower costs associated with opening our network to competitors, including local number portability, and lower spending by our operating telephone subsidiaries for such expenditures as rent, marketing and advertising further offset expense increases in 1999.

Other operating expenses in 1998 also included additional Year 2000 readiness costs, higher material purchases, and additional costs associated with our contribution to the federal universal service fund which was created by the FCC in 1998. The cost increases in 1998 were 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.

For additional information on reciprocal compensation refer to "Other Factors That May Affect Future Results."

Income (Loss) From Unconsolidated Businesses

The change in income (loss) from unconsolidated businesses in 1999 and 1998 was primarily due to the effect of the disposition of our video operations.

Global Wireless

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

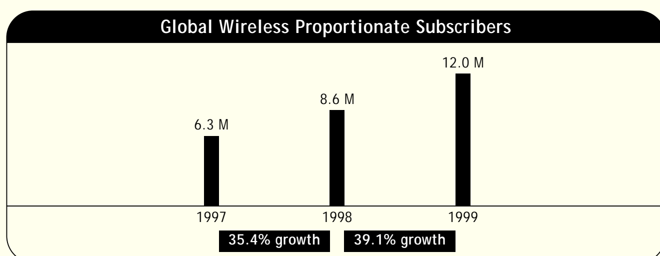
Highlights

The Global Wireless group's adjusted net income grew $160 million or 70.2% in 1999 and $133 million or 140% in 1998. This growth was fueled by strong subscriber growth at our domestic wireless subsidiary, Bell Atlantic Mobile (BAM), and record growth in new customers in the group's international wireless portfolio. Our international portfolio includes our investments in Omnitel in Italy, STET Hellas in Greece, EuroTel Praha in the Czech Republic, and our fully-consolidated Iusacell investment in Mexico.

In December 1999, BAM completed the acquisition of Frontier Corporation's (Frontier) interests in wireless properties doing business under the Frontier Cellular name. This acquisition increased BAM's ownership in Frontier from 50% to 100%. As a result, we changed the accounting for our Frontier Cellular investment from the equity method to full consolidation.

The Global Wireless group ended the year 1999 with approximately 12.0 million global proportionate wireless subscribers, up 39.1% over year-end 1998. The 1999 subscriber amount includes 452,000 added through BAM's acquisition of Frontier Cellular properties. At year-end 1998, our global proportionate wireless subscribers totaled approximately 8.6 million, an increase of 35.4% over year-end 1997.

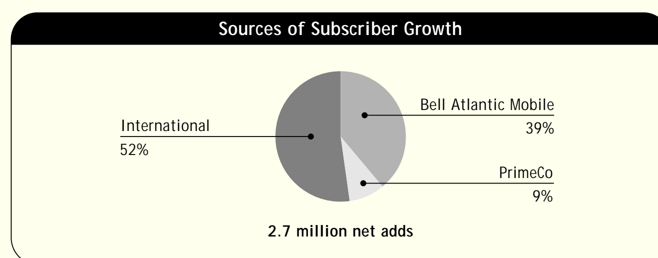
BAM ended 1999 with approximately 7.7 million customers (including Frontier Cellular subscribers), an increase of 24.0% over year-end 1998. At year-end 1998, BAM customers totaled approximately 6.2 million, an increase of 15.8% over year-end 1997. Total revenue per subscriber for BAM operations was $51.71 in 1999, $50.84 in 1998, and $53.15 in 1997. PrimeCo Personal Communications, L.P. (PrimeCo), a personal communications services (PCS) joint venture in the United States which we account for under the equity method, reported proportionate subscriber growth of 52.8% in 1999 and 133.1% in 1998.



Additional financial information about Global Wireless results of operations for 1999, 1998, and 1997 follows.

Years Ended December 31, Results of Operations–Adjusted Basis (dollars in millions)	1999	1998	1997
Operating Revenues			
Wireless services revenues	$ 4,564	$ 3,798	$ 3,347
Operating Expenses			
Employee costs	604	548	490
Depreciation and amortization	673	592	481
Other operating expenses	2,459	1,942	1,742
	3,736	3,082	2,713
Operating Income	$ 828	$ 716	$ 634
Income (Loss) From Unconsolidated Businesses	$ 80	$ (96)	$ (196)
Adjusted Net Income	$ 388	$ 228	$ 95

Operating Revenues



Revenues earned from our consolidated wireless businesses grew by $766 million or 20.2% in 1999 and $451 million or 13.5% in 1998. This revenue growth was largely attributable to BAM, which contributed $658 million to revenue growth in 1999 and $383 million to revenue growth in 1998. Customer additions and increased usage of our domestic wireless services drove this growth. New pricing plans for BAM's digital wireless services fueled subscriber growth in 1999. Revenues from Iusacell grew $130 million in 1999 and $63 million in 1998, principally as a result of subscriber growth and higher rates charged for services.

Revenue growth in 1999 from our consolidated wireless businesses was slightly offset by the effect of the December 1998 sale of our paging business.

Operating Expenses

Employee Costs

Employee costs increased by $56 million or 10.2% in 1999 and $58 million or 11.8% in 1998, principally as a result of higher work force levels at BAM. Employee costs at Iusacell were lower in 1999 as a result of work force reductions and higher in 1998 as a result of increased employee levels and related benefits.

Depreciation and Amortization

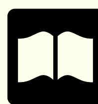
Depreciation and amortization expense increased by $81 million or 13.7% in 1999 and by $111 million or 23.1% in 1998. This increase was mainly attributable to growth in depreciable cellular plant at BAM, contributing $69 million in 1999 and $110 million in 1998 to higher depreciation costs. Higher depreciation costs at Iusacell also contributed to expense growth in 1999, but to a lesser extent. These increases were chiefly due to increased capital expenditures to support the increasing demand for wireless services in both the domestic and international markets.

Other Operating Expenses

In 1999, other operating expenses increased by $517 million or 26.6%, compared to $200 million or 11.5% in 1998. These increases were primarily attributable to our BAM operations as a result of increased service costs due to the growth in their subscriber base, including additional costs of equipment, higher roaming payments to wireless carriers, and higher sales commissions. BAM's other operating expenses, including taxes other than income, increased $459 million in 1999 and $149 million in 1998. Higher service costs at Iusacell also contributed to expense growth in both years, but to a lesser extent. In 1999, these factors were slightly offset by the effect of the December 1998 sale of our paging business.

Income (Loss) From Unconsolidated Businesses

The changes in income (loss) from unconsolidated businesses in 1999 and 1998 were principally due to improved operating results from our wireless investments in PrimeCo and Omnitel, fueled primarily by strong subscriber growth. Equity income from Omnitel included the effect of increased goodwill amortization as a result of increases in our economic ownership in Omnitel in 1999 and 1998. PrimeCo's results in 1999 included a gain on the sale of operations in Hawaii. Other international wireless investments such as STET Hellas and EuroTel Praha also reported improved operating results in 1999.



Directory

Our Directory segment consists of our domestic and international publishing businesses, including print directories and Internet-based shopping guides, as well as website creation and other electronic commerce services.

This segment has operations principally in the United States and Central Europe.

Years Ended December 31, Results of Operations–Adjusted Basis	1999	1998	1997 (dollars in millions)
Operating Revenues			
Directory services revenues	$ 2,338	$ 2,264	$ 2,215
Operating Expenses			
Employee costs	314	326	215
Depreciation and amortization	36	37	39
Other operating expenses	757	777	886
	1,107	1,140	1,140
Operating Income	$ 1,231	$ 1,124	$ 1,075
Income (Loss) From Unconsolidated Businesses	$ (1)	$ 29	$ 23
Adjusted Net Income	$ 726	$ 684	$ 657

Operating Revenues

Operating revenues from our Directory segment improved by $74 million or 3.3% in 1999 and $49 million or 2.2% in 1998, principally as a result of increased pricing for certain directory services. Higher business volumes, including revenue from new Internet-based shopping directory and electronic commerce services, also contributed to revenue growth in both years, but to a lesser extent.

Operating Expenses

In 1999, total operating expenses declined $33 million or 2.9% largely due to lower work force levels. Lower spending for maintenance, repair and other costs of services also contributed to the decline in operating costs in 1999.

In 1998, total operating expenses were unchanged from 1997. The changes in the major components of operating expenses include a reclassification of certain costs from other operating expenses to employee costs, beginning in 1998. For comparability purposes, had similar costs of approximately $95 million been reclassified in 1997, employee costs would have increased by approximately $16 million or 5.2% in 1998 and other operating expenses would have declined by approximately $14 million or 1.8% in 1998. The increase in employee costs was largely due to salary and wage increases. The reduction in other operating expenses was principally due to lower general and administrative costs of service.

Income (Loss) From Unconsolidated Businesses

In 1998 and 1997, income from unconsolidated businesses included gains on the sale of portions of our ownership interests in certain global directory businesses. The loss from unconsolidated businesses in 1999 was due to lower operating results from our international directory businesses.

Other Businesses

Our Other Businesses segment includes international wireline telecommunications investments in Europe and the Pacific Rim, lease financing and all other businesses.

Highlights

Effective May 31, 1999, our representatives resigned from the Board of Directors of Telecom Corporation of New Zealand Limited (TCNZ) and we agreed to vote our shares neutrally. As a result, we no longer have significant influence over TCNZ's operating and financial policies and, therefore, have changed the accounting for our investment in TCNZ from the equity method to the cost method. The change in the method of accounting for this investment did not have a material effect on results of operations in 1999. We currently hold a 24.94% interest in TCNZ.

Coincident with our change to the cost method of accounting, our investment in TCNZ is now subject to the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Under these provisions, our TCNZ shares are classified as "available-for-sale" securities and, accordingly, our TCNZ investment has been adjusted from a carrying value of $363 million to its fair value of $2,103 million at December 31, 1999. The increased value of our investment is recorded in Investments in Unconsolidated Businesses in our consolidated balance sheet. The unrealized gain of $1,131 million (net of income taxes of $609 million) has been recognized in Accumulated Other Comprehensive Income (Loss).

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 now account for our investment in CWC under the equity method. Prior to this transfer, we included the accounts of these operations in our consolidated financial statements. You can find more information about CWC in Note 3 to the consolidated financial statements.

Years Ended December 31, Results of Operations–Adjusted Basis (dollars in millions)	1999	1998	1997
Operating Revenues			
Other services revenues	$ 151	$ 124	$ 278
Operating Expenses			
Employee costs	7	14	58
Depreciation and amortization	2	3	48
Other operating expenses	97	105	210
	106	122	316
Operating Income (Loss)	$ 45	$ 2	$ (38)
Income From Unconsolidated Businesses	$ 37	$ 86	$ 78
Adjusted Net Income	$ 67	$ 135	$ 48

Operating Results

The improvement in operating income between 1999 and 1998 was largely attributable to improved operating results by our lease financing businesses.

Income from unconsolidated businesses declined in 1999 primarily as a result of higher equity losses from our investment in CWC and from our investment in BayanTel, a Philippines-based telecommunications company. BayanTel's 1999 results also included a charge for the write-down of their interest in a joint venture. These losses were partially offset by improved equity results from our investment in Fiberoptic Link Around the Globe (FLAG), which owns an undersea fiberoptic cable system, providing digital communications links between Europe and Asia. FLAG's 1999 results also reflect the effect of one-time charges recorded in 1998.

In 1998, the changes in operating revenues, operating expenses, and income from unconsolidated businesses principally reflect the effect of the change in the accounting for our CWC investment under the equity method, beginning in the second quarter of 1997.

Nonoperating Items

The following discussion of nonoperating items is based on the amounts reported in our consolidated financial statements.

Years Ended December 31, Interest Expense (dollars in millions)	1999	1998	1997
Total interest expense–reported	$ 1,263	$ 1,335	$ 1,230
Special items–write-down of assets	–	(47)	–
Settlement of tax-related matters	–	(46)	–
Interest expense–excluding special items and tax settlement	1,263	1,242	1,230
Capitalized interest costs	98	90	81
Total interest cost on debt balances	$ 1,361	$ 1,332	$ 1,311
Average debt outstanding	$ 20,777	$ 19,963	$ 18,897
Effective interest rate	6.6%	6.7%	6.9%

Our interest cost on debt balances was higher in 1999 and 1998 principally due to higher average debt levels. These increases were partially offset by the effect of lower interest rates.

Years Ended December 31, Other Income and (Expense), Net (dollars in millions)	1999	1998	1997
Minority interest	$ (81)	$ (75)	$ (95)
Foreign currency gains, net	15	40	28
Interest income	32	81	27
Gains on disposition of assets/businesses, net	53	44	17
Other, net	35	32	20
Total	$ 54	$ 122	$ (3)

The changes in other income and expense were due to changes in several components, as shown in the table. The change in minority interest was largely due to the recognition of minority interest expense in 1999 related to our investment in Iusacell. In 1998, we recorded minority interest income for Iusacell, principally resulting from the write-down of fixed assets as described earlier. Further contributing to the change in minority interest, in 1999, we no longer record a minority interest expense related to the outside party's share of the subsidiary's earnings in connection with the sale of our investment in Viacom Inc. (Viacom).

Foreign exchange gains were affected in 1999 as a result of the discontinuation of highly inflationary accounting for our Iusacell subsidiary, effective January 1, 1999. As a result of this change, Iusacell now uses the Mexican peso as its functional currency and we expect that our earnings will continue to be affected by any foreign currency gains or losses associated with the U.S. dollar denominated debt issued by Iusacell. Also, in 1998 we recognized higher foreign exchange gains associated with other international investments. Finally, we recorded gains on the disposition of assets in 1999, primarily related to the sale of real estate in New York and gains on the sale of land and our paging business in 1998. In 1998, we recorded additional interest income in connection with the settlement of tax-related matters.

Years Ended December 31,	1999	1998	1997
Effective Income Tax Rates	37.8%	40.2%	38.4%

The effective income tax rate is the provision for income taxes as a percentage of income before the provision for income taxes.

Our reported effective income tax rate for 1999 was lower than 1998, primarily due to the write-down of certain international investments in 1998 for which no tax benefit was provided. This factor was partially offset by lower tax credits in 1999, as well as adjustments to deferred income taxes at certain subsidiaries in 1998.

The higher reported effective income tax rate in 1998 resulted from higher state and local income taxes caused by the change in the New Jersey state tax law described earlier under "Domestic Telecom–Other Operating Expenses," and from the write-down of certain international investments for which no tax benefits were provided. These rate increases were partially offset by adjustments to deferred tax balances at certain subsidiaries and higher tax credits related to our foreign operations.

You can find a reconciliation of the statutory federal income tax rate to the effective income tax rate for each period in Note 17 to the consolidated financial statements.

Extraordinary Item

In 1998, we recorded extraordinary charges associated with the early extinguishment of debentures and refunding mortgage bonds of our operating telephone subsidiaries and debt issued by FLAG. These charges reduced net income by $26 million (net of an income tax benefit of $14 million).

Consolidated Financial Condition

(dollars in millions)

Years Ended December 31,	1999	1998	1997
Cash Flows From (Used In)			
Operating activities	$ 10,656	$ 10,071	$ 8,859
Investing activities	(9,629)	(7,685)	(7,339)
Financing activities	(167)	(2,472)	(1,447)
Increase (Decrease) in Cash and Cash Equivalents	$ 860	$ (86)	$ 73

We use the net cash generated from our operations and from external financing to fund capital expenditures for network expansion and modernization, pay dividends, and invest in new businesses. While current liabilities exceeded current assets at December 31, 1999 and 1998, our sources of funds, primarily from operations and, to the extent necessary, from readily available external financing arrangements, are sufficient to meet ongoing operating and investing requirements. We expect that presently foreseeable capital requirements will continue to be financed primarily through internally generated funds. Additional debt or equity financing may be needed to fund additional development activities or to maintain our capital structure to ensure our financial flexibility.

Cash Flows From Operating Activities

Our primary source of funds continued to be cash generated from operations. Improved cash flows from operations during 1999, 1998, and 1997 resulted from growth in operating income, partially offset by changes in certain assets and liabilities. In 1999, the change in certain assets and liabilities largely reflects growth in customer accounts receivable and a reduction in employee benefit obligations chiefly due to favorable investment returns and changes in plan provisions and actuarial assumptions.

The change in certain assets and liabilities in 1998 and 1997 reflects the effect of our retirement incentive program that increased employee benefit obligations as a result of special charges recorded through the completion of the program in 1998. An increase in accounts receivable due to subscriber growth and greater usage of our networks, as well as timing differences in the payment of accounts payable and accrued liabilities also contributed to the change in both years.

Cash Flows Used In Investing Activities

Capital expenditures continued to be our primary use of capital resources. We invested approximately $7.5 billion in 1999, $6.4 billion in 1998 and $5.5 billion in 1997 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. We also invested approximately $1.2 billion in 1999, $1.0 billion in 1998 and $1.1 billion in 1997 in our Wireless, Directory and Other Businesses. We expect capital expenditures in 2000 to be in the range of $8.9 billion to $9.2 billion.

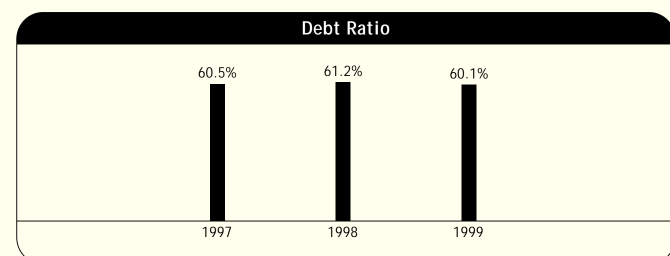
We continue to make substantial investments in our unconsolidated businesses. During 1999, we invested $901 million, which included a cash payment of approximately $630 million to increase our ownership interest in Omnitel from 19.71% to 23.14%. In 1999, we also invested $202 million in PrimeCo to fund the build-out and operations of its PCS network and $69 million principally in our lease financing businesses. In 1998, we invested $603 million, which included an additional investment of $162 million in Omnitel to increase our ownership interest from 17.45% to 19.71%, $301 million in PrimeCo, 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.

In 1999, we invested $505 million to acquire new businesses, including $374 million to fully acquire the cellular properties of Frontier Cellular and $81 million for other wireless properties. We also invested $50 million in data service businesses in 1999. We invested cash for new businesses of $62 million in each of 1998 and 1997 in connection with our domestic wireless subsidiaries.

Our short-term investments include principally cash equivalents held in trust accounts for payment of certain employee benefits. We invested $855 million in short-term investments in 1999, including $785 million to pre-fund associate health and welfare benefits. Cash payments for short-term investments totaled $1,028 million in 1998 and $844 million in 1997, principally to pre-fund vacation pay and associate health and welfare benefit trusts. Beginning in 1999, we no longer fund the vacation pay trust for all employees. Proceeds from the sales of all short-term investments were $795 million in 1999, $968 million in 1998, and $427 million in 1997.

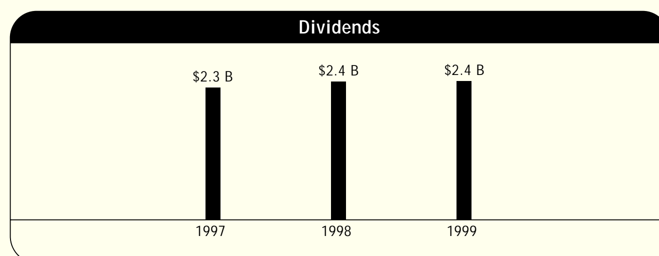
In 1999, we received cash proceeds of $612 million in connection with the disposition of our remaining investment in Viacom, representing 12 million shares of their preferred stock (with a book value of approximately $600 million). In 1998, we received cash proceeds of $637 million in connection with the disposition of investments. These proceeds included $564 million associated with Viacom's repurchase of one-half of our investment in Viacom 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.

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 1999 and 1998, we declared quarterly cash dividends of $.385 per share or $1.54 per share in each year. 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.



We increased our total debt (including capital lease obligations) by approximately $3.3 billion from December 31, 1998, primarily to fund our investments in Omnitel, PrimeCo, and Frontier Cellular. Our debt balance at December 31, 1999 also included $664 million for the mark-to-market adjustment for the CWC exchangeable notes, $456 million of additional debt issued by Iusacell in 1999, and approximately $105 million of debt assumed from the acquisition of Frontier Cellular. These factors were partially offset by the use of cash proceeds received from the disposition of our remaining investment in Viacom. Our debt level increased by $1,026 million from 1997 to 1998, principally to fund the capital program and for continued investments in PrimeCo and Omnitel. The pre-funding of employee benefit trusts and purchases of shares to fund employee stock option exercises also contributed to the increase in debt levels in both 1999 and 1998.

In February 1998, our wholly owned subsidiary, Bell Atlantic Financial Services, Inc. (FSI), issued $2,455 million in 5.75% exchangeable notes due on April 1, 2003 that are exchangeable into ordinary shares of TCNZ stock (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 (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.

Our operating telephone subsidiaries refinanced debentures totaling $257 million in 1999 and $790 million in 1998.

As of December 31, 1999, we had in excess of $4.0 billion of unused bank lines of credit and $143 million in bank borrowings outstanding. As of December 31, 1999, our operating telephone subsidiaries and financing subsidiaries had shelf registrations for the issuance of up to $2.9 billion of unsecured debt securities. In March 2000, FSI issued approximately $893 million of medium-term notes, the proceeds of which were used to reduce short-term debt levels and for

other general corporate purposes. 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 January 2000, Standard & Poor's revised its regulatory separation policy as it applies to U.S. telephone companies. Under the revised policy, Standard & Poor's will no longer assign higher corporate credit ratings to telephone operating subsidiaries. Rating actions by Standard & Poor's on Bell Atlantic and its operating telephone subsidiaries reflect both the new policy and their continued CreditWatch listings, which resulted from the pending Bell Atlantic–GTE merger.

We also have 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 may be issued from time to time by 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 March 1999, we received cash proceeds of $380 million from a financing transaction involving cellular assets between BAM and Crown Castle International Corporation. A joint venture was formed for the primary purpose of financing BAM's investment in cellular towers. BAM, together with certain partnerships in which it is the managing partner (the managed entities), contributed to the joint venture approximately 1,460 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 have leased back a portion of the towers, and the joint venture will lease the remaining space to third parties. The joint venture also plans to build new towers.

In 1999, we received cash proceeds totaling $119 million from the public offerings of Iusacell shares. See Note 4 to the consolidated financial statements for additional information on Iusacell and the share offerings.

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. 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.

Increase (Decrease) in Cash and Cash Equivalents

Our cash and cash equivalents at December 31, 1999 totaled $1,097 million, an increase of $860 million over 1998. This increase was primarily attributable to anticipated funding requirements in early 2000 in connection with an agreement with Metromedia Fiber Network, Inc. (MFN), a domestic and international provider of dedicated fiber optic networks in major metropolitan markets.

On March 6, 2000, we invested approximately $1.7 billion in MFN. This investment included $715 million to acquire approximately 9.5% of the equity of MFN through the purchase of newly issued shares at $28 per share. We also purchased approximately $975 million in subordinated debt securities convertible at our option, upon receipt of necessary government approvals, into common stock at a conversion price of $34 per share or an additional 9.6% of the equity of MFN. This investment completed a portion of our previously announced agreement with MFN, which included the acquisition of approximately $550 million of long-term capacity in MFN's fiber optic networks, beginning in 1999 through 2002. Of the $550 million, 10% was paid in November 1999 and 30% will be paid each October from 2000 through 2002.

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 as discussed below.

Exchangeable Notes

In 1998, we issued exchangeable notes as described in Note 10 to the consolidated financial statements and discussed earlier under "Mark-to-Market Adjustment for Exchangeable Notes." These financial instruments expose us to market risk, including:

- Equity price risk, because the notes are exchangeable into shares that are traded on the open market and routinely fluctuate in value.
- Interest rate risk, because the notes carry fixed interest rates.
- Foreign exchange rate risk, because the notes are exchangeable into shares that are denominated in a foreign currency.

Periodically, equity price and/or foreign exchange rate movements may require us to mark to market the exchangeable note liability to reflect the increase in the current share price over the established exchange price, resulting in a charge to income.

The following sensitivity analysis measures the effect on earnings and financial condition due to changes in the underlying share prices of the TCNZ and CWC stock.

- At December 31, 1999, the exchange price for the TCNZ shares (expressed as American Depositary Receipts) was $44.93 and the exchange price for the CWC shares (expressed as American Depositary Shares) was $58.03.
- For each $1.00 increase in value of the TCNZ shares or the CWC shares above the exchange price, our earnings would be reduced by approximately $55 million or $56 million, respectively. A subsequent decrease in value of the TCNZ shares or the CWC shares would correspondingly increase earnings, but not to exceed the amount of any previous reduction in earnings. Our earnings are not affected so long as the TCNZ and CWC share prices are at or below their exchange prices.
- Our cash flows would not be affected by mark-to-market transactions related to the exchangeable notes.
- If we decide to deliver shares in exchange for the notes, the exchangeable note liability (including any mark-to-market adjustments) will be eliminated and the investment will be reduced by the book value of the related number of shares delivered. Upon settlement, the excess of the liability over the book value of the related shares delivered will be recorded as a gain. We also have the option to settle these liabilities with cash upon exchange.

A proposed restructuring of our investment in CWC, as discussed in Note 3 to the consolidated financial statements, would change the securities to be delivered upon exchange for the CWC exchangeable notes. Under this restructuring, we would receive shares in the two acquiring companies in exchange for our CWC shares.

Interest Rate Risk

The table that follows summarizes the fair values of our long-term debt, interest rate derivatives and exchangeable notes as of December 31, 1999 and 1998. The table also provides a sensitivity analysis of the estimated fair values of these financial instruments assuming 100-basis-point upward and downward parallel shifts in the yield curve. Our sensitivity analysis did not include the fair values of our commercial paper and bank loans because they are not significantly affected by changes in market interest rates.

(dollars in millions)

At December 31, 1999	Fair Value	Fair Value assuming +100 basis point shift	Fair Value assuming -100 basis point shift
Long-term debt and interest rate derivatives	$ 12,625	$ 11,923	$ 13,385
Exchangeable notes	6,417	6,335	6,498
Total	$ 19,042	$ 18,258	$ 19,883
At December 31, 1998			
Long-term debt and interest rate derivatives	$ 14,243	$ 13,414	$ 15,098
Exchangeable notes	5,818	5,618	6,018
Total	$ 20,061	$ 19,032	$ 21,116

Equity Price Risk

The fair values of certain of our investments, primarily in common stock, expose us to equity price risk. These investments are subject to changes in the market prices of the securities. As noted earlier, the fair values of our exchangeable notes are also affected by changes in equity price movements. The table that follows summarizes the fair values of our investments and exchangeable notes and provides a sensitivity analysis of the estimated fair values of these financial instruments assuming a 10% increase or decrease in equity prices.

(dollars in millions)

At December 31, 1999	Fair Value	Fair Value assuming 10% decrease in equity price	Fair Value assuming 10% increase in equity price
Cost investments, at fair value	$ 2,296	$ 2,066	$ 2,526
Exchangeable notes	(6,417)	(6,050)	(6,822)
Total	$ (4,121)	$ (3,984)	$ (4,296)
At December 31, 1998			
Cost investments, at fair value	$ 29	$ 26	$ 32
Exchangeable notes	(5,818)	(5,643)	(6,023)
Total	$ (5,789)	$ (5,617)	$ (5,991)

Foreign Currency Translation

The functional currency for nearly all of our foreign operations is the local currency. The translation of income statement and balance sheet amounts of these entities into U.S. dollars are recorded as cumulative translation adjustments, which are included in Accumulated Other Comprehensive Income (Loss) in our consolidated balance sheets. At December 31, 1999, our primary translation exposure was to the British pound and Italian lira. 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.

Equity income from our international investments is affected by exchange rate fluctuations when an equity investee has assets and liabilities denominated in a currency other than the investee's functional currency. Our investment in the Philippines is exposed to fluctuations in the U.S. dollar/Filipino peso exchange rate. Iusacell, our consolidated investment in Mexico, also issues U.S. dollar denominated debt.

For the period October 1, 1996 through December 31, 1998, we considered Iusacell to operate in a highly inflationary economy and utilized the U.S. dollar as its functional currency. Beginning January 1, 1999, we discontinued highly inflationary accounting for our Iusacell subsidiary and resumed using the Mexican peso as its functional currency. As a result, in 1999 our earnings were affected by any foreign currency gains or losses associated with the U.S dollar denominated debt issued by Iusacell and our equity was affected by the translation from the Mexican peso.

Foreign Exchange Risk

The fair values of our foreign currency derivatives and investments accounted for under the cost method are subject to fluctuations in foreign exchange rates. Our most significant foreign currency derivatives contain both a foreign currency forward and a U.S. dollar interest rate component. These agreements require an exchange of British pounds and U.S. dollars at the maturity of the contract.

The table that follows summarizes the fair values of our foreign currency derivatives, cost investments, and the exchangeable notes as of December 31, 1999 and 1998. The table also provides a sensitivity analysis of the estimated fair values of these financial instruments assuming a 10% decrease and increase in the value of the U.S. dollar against the various currencies to which we are exposed. Our sensitivity analysis does not include potential changes in the value of our international investments accounted for under the equity method. As of December 31, 1999, the carrying value of our equity method international investments totaled approximately $2.2 billion.

(dollars in millions)

At December 31, 1999	Fair Value	Fair Value assuming 10% decrease in US $	Fair Value assuming 10% increase in US $
Cost investments and foreign currency derivatives	$ 2,273	$ 2,502	$ 2,091
Exchangeable notes	(6,417)	(6,822)	(6,050)
Total	$ (4,144)	$ (4,320)	$ (3,959)
At December 31, 1998			
Cost investments and foreign currency derivatives	$ 154	$ 140	$ 172
Exchangeable notes	(5,818)	(6,023)	(5,643)
Total	$ (5,664)	$ (5,883)	$ (5,471)

Other Factors That May Affect Future Results

Proposed Bell Atlantic–GTE Merger

Bell Atlantic and 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 reporting purposes the companies will be treated as if they had always been combined. At annual meetings held in May 1999, the shareholders of each company approved the merger. The completion of the merger is subject to a number of conditions, including certain regulatory approvals (all of which have been obtained except that of the FCC) and receipt of opinions that the merger will be tax-free.

We are targeting completion of the merger in the second quarter of 2000.

Future operating revenues, expenses and net income of the combined company may not follow the same historical trends, or reflect the same dependence on economic and competitive factors, as presented in our discussion of our own historical results of operations and financial condition. You should refer to Note 22 to the consolidated financial statements for pro forma income statements for the years ended December 31, 1999, 1998 and 1997 and a pro forma balance sheet for the year ended December 31, 1999.

Recent Developments

Proposed Domestic Wireless Transactions

Vodafone AirTouch

On September 21, 1999, we signed a definitive agreement with Vodafone AirTouch plc (Vodafone AirTouch) to create a national wireless business (Wireless Co.) composed of both companies' U.S. wireless assets. The completion of this transaction is subject to a number of conditions, including certain regulatory approvals. In February 2000, we signed an agreement with ALLTEL Corporation to exchange certain wireless interests. This agreement eliminates all of the overlapping cellular operations that would be created by the combination of Bell Atlantic and Vodafone AirTouch wireless properties. We expect to complete the transaction in April 2000. You should also read Note 21 to the consolidated financial statements for additional information about this proposed domestic wireless business.

PrimeCo Personal Communications, L.P.

On August 3, 1999, Bell Atlantic and Vodafone AirTouch announced an agreement to restructure our ownership interests in PrimeCo, a partnership that was formed by us and Vodafone AirTouch in 1994 and provides personal communications services in major cities across the United States. Under the terms of that agreement, we would assume full ownership of PrimeCo operations in five "major trading areas" (MTAs)–Richmond, VA, New Orleans, LA and the Florida MTAs of Jacksonville, Tampa and Miami. Vodafone AirTouch would assume full ownership of the remaining five PrimeCo MTAs–Chicago, IL, Milwaukee, WI and the Texas MTAs of Dallas, San Antonio and Houston.

Under the terms of the Wireless Co. agreement described earlier, Bell Atlantic and Vodafone AirTouch agreed to suspend the August 3, 1999 agreement to restructure PrimeCo ownership interests, with certain limited exceptions. As a result, no action will be taken to allocate most PrimeCo markets unless either we or Vodafone AirTouch give notice to initiate such an allocation. Neither party has given such notice.

In January 2000, we and Vodafone AirTouch purchased the remaining 20% partnership interest in the Texas MTAs of Dallas, San Antonio and Houston held by TXU Communications Holding Company (TXU). We invested $196 million to acquire 55% of the TXU partnership interest. Vodafone AirTouch will own the remaining 45% of the TXU partnership interest.

Proposed Restructure of Cable & Wireless Communications plc

On July 27, 1999, we announced our agreement to a proposal by Cable & Wireless plc (Cable & Wireless), NTL Incorporated (NTL) and CWC for the proposed restructuring of CWC. We currently have an 18.6% ownership interest in CWC.

Under the terms of the agreement, CWC's consumer cable telephone, television and Internet operations would be separated from its corporate, business, Internet protocol and wholesale operations. The consumer operations would be acquired by NTL and the other operations would be acquired by Cable & Wireless. In exchange for our interest in CWC, we would receive shares in the two acquiring companies, representing approximately 9.1% of the NTL shares currently outstanding and approximately 4.6% of the Cable & Wireless shares currently outstanding. Upon completion of the restructuring, our previously issued $3,180 million in CWC exchangeable notes would be exchangeable on and after July 1, 2002 for shares in NTL and Cable & Wireless in proportion to the shares received in the restructuring. Upon exchange by investors, we retain the option to settle in cash or by delivery of the Cable & Wireless and NTL shares. We expect the restructuring to result in a material non-cash gain.

The completion of the restructuring is subject to a number of conditions and, assuming satisfaction of those conditions, is expected to close in the first half of 2000.

Pension Plan Amendments

Effective January 19, 2000, we amended our management cash balance plan to provide employees having at least 15 years of service as of September 1, 1999 with a pension benefit that is the "greater of" their cash balance account or a benefit based on our former management pension plan. Employees will be given the greater of the two benefits when they retire or terminate from the company. In February 2000, we announced a special lump sum pension payment to management and associate employees who retired before January 1, 1995 and who are receiving pension annuities. The payments range from $2,500 to $20,000 depending on years in retirement and current pension amount. Retirees will have the option of electing the payment as a lump sum or an annuity. Together these two plan amendments will increase annual pension costs by approximately $65 million. We expect that favorable investment returns and changes in actuarial assumptions will compensate for these cost increases. For additional information about our employee benefits, see Note 16 to the consolidated financial statements.

The Telecommunications Act of 1996 and Competition

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 or their affiliates, including Bell Atlantic, to provide interLATA (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 services through resale, through 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.

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.

In-Region Long Distance

On December 22, 1999, the FCC released an order approving our application for permission to enter the in-region long distance market in New York. The FCC concluded that we have satisfied the 14-point "competitive checklist" required under the 1996 Act for entry into the in-region long distance market, and that our entry into the long distance business in New York would benefit the public interest. Following the FCC's decision, AT&T and Covad sought a stay of the Commission's order. The stay request was denied, first by the FCC and later by the U.S. Court of Appeals. AT&T's and Covad's appeal of the order remains pending and is proceeding on an accelerated schedule, with argument scheduled for April 2000.

KPMG LLP (KPMG), which conducted an extensive third-party test of our operations support systems (OSS) in New York under the supervision of the New York Public Service Commission (PSC), has been retained by the Massachusetts Department of Telecommunications and Energy to conduct a third-party test of our OSS in Massachusetts. The Massachusetts test is designed to build on the KPMG test of the similar systems in New York.

KPMG has also been retained by the Pennsylvania Public Utility Commission to conduct a third-party test of our OSS in Pennsylvania and by the New Jersey Board of Public Utilities to conduct a test of the New Jersey OSS that builds on the concurrent testing of the similar systems in Pennsylvania. The Virginia State Corporation Commission has also retained KPMG for the same purpose.

The timing of our long distance entry in each of our remaining 13 jurisdictions depends on the receipt of FCC approval.

FCC Regulation and Interstate Rates

In 1999, the FCC continued to implement reforms to the interstate access charge system and to implement "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 companies' 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 companies' non-usage-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. The final phase of this restructuring was completed on January 1, 2000.

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 (productivity factor) and adjusted upward by an allowance for inflation (GDP-PI). Our annual price cap filing effective July 1, 1999 reflects the effects of the current productivity factor of 6.5%.

In May 1999, the U.S. Court of Appeals reversed the FCC order that adopted the 6.5% productivity factor. The Court concluded that the FCC had not justified its choice of a productivity factor and directed the FCC to reconsider and explain the methods used in selecting the productivity factor. The Court granted the FCC a stay of its order, however, until April 1, 2000. As a result, the FCC is now conducting a proceeding to determine an appropriate productivity factor in response to the court's order.

At the same time, the FCC is considering a proposal to further restructure access rates by an industry coalition that includes both local exchange carriers (including Bell Atlantic) and long distance carriers. Among other things, that proposal would set into place a mechanism to transition to a set target of $.0055 per minute for switched access services. Once that target rate is reached, local exchange carriers would no longer be required to make further annual price cap reductions to their switched access prices. To allow time to consider this industry proposal, parties have requested that the Court further extend the stay of its price cap decision order until June 30, 2000.

The FCC has adopted rules for special access services that provide for added pricing flexibility and ultimately the removal of services from price regulation when certain competitive thresholds are met. In order to take advantage of this relief, however, carriers must forego the ability to take advantage of provisions in the current rules that provide relief in the event earnings fall below certain thresholds, and we have not filed for this relief. The order also allows certain services, including those included in the interexchange basket of services, to be removed from price regulation immediately. In response, effective October 1999, we removed approximately $90 million in annual revenues of our services in the interexchange basket from price regulation and from the operation of the productivity offset which otherwise would require annual price reductions.

Universal Service

In July 1999, the U.S. Court of Appeals reversed certain aspects of the FCC's order implementing the "universal service" provision of the 1996 Act. The universal service fund includes a multi-billion dollar interstate fund to link schools and libraries to the Internet and to subsidize high cost areas, low income consumers and rural healthcare providers. Previously, under the FCC's rules, all providers of interstate telecommunications services had to contribute to the schools and libraries fund based on their total interstate and intrastate retail revenues. The Court reversed the decision to include intrastate revenues as part of the basis for assessing contributions to that fund. As a result of this decision, our contributions to the universal service fund were reduced by approximately $107 million annually beginning on November 1, 1999, and our interstate access rates will be reduced accordingly because we will no longer have to recover these contributions in our rates. AT&T and MCI WorldCom, Inc. have since asked the U.S. Supreme Court to review this latter portion of the appeals court decision. Other parties have asked the U.S. Supreme Court to review additional aspects of the court of appeals decision.

In November 1999, the FCC adopted a new mechanism for providing universal service support to high cost areas served by large local telephone companies. This funding mechanism will provide additional support for local telephone services in several states served by Bell Atlantic. State regulatory commissions must take these funds into account in the rate-making process.

Unbundling of Network Elements

In November 1999, the FCC announced its decision setting forth new unbundling requirements. The FCC had previously identified seven elements that had to be provided to competitors on an unbundled basis. With respect to those seven elements, the FCC concluded that incumbent local exchange carriers, such as our operating telephone subsidiaries, do not have to provide unbundled switching (or combinations of elements that include switching, such as the so-called unbundled element "platform") under certain circumstances to business customers with four or more lines in certain offices in the top 50 Metropolitan Statistical Areas (MSAs). It also held that incumbents do not have to provide unbundled access to their directory assistance or operator services. The remaining elements on the FCC's original list still must be provided.

With respect to new elements, the FCC concluded that new equipment to provide advanced services such as Asymmetric Digital Subscriber Line (ADSL) does not have to be unbundled as a general matter. On the other hand, the FCC concluded that incumbents must provide dark fiber as an unbundled element, and that sub-loop unbundling should be provided. Finally, the FCC ruled that combinations of loops and transport must be made available under certain circumstances, but left to a further rulemaking that it initiated certain issues relating to the use of these combinations to substitute for special access services. While this rulemaking proceeds, the FCC adopted interim rules limiting the instances in which such combinations of elements must be made available. The FCC set a target date of June 30, 2000 to decide the further rulemaking.

In addition to the unbundling requirements released in November 1999, the FCC released an order on December 9, 1999 in a separate proceeding requiring incumbent local exchange companies also to unbundle and provide to competitors the higher frequency portion of their local loop. This provides competitors with the ability to provision data services on top of incumbent carriers' voice service.

State Regulation

Pennsylvania

On September 30, 1999, the Pennsylvania Public Utility Commission (PUC) issued a final decision in its "Global" proceeding on telecommunications competition matters. The decision proposes to require our operating telephone subsidiary in Pennsylvania, Bell Atlantic–Pennsylvania, to split into separate retail and wholesale corporations. It proposes reductions in access charges applicable to services provided to interexchange carriers and in both unbundled network element rates and wholesale rates applicable to services and facilities provided to competitive local exchange carriers. It requires Bell Atlantic–Pennsylvania to provide combinations of unbundled network elements beyond those required by the FCC. It reclassifies certain business services as "competitive," but restricts the pricing freedom that that classification is supposed to give Bell Atlantic–Pennsylvania. It sets a schedule of prerequisites for state endorsement of a Bell Atlantic–Pennsylvania application to the FCC for permission to offer in-region long distance service under Section 271 of the 1996 Act that are likely to delay that endorsement. Bell Atlantic–Pennsylvania has challenged the lawfulness of this order in the Pennsylvania Supreme Court, the Commonwealth Court of Pennsylvania and the Federal District Court.

On January 18, 2000, Bell Atlantic–Pennsylvania and fourteen other parties submitted to the PUC a Joint Petition for Settlement to resolve the appeals from the "Global" Order. If approved by the PUC, the settlement will eliminate the wholesale/retail separate subsidiary requirement and replace it with a requirement to establish an advanced services affiliate. The settlement would also expedite the process to obtain state endorsement of any Bell Atlantic - Pennsylvania application to the FCC for permission to offer long distance service. On February 2, 2000, the Commonwealth Court denied the PUC's request to consider the settlement and set an expedited briefing schedule for the appeals. On February 22, 2000, the PUC and Bell Atlantic–Pennsylvania appealed this determination to the Pennsylvania Supreme Court, and the matter is pending.

Reciprocal Compensation

State regulatory decisions have required us to pay "reciprocal compensation" under the 1996 Act for the increasing volume of one-way traffic from our customers to customers of other carriers, primarily calls to Internet service providers. In February 1999, the FCC confirmed that such traffic is largely interstate but concluded that it would not interfere with state regulatory decisions requiring payment of reciprocal compensation for such traffic and that carriers are bound by their existing interconnection agreements. The U.S. Court of Appeals has remanded the FCC's decision for a better explanation of why this traffic is interstate.

Based upon the FCC's February 1999 decision, the Massachusetts Department of Telecommunications and Energy modified its earlier decision, resulting in a reduction of our reciprocal compensation obligation. Both the New Jersey Board of Public Utilities and the West Virginia Public Service Commission also have issued favorable decisions on reciprocal compensation for Internet-bound traffic. The New York PSC issued a decision that high volume, convergent traffic (which includes Internet-bound traffic) has different cost characteristics and should be compensated at the lower end-office rate. The New York PSC determined that traffic in excess of a 3:1 ratio is presumed to be high volume, convergent traffic, although this presumption may be rebutted. The Virginia State Corporation Commission has denied jurisdiction over compensation for Internet access and has referred us and other parties to the FCC. Commissions in Delaware, Maryland, Pennsylvania, and Rhode Island have issued decisions requiring us to continue to pay reciprocal compensation on Internet-bound traffic. We currently estimate that our reciprocal compensation payment obligations will be approximately $500 million to $550 million in 2000.

Other Matters

New Accounting Standard–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 on our balance sheet. Changes in the fair values of derivative instruments will be recognized in either earnings or comprehensive income, depending on the designated use and effectiveness of the instruments. The FASB amended this pronouncement in June 1999 to defer the effective date of SFAS No. 133 for one year. We must adopt SFAS No. 133 no later than January 1, 2001.

On March 3, 2000, the FASB issued a Proposed SFAS, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," which would amend SFAS No. 133. The proposed amendments address certain implementation issues and relate to such matters as the normal purchases and normal sales exception, the definition of interest rate risk, hedging recognized foreign-currency-denominated debt instruments, and intercompany derivatives.

We are currently evaluating the provisions of SFAS No. 133 and the proposed amendments. The impact of adoption will be determined by several factors, including the specific hedging instruments in place and their relationships to hedged items, as well as market conditions at the date of adoption.

New Staff Accounting Bulletin–Revenue Recognition

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

Year "2000" Update

We implemented a comprehensive program to evaluate and address the impact of the Year 2000 date transition on our operations. We did not experience any material interruption or failure of our normal business functions or operations as a result of an actual or perceived Year 2000 problem.

From the inception of our Year 2000 project through December 31, 1999, and based on the cost tracking methods we have historically applied to this project, we incurred total pre-tax expenses of approximately $230 million, and we have made capital expenditures of approximately $181 million. For 1999, total pre-tax expenses for our Year 2000 project were approximately $108 million and total capital expenditures were approximately $101 million.

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 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; and
- the timing of, and regulatory or other conditions associated with, the completion of the wireless transaction with Vodafone AirTouch, and the ability of the new wireless enterprise to combine operations and obtain revenue enhancements and cost savings.

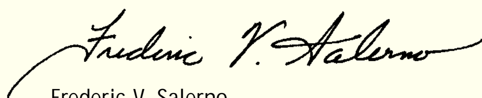
We, the management of Bell Atlantic Corporation, are responsible for the consolidated financial statements and the information and representations contained in this report. The financial statements have been prepared in conformity with generally accepted accounting principles and include amounts based 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.

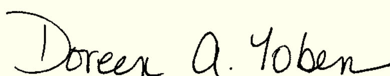
The financial statements have been audited by Pricewaterhouse-Coopers LLP, independent accountants. Their audit was conducted in accordance with generally accepted auditing standards and included an evaluation of our internal control structure and selective tests of transactions. The Report of Independent 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 G. Seidenberg
Chairman of the Board
and Chief Executive Officer



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



Doreen A. Toben
Vice President – Controller

To the Board of Directors and Shareowners of Bell Atlantic Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, changes in shareowners' investment, and cash flows present fairly, in all material respects, the financial position of Bell Atlantic Corporation and its subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States 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, the Company changed its method of accounting for computer software costs in accordance with AICPA Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," effective January 1, 1999.

New York, New York

February 14, 2000, except for Note 24,
as to which the date is March 22, 2000

(dollars in millions, except per share amounts)

	1999	1998	1997	1996	1995
Results of Operations					
Operating revenues	$ 33,174	$ 31,566	$ 30,194	$ 29,155	$ 27,927
Operating income	8,495	6,627	5,341	6,079	5,418
Income before extraordinary items and cumulative effect of change in accounting principle	4,208	2,991	2,455	3,129	2,826
Per common share–basic	2.72	1.90	1.58	2.02	1.85
Per common share–diluted	2.66	1.87	1.56	2.00	1.84
Net income (loss)	4,202	2,965	2,455	3,402	(97)
Per common share–basic	2.71	1.89	1.58	2.20	(.06)
Per common share–diluted	2.65	1.86	1.56	2.18	(.06)
Cash dividends declared per common share	1.54	1.54	1.51	1.44	1.40
Financial Position					
Total assets	$ 62,614	$ 55,144	$ 53,964	$ 53,361	$ 50,623
Long-term debt	18,463	17,646	13,265	15,286	15,744
Employee benefit obligations	9,326	10,384	10,004	9,588	9,388
Minority interest, including a portion subject to redemption requirements	458	330	911	2,014	1,221
Preferred stock of subsidiary	201	201	201	145	145
Shareowners' investment	15,880	13,025	12,789	12,976	11,214

Significant events affecting our historical earnings trends include the following:

- 1999 data include a loss on mark-to-market adjustment for exchangeable notes (see Note 10) and merger-related costs.
- 1998 and 1997 data include retirement incentive costs (see Note 16), merger-related costs and other special items (see Note 2).
- 1996 data include retirement incentive costs (see Note 16), other special items, and the adoption of a change in accounting for directory publishing.
- 1995 data include retirement incentive costs (see Note 16), and an extraordinary charge for the discontinuation of regulatory accounting principles.

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

(dollars in millions, except per share amounts)

Years Ended December 31,	1999	1998	1997
Operating Revenues	$ 33,174	$ 31,566	$ 30,194
Operating Expenses			
Employee costs, including benefits and taxes	8,241	9,266	9,047
Depreciation and amortization	6,221	5,870	5,865
Other operating expenses	10,217	9,803	9,941
	24,679	24,939	24,853
Operating Income	8,495	6,627	5,341
Income (loss) from unconsolidated businesses	143	(415)	(124)
Other income and (expense), net	54	122	(3)
Interest expense	1,263	1,335	1,230
Mark-to-market adjustment for exchangeable notes	(664)	–	–
Income before provision for income taxes and extraordinary item	6,765	4,999	3,984
Provision for income taxes	2,557	2,008	1,529
Income Before Extraordinary Item	4,208	2,991	2,455
Extraordinary item			
Early extinguishment of debt, net of tax	(6)	(26)	–
Net Income	4,202	2,965	2,455
Redemption of minority interest	–	(30)	–
Redemption of investee preferred stock	–	(2)	–
Net Income Available to Common Shareowners	$ 4,202	$ 2,933	$ 2,455
Basic Earnings Per Common Share:			
Income Before Extraordinary Item	$ 2.72	$ 1.90	$ 1.58
Extraordinary item	(.01)	(.01)	–
Net Income	$ 2.71	$ 1.89	$ 1.58
Weighted-average shares outstanding (in millions)	1,553	1,553	1,552
Diluted Earnings Per Common Share:			
Income Before Extraordinary Item	$ 2.66	$ 1.87	$ 1.56
Extraordinary item	(.01)	(.01)	–
Net Income	$ 2.65	$ 1.86	$ 1.56
Weighted-average shares–diluted (in millions)	1,583	1,578	1,571

See Notes to Consolidated Financial Statements

(dollars in millions, except per share amounts)

At December 31,	1999	1998
Assets		
Current assets		
Cash and cash equivalents	$ 1,097	$ 237
Short-term investments	839	786
Accounts receivable, net of allowances of $619 and $593	7,025	6,560
Inventories	664	566
Prepaid expenses	673	522
Other	298	411
	10,596	9,082
Plant, property and equipment	89,238	83,064
Less accumulated depreciation	49,939	46,248
	39,299	36,816
Investments in unconsolidated businesses	6,275	4,276
Other assets	6,444	4,970
Total assets	$ 62,614	$ 55,144
Liabilities and Shareowners' Investment		
Current liabilities		
Debt maturing within one year	$ 5,455	$ 2,988
Accounts payable and accrued liabilities	6,465	6,105
Other	1,547	1,438
	13,467	10,531
Long-term debt	18,463	17,646
Employee benefit obligations	9,326	10,384
Deferred credits and other liabilities		
Deferred income taxes	3,892	2,254
Unamortized investment tax credits	197	222
Other	730	551
	4,819	3,027
Minority interest, including a portion subject to redemption requirements	458	330
Preferred stock of subsidiary	201	201
Commitments and contingencies (Notes 2, 3, 8, and 9)		
Shareowners' investment		
Series preferred stock ($.10 par value; none issued)	–	–
Common stock ($.10 par value; 1,576,246,325 shares and 1,576,246,325 shares issued)	158	158
Contributed capital	13,550	13,368
Reinvested earnings	2,806	1,371
Accumulated other comprehensive income (loss)	450	(714)
	16,964	14,183
Less common stock in treasury, at cost	640	593
Less deferred compensation-employee stock ownership plans	444	565
	15,880	13,025
Total liabilities and shareowners' investment	$ 62,614	$ 55,144

See Notes to Consolidated Financial Statements

(dollars in millions, except per share amounts, and shares in thousands)

Years Ended December 31,	1999		1998		1997	
	Shares	Amount	Shares	Amount	Shares	Amount
Common Stock						
Balance at beginning of year	1,576,246	$ 158	1,576,053	$ 157	1,574,001	$ 157
Shares issued						
Employee plans	–	–	193	1	2,044	–
Shareowner plans	–	–	–	–	8	–
Balance at end of year	1,576,246	158	1,576,246	158	1,576,053	157
Contributed Capital						
Balance at beginning of year		13,368		13,177		13,216
Shares issued						
Employee plans		138		178		(22)
Issuance of stock by subsidiaries		44		13		–
Other		–		–		(17)
Balance at end of year		13,550		13,368		13,177
Reinvested Earnings						
Balance at beginning of year		1,371		1,262		1,282
Net income		4,202		2,965		2,455
Dividends declared ($1.54, $1.54, and $1.51 per share)		(2,391)		(2,392)		(2,363)
Shares issued						
Employee plans		(359)		(443)		(121)
Tax benefit of dividends paid to ESOPs		9		11		13
Redemption of minority interest		–		(30)		–
Redemption of investee preferred stock		–		(2)		–
Other		(26)		–		(4)
Balance at end of year		2,806		1,371		1,262
Accumulated Other Comprehensive Income (Loss)						
Balance at beginning of year		(714)		(553)		(321)
Foreign currency translation adjustment		(68)		(146)		(234)
Unrealized gains on marketable securities		1,225		2		2
Minimum pension liability adjustment		7		(17)		–
Other comprehensive income (loss)		1,164		(161)		(232)
Balance at end of year		450		(714)		(553)
Treasury Stock						
Balance at beginning of year	22,887	593	22,952	591	22,540	589
Shares purchased	12,142	723	20,743	1,002	24,148	920
Shares distributed						
Employee plans	(11,446)	(675)	(20,779)	(999)	(23,260)	(899)
Shareowner plans	(14)	(1)	(26)	(1)	(52)	(2)
Acquisition agreements	–	–	(3)	–	(424)	(17)
Balance at end of year	23,569	640	22,887	593	22,952	591
Deferred Compensation–ESOPs						
Balance at beginning of year		565		663		769
Amortization		(121)		(98)		(106)
Balance at end of year		444		565		663
Total Shareowners' Investment		$15,880		$13,025		$12,789
Comprehensive Income						
Net income		$ 4,202		$ 2,965		$ 2,455
Other comprehensive income (loss) per above		1,164		(161)		(232)
Total Comprehensive Income		$ 5,366		$ 2,804		$ 2,223

See Notes to Consolidated Financial Statements

(dollars in millions)

Years Ended December 31,	1999	1998	1997
Cash Flows from Operating Activities			
Net income	$ 4,202	$ 2,965	$ 2,455
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	6,221	5,870	5,865
Deferred income taxes, net	928	264	237
Mark-to-market adjustment for exchangeable notes	664	–	–
Loss (income) from unconsolidated businesses	(143)	415	124
Dividends received from unconsolidated businesses	116	170	192
Amortization of unearned lease income	(151)	(120)	(110)
Investment tax credits	(25)	(29)	(38)
Extraordinary item, net of tax	6	26	–
Other items, net	169	227	88
Changes in certain assets and liabilities, net of effects from acquisition/disposition of businesses			
Accounts receivable	(423)	(220)	(140)
Inventories	(92)	(111)	(74)
Other assets	(379)	(108)	65
Employee benefit obligations	(1,046)	354	416
Accounts payable and accrued liabilities	345	376	(93)
Other liabilities	264	(8)	(128)
Net cash provided by operating activities	10,656	10,071	8,859
Cash Flows from Investing Activities			
Capital expenditures	(8,675)	(7,446)	(6,638)
Proceeds from sale of plant, property and equipment	211	12	6
Purchases of short-term investments	(855)	(1,028)	(844)
Proceeds from sale of short-term investments	795	968	427
Investments in unconsolidated businesses, net	(901)	(603)	(833)
Acquisition of businesses, less cash acquired	(505)	(62)	(62)
Proceeds from disposition of businesses	612	637	547
Investment in leased assets	(170)	(269)	(162)
Proceeds from leasing activities	110	155	83
Proceeds from Telecom Corporation of New Zealand Limited share repurchase plan	–	–	153
Other, net	(251)	(49)	(16)
Net cash used in investing activities	(9,629)	(7,685)	(7,339)
Cash Flows from Financing Activities			
Dividends paid	(2,399)	(2,379)	(2,340)
Net change in short-term borrowings with original maturities of three months or less	2,645	(4,038)	1,580
Proceeds from borrowings	662	6,328	633
Principal repayments of borrowings and capital lease obligations	(942)	(651)	(902)
Early extinguishment of debt	(257)	(790)	–
Proceeds from financing of cellular assets	380	–	–
Proceeds from sale of common stock	314	559	711
Purchase of common stock for treasury	(723)	(1,002)	(920)
Minority interest	–	(632)	–
Reduction in preferred stock of subsidiary	–	–	(10)
Proceeds from sale of stock of subsidiary	119	–	–
Proceeds from sale of preferred stock by subsidiary	–	–	66
Net change in outstanding checks drawn on controlled disbursement accounts	34	133	(265)
Net cash used in financing activities	(167)	(2,472)	(1,447)
Increase (decrease) in cash and cash equivalents	860	(86)	73
Cash and cash equivalents, beginning of year	237	323	250
Cash and cash equivalents, end of year	$ 1,097	$ 237	$ 323

See Notes to Consolidated Financial Statements

Note 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 18.

The telecommunications industry is undergoing substantial changes as a result of new legislation, public policy changes, technological advances, and various mergers and alliances. We are participating in this transformation in several ways, including:

- The provision of in-region long distance service in New York beginning in January 2000.
- Our forthcoming merger of equals with GTE Corporation (see Note 22).
- The combination of the U.S. wireless assets of both our company and Vodafone AirTouch plc (see Note 21).

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. Certain of our cost method investments are classified as available-for-sale securities and adjusted to fair value under Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

All significant intercompany accounts and transactions have been eliminated.

Telecom Corporation of New Zealand Limited

Effective May 31, 1999, our representatives resigned from the Board of Directors of Telecom Corporation of New Zealand Limited (TCNZ), an unconsolidated business in which we hold a 24.94% ownership interest, and we agreed to vote our shares neutrally. As a result, we no longer have significant influence over TCNZ's operating and financial policies and, therefore, have changed the accounting for our investment from the equity method to the cost method. You can find additional information about our TCNZ investment in Notes 3 and 10.

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

We recognize wireline and wireless services revenues based upon usage of our network and facilities and contract fees. We recognize products and other services revenues when the products are delivered and accepted by the customers and when services are provided in accordance with contract terms.

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	5–12
Outside communications plant	8–65
Furniture, vehicles and other	3–15

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.

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.

Computer Software Costs

Effective January 1, 1999, we adopted Statement of Position (SOP) No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Under SOP No. 98-1, we capitalize the cost of internal use software which has a useful life in excess of one year. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred. Also, we capitalize interest associated with the development of internal-use software. Capitalized computer software costs are amortized using the straight-line method over a period of 3 to 5 years. The effect of adopting SOP No. 98-1 was an increase in net income of approximately $230 million in 1999. We also capitalized approximately $600 million as an intangible asset in 1999.

Prior to 1999, our operating telephone subsidiaries capitalized 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 was capitalized. Subsequent additions, modifications, or upgrades of initial software programs, whether operating or application packages, were expensed as incurred.

Costs of Start-Up Activities

Effective January 1, 1999, we adopted SOP No. 98-5, "Reporting on the Costs of Start-Up Activities." Under this accounting standard, we expense costs of start-up activities as incurred, including pre-operating, pre-opening and other organizational costs. The adoption of SOP No. 98-5 did not have a material effect on our results of operations or financial condition because our policy has been generally to expense all start-up activities.

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 their estimated useful life, not exceeding 40 years. We assess the impairment of other identifiable intangibles and goodwill related to our consolidated subsidiaries under 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. On a quarterly basis, we assess the impairment of enterprise level goodwill under Accounting Principles Board (APB) Opinion No. 17 "Intangible Assets." A determination of impairment (if any) is made based primarily on estimates of market value.

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 Bell Atlantic–NYNEX merger, 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 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."

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 Income (Loss) 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 Income (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 Grupo Iusacell S.A. de C.V., a fully consolidated subsidiary in

Note 1 continued

Mexico, to operate in a highly inflationary economy and utilized the U.S. dollar as its functional currency. Beginning January 1, 1999, we discontinued highly inflationary accounting for this entity 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 Income (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.

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.

New Accounting Standard–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 on our balance sheet. Changes in the fair values of derivative instruments will be recognized in either earnings or comprehensive income, depending on the designated use and effectiveness of the instruments. The FASB amended this pronouncement in June 1999 to defer the effective date of SFAS No. 133 for one year. We must adopt SFAS No. 133 no later than January 1, 2001.

On March 3, 2000, the FASB issued a Proposed SFAS, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," which would amend SFAS No. 133. The proposed amendments address certain implementation issues and relate to such matters as the normal purchases and normal sales exception, the definition of interest rate risk, hedging recognized foreign-currency-denominated debt instruments, and intercompany derivatives.

We are currently evaluating the provisions of SFAS No. 133 and the proposed amendments. The impact of adoption will be determined by several factors, including the specific hedging instruments in place and their relationships to hedged items, as well as market conditions at the date of adoption.

New Staff Accounting Bulletin–Revenue Recognition

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

Note 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.

Bell Atlantic – NYNEX Merger-Related Costs

In the third quarter of 1997, we recorded merger-related pre-tax costs of $200 million for direct incremental costs, and $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 anticipated 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, 1998, and 1999, 245, 856, and 231 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 $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 $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 is held for disposal. At December 31, 1999 and 1998, the impaired assets had no remaining carrying value.

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 $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:

- 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 18.6% 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; $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.

Note 2 continued

The following table provides a reconciliation of the liabilities associated with Bell Atlantic-NYNEX merger-related costs and other charges and special items described above:

(dollars in millions)

	1997					1998			1999		
	Beginning of Year	Charged to Expense or Revenue	Deductions	Adjustments	End of Year	Deductions	Adjustments	End of Year	Deductions	Adjustments	End of Year
Merger-Related											
Direct incremental costs	$ –	$ 200	$ (165)a	$ –	$ 35	$ (5)a	$ (26)	$ 4	$ (1)a	$ (3)	$ –
Severance obligation	111	223	(24)a	20	330	(61)a	47	316	(35)a	(15)	266
Other Initiatives											
Video-related costs	–	243	(227)b	5	21	(3)a	(12)	6	(2)a	(4)	–
Write-down of fixed assets and real estate consolidation	–	355	(312)b	–	43	(18)b	(2)	23	(8)d	(13)	2
Regulatory, tax and legal contingencies, and other special items	–	526	(144)b	–	382	(118)c	(15)	249	(7)e	(37)	205
	$ 111	$ 1,547	$ (872)	$ 25	$ 811	$ (205)	$ (8)	$ 598	$ (53)	$ (72)	$ 473

- 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. In 1999, adjustments include the favorable settlement of tax matters.
- 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 $66 million, refunds to customers of $42 million, and asset write-offs of $10 million
d–comprised of cash payments of $3 million and asset write-offs of $5 million
e–comprised of cash payments of $4 million and asset write-offs of $3 million

At December 31, 1999, direct incremental and video-related liabilities were fully utilized through either payments or adjustments. We expect that the remaining real estate liabilities will extend through 2003. Liabilities for regulatory, tax and legal contingencies, and other special items will be utilized as the respective matter is settled. 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. At December 31, 1999, the merger-related separations were completed and the remaining liability balance represents our obligation for ongoing separations under the pre-existing separation pay plans, in accordance with SFAS No. 112.

Note 3

Investments in Unconsolidated Businesses

Our investments in unconsolidated businesses comprise the following:

(dollars in millions)

At December 31,	1999 Ownership	1999 Investment	1998 Ownership	1998 Investment
Equity Investees				
Omnitel Pronto Italia S.p.A	23.14%	$ 1,262	19.71%	$ 521
PrimeCo Personal Communications, L.P.	50.00	1,078	50.00	1,012
Cable & Wireless Communications plc	18.59	643	18.50	675
FLAG	37.67	161	37.67	178
Telecom Corporation of New Zealand Limited	–	–	24.95	373
Other	Various	723	Various	739
Total equity investees		3,867		3,498
Cost Investees				
Telecom Corporation of New Zealand Limited	24.94	2,103	–	–
Viacom Inc.	–	–	–	603
Other	Various	305	Various	175
Total cost investees		2,408		778
Total		$ 6,275		$ 4,276

Dividends received from investees amounted to $116 million in 1999, $170 million in 1998, and $192 million in 1997.

Omnitel Pronto Italia S.p.A.

Omnitel Pronto Italia S.p.A. (Omnitel) operates a wireless 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 $1.2 billion in Omnitel. Approximately $630 million of this amount was invested in June 1999, which increased our ownership interest from 19.71% to 23.14%. Goodwill related to this investment totals approximately $995 million which is being amortized on a straight-line basis over a period of 25 years. At December 31, 1999, remaining goodwill was approximately $900 million.

PrimeCo Personal Communications, L.P.

PrimeCo Personal Communications, L.P. (PrimeCo) is a partnership established in 1994 between Bell Atlantic and Vodafone AirTouch plc (Vodafone AirTouch), which provides personal communications services (PCS) in major cities across the United States.

Since 1994, we have invested approximately $2 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 $126 million.

On August 3, 1999, Bell Atlantic and Vodafone AirTouch announced an agreement to restructure our ownership interests in PrimeCo. Under the terms of that agreement, we would assume full ownership of PrimeCo operations in five "major trading areas" (MTAs) – Richmond, VA, New Orleans, LA and the Florida MTAs of Jacksonville, Tampa and Miami. Vodafone AirTouch would assume full ownership of the remaining five PrimeCo MTAs – Chicago, IL, Milwaukee, WI and the Texas MTAs of Dallas, San Antonio and Houston.

Under the terms of the Wireless Co. agreement (see Note 21), Bell Atlantic and Vodafone AirTouch agreed to suspend the August 3, 1999 agreement to restructure PrimeCo ownership interests, with certain limited exceptions. As a result, no action will be taken to allocate most PrimeCo markets unless either we or Vodafone AirTouch give notice to initiate such an allocation. Neither party has given such notice.

In January 2000, we and Vodafone AirTouch purchased the remaining 20% partnership interest in the Texas MTAs of Dallas, San Antonio and Houston held by TXU Communications Holding Company (TXU). We invested $196 million to acquire 55% of the TXU partnership interest. Vodafone AirTouch will own the remaining 45% of the TXU partnership interest.

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 Cable & Wireless Communications plc (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.

On July 27, 1999, we announced our agreement to a proposal by Cable & Wireless plc (Cable & Wireless), NTL Incorporated (NTL) and CWC for the proposed restructuring of CWC. Under the terms of the agreement, CWC's consumer cable telephone, television and Internet operations would be separated from its corporate, business, Internet protocol and wholesale operations. The consumer operations would be acquired by NTL and the other operations would be acquired by Cable & Wireless. In exchange for our interest in CWC, we would receive shares in the two acquiring companies, representing approximately 9.1% of the NTL shares currently outstanding and approximately 4.6% of the Cable & Wireless shares currently outstanding. Our investments in NTL and Cable & Wireless will be accounted for under the cost method.

We expect the restructuring to result in a material non-cash gain. The completion of the restructuring is subject to a number of conditions and, assuming satisfaction of those conditions, is expected to close in the first half of 2000.

In August 1998 we issued $3,180 million of 4.25% senior exchangeable notes due on September 15, 2005. Prior to the proposed restructuring described above, the notes are exchangeable into 277.6 million ordinary shares of CWC stock at the option of the holder, beginning on July 1, 2002. However, upon completion of the proposed restructuring, the CWC exchangeable notes would be exchangeable on and after July 1, 2002 for shares in NTL and Cable

Note 3 continued

& Wireless in proportion to the shares received in the restructuring. Upon exchange by investors, we retain the option to settle in cash or by delivery of the Cable & Wireless and NTL shares. You can find additional information on the CWC exchangeable notes in Note 10.

FLAG

Fiberoptic Link Around the Globe (FLAG) is an undersea fiberoptic cable system, providing digital communications links between Europe and Asia. FLAG launched commercial service in the fourth quarter of 1997. We have invested approximately $227 million in FLAG since 1994. At December 31, 1999, our ownership interest was comprised of our interest in FLAG Ltd. and our interest in its parent company, FLAG Telecom Holdings Limited (FLAG Telecom). In January 2000, we exchanged our shares in FLAG Ltd. for an interest in FLAG Telecom resulting in an aggregate interest in FLAG Telecom of approximately 38%. There was no impact to our financial statements or our effective ownership interest as a result of this transaction.

In February 2000, Flag Telecom conducted an initial public offering. The primary offering consisted of approximately 28 million newly issued common shares. Certain existing shareowners also participated in a secondary offering in which approximately 8 million of their common shares were sold. We did not acquire any new shares in the primary offering, nor did we participate in the secondary offering. As a result, our current ownership interest has been reduced to approximately 30%.

FLAG had outstanding borrowings of $615 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 million credit facility. This refinancing resulted in an after-tax extraordinary charge of $15 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.

Other Equity Investments

We also have global wireless investments in the Czech Republic, Slovakia, Greece, and Indonesia. These investments are in joint ventures to build and operate wireless 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.

In 1998, other equity investees also included Bell Atlantic Mobile's (BAM) investment in domestic wireless properties doing business under the Frontier Cellular name. Frontier Cellular was a joint venture between BAM and Frontier Corporation (Frontier). In December 1999, BAM completed its purchase of Frontier's interests for $374 million and assumed approximately $105 million in debt, resulting in purchased goodwill of approximately $265 million. As a result of this transaction, we increased our ownership interest from 50% to 100% and, therefore, have changed the accounting for our investment in Frontier Cellular from the equity method to full consolidation. The change in accounting methodology resulted in a reduction to Investments in Unconsolidated Businesses of $87 million in 1999.

Summarized Financial Information

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

(dollars in millions)

Years Ended December 31,	1999	1998
Results of operations		
Operating revenues	$ 10,584	$ 8,832
Operating income	2,124	1,474
Income before extraordinary item	698	577
Net income	698	520
Bell Atlantic's equity share of income	$ 72	$ 25

At December 31,	1999	1998
Financial position		
Current assets	$ 3,736	$ 4,680
Noncurrent assets	18,613	18,986
Current liabilities	4,484	4,830
Noncurrent liabilities	8,877	10,027
Minority interest	169	155
Stockholders' equity	8,819	8,654
Bell Atlantic's equity share of investees	$ 3,867	$ 3,498

Cost Investees

Certain of our cost investments are carried at their fair value, principally our investment in Telecom Corporation of New Zealand Limited (TCNZ), as described below. Other 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 the section "Other Cost Investments."

Telecom Corporation of New Zealand Limited

TCNZ is that country's principal provider of telecommunications services. We account for our investment in TCNZ under the cost method because we do not have significant influence over TCNZ's operating and financial policies (see Note 1).

In February 1998, we issued $2,455 million of 5.75% senior exchangeable notes due on April 1, 2003. The notes were exchangeable into 437.1 million ordinary shares of TCNZ stock at the option of the holder, beginning September 1, 1999. As of December 31, 1999, no notes have been delivered for exchange. You can find additional information on the TCNZ exchangeable notes in Note 10.

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

Note 3 continued

Businesses in 1998. 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 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 million in cash in exchange for an interest in one of these subsidiaries, and we contributed a $600 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.

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 $30 million. As a result of our purchase of the outside party's interest, we reduced Minority Interest by $600 million in 1998. However, the subsidiaries continue to hold shares of our common stock, which have been reported as Treasury Stock at December 31, 1999.

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. This transaction did not have a material effect on our consolidated results of operations.

Other Cost Investments

Other cost investments include 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 million to Income (Loss) From Unconsolidated Businesses to adjust our 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 million to adjust the carrying value of the investment to its estimated fair value. We considered the following factors in determining the charge:

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

Note 4

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

Since 1993, we have invested $1.2 billion in Iusacell, a wireless telecommunications company in Mexico. Goodwill related to this investment totaled approximately $810 million and is being amortized on a straight-line basis over a period of 25 years. At December 31, 1999, remaining goodwill, net of amortization and cumulative translation adjustments, was approximately $260 million. 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.

Iusacell and its principal shareholders entered into an agreement (the 1998 Restructuring Agreement) to reorganize ownership of the company. This reorganization provided for the formation of a new holding company, Nuevo Grupo Iusacell, S.A. de C.V. (New Iusacell), with two classes of shares, one of which is traded publicly. The intention of the reorganization was to raise capital, increase the availability of debt financing, and increase the liquidity of its publicly traded shares.

As contemplated in the reorganization plan, during 1998 and 1999, Iusacell borrowed $133 million from us, as a bridge loan, under a $150 million subordinated convertible debt facility that expired in June 1999 (the Facility). In accordance with the Facility and the 1998 Restructuring Agreement, we converted the debt into additional Series A shares at a price of $.70 per share. We also sold a portion of those shares to the Peralta Group, the other principal shareholder of Iusacell, for $.70 per share and received proceeds of approximately $15 million in 1999 and $15 million in 1998. As a result of these interim steps of the reorganization plan, our ownership of Iusacell temporarily increased to 47.2%.

On August 4, 1999, the reorganization plan was finalized when New Iusacell concluded an exchange and rights offering to existing Iusacell shareholders. These offerings permitted shareholders to exchange their shares in Iusacell for shares in New Iusacell and to subscribe to additional shares of New Iusacell based on their current ownership. In addition, New Iusacell launched primary and secondary share offerings. We and the Peralta Group participated in the secondary share offering. We received approximately $73 million of proceeds from the secondary share offering and New Iusacell received approximately $31 million of proceeds from the primary share and rights offerings. As a result of the reorganization, we have recorded an adjustment to increase our contributed capital by $43 million, which recognizes the ultimate change in our ownership percentage resulting from these transactions. As of December 31, 1999, we own 40.2% of New Iusacell, which we continue to control and consolidate.

Note 5

Minority Interest

(dollars in millions)

At December 31,	1999	1998
Portion subject to redemption requirements	$ 121	$ 41
Portion nonredeemable	337	289
	$ 458	$ 330

Minority interest primarily consists of certain partnerships consolidated by our domestic wireless subsidiary, Bell Atlantic Mobile, and the other shareowners' interest in Iusacell. A portion of our minority interest is subject to redemption requirements, primarily the ownership interest held by the Peralta Group. Under an agreement dated February 22, 1999, 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, 2001, and December 15, 2001. You can find additional information about our Iusacell investment in Note 4.

Note 6

Marketable Securities

We have investments in marketable securities, primarily common stocks, which are considered "available-for-sale" under SFAS No. 115. These investments have been included in our balance sheet in Investments in Unconsolidated Businesses and Short-term Investments.

Under SFAS No. 115, available-for-sale securities are required to be carried at their fair value, with unrealized gains and losses (net of income taxes) recorded in Accumulated Other Comprehensive Income (Loss). The fair values of our investments in marketable securities are determined based on market quotations.

The following table shows certain summarized information related to our investments in marketable securities:

(dollars in millions)

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At December 31, 1999				
Investments in unconsolidated businesses	$ 367	$1,892	$ –	$2,259
Short-term investments	38	1	(2)	37
	$ 405	$1,893	$ (2)	$2,296
At December 31, 1998				
Investments in unconsolidated businesses	$ 1	$ 6	$ –	$ 7
Short-term investments	23	–	(1)	22
	$ 24	$ 6	$ (1)	$ 29

Our investments in unconsolidated businesses increased from December 31, 1998 as a result of a change in accounting for our investment in TCNZ from the equity method to the cost method. Certain other investments in marketable securities that we hold are not carried at their fair values because those values are not readily determinable. We have, however, adjusted the carrying values of these securities in situations where we believe declines in value below cost were other than temporary. The carrying values for these investments were $169 million at December 31, 1999 and $771 million at December 31, 1998. The decrease from December 31, 1998 was principally due to the disposition of our remaining investment in Viacom in January 1999 (see Note 3).

Note 7

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,	1999	1998
Land	$ 447	$ 412
Buildings	6,954	6,667
Central office equipment	33,822	31,441
Outside communications plant	36,252	33,605
Furniture, vehicles, and other work equipment	7,972	7,870
Other	1,646	1,356
Construction-in-progress	2,145	1,713
	89,238	83,064
Accumulated depreciation	(49,939)	(46,248)
Total	$ 39,299	$ 36,816

Plant, property and equipment at December 31, 1999 and 1998 includes real estate property and equipment under operating leases (or held for lease) of $76 million and $97 million, and accumulated depreciation of $38 million and $22 million.

Note 8

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 47 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 8 continued

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

(dollars in millions)

At December 31,	1999			1998		
	Leveraged Leases	Direct Finance Leases	Total	Leveraged Leases	Direct Finance Leases	Total
Minimum lease payments receivable	$ 3,178	$ 138	$ 3,316	$ 2,986	$ 190	$ 3,176
Estimated residual value	2,262	29	2,291	2,187	36	2,223
Unearned income	(2,151)	(44)	(2,195)	(2,132)	(58)	(2,190)
	$ 3,289	$ 123	3,412	$ 3,041	$ 168	3,209
Allowance for doubtful accounts			(37)			(37)
Finance lease receivables, net			$ 3,375			$ 3,172
Current			$ 32			$ 37
Noncurrent			$ 3,343			$ 3,135

Accumulated deferred taxes arising from leveraged leases, which are included in Deferred Income Taxes, amounted to $2,531 million at December 31, 1999 and $2,445 million at December 31, 1998.

As Lessor

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

(dollars in millions)

Years Ended December 31,	1999	1998	1997
Pre-tax lease income	$ 138	$ 99	$ 97
Income tax expense	49	47	31
Investment tax credits	2	5	3

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, 1999:

(dollars in millions)

Years	Capital Leases	Operating Leases
2000	$ 68	$ 20
2001	72	1
2002	86	1
2003	79	1
2004	83	–
Thereafter	2,928	–
Total	$ 3,316	$ 23

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 $572 million in 1999, $556 million in 1998, and $573 million in 1997. We incurred initial capital lease obligations of $1 million in 1999, $3 million in 1998, and $11 million in 1997.

Capital lease amounts included in Plant, Property and Equipment are as follows:

(dollars in millions)

At December 31,	1999	1998
Capital leases	$ 222	$ 296
Accumulated amortization	(151)	(169)
Total	$ 71	$ 127

This table displays the aggregate minimum rental commitments under noncancelable leases for the periods shown at December 31, 1999:

(dollars in millions)

Years	Capital Leases	Operating Leases
2000	$ 35	$ 234
2001	26	217
2002	20	186
2003	11	159
2004	9	131
Thereafter	56	648
Total minimum rental commitments	157	$ 1,575
Less interest and executory costs	60	
Present value of minimum lease payments	97	
Less current installments	22	
Long-term obligation at December 31, 1999	$ 75	

As of December 31, 1999, the total minimum sublease rentals to be received in the future under noncancelable operating subleases was $236 million.

Note 9

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 and claims which, if asserted, may lead to other legal actions. 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.

Note 10

Debt

Debt Maturing Within One Year

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

(dollars in millions)

At December 31,	1999	1998
Notes payable		
Commercial paper	$ 4,310	$ 1,384
Bank loans	143	300
Short-term note	22	–
Long-term debt maturing within one year	980	1,304
Total debt maturing within one year	$ 5,455	$ 2,988
Weighted-average interest rates for notes payable outstanding at year-end	6.0%	5.6%

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, 1999, we had in excess of $4.0 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 $1,252 million at December 31, 1999, are subject to lien under credit facilities 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	1999	1998
Telephone subsidiaries' debentures	4.375 – 7.00	2000–2033	$ 4,427	$ 4,572
	7.125 – 7.75	2002–2033	2,265	2,465
	7.85 – 9.375	2010–2031	1,922	1,979
Unamortized discount, net of premium			(51)	(56)
			8,563	8,960
Exchangeable notes, net of unamortized discount of $212 and $244	4.25 – 5.75	2003–2005	6,341	5,645
Notes payable	5.30 – 12.00	2000–2012	3,082	3,036
Refunding mortgage bonds	4.25 – 7.375	2000–2011	635	635
Employee stock ownership plan loans (Note 16)				
NYNEX debentures	9.55	2010	281	305
Bell Atlantic senior notes	8.17	2000	70	200
Capital lease obligations (average rate 10.2% and 11.0%) and other (average rate 6.2%)			471	152
Mortgage and installment notes	10.50 – 11.00		–	17
Total long-term debt, including current maturities			19,443	18,950
Less maturing within one year			980	1,304
Total long-term debt			$ 18,463	$ 17,646

Note 10 continued

Telephone Subsidiaries' Debt

The telephone subsidiaries' debentures outstanding at December 31, 1999 include $2,247 million that are callable. The call prices range from 101.72% 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, 1999. In addition, our long-term debt includes $350 million that will become redeemable for limited periods at the option of the holders. Of this amount, $175 million becomes redeemable in 2002. One debenture totaling $175 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 $14.1 billion at December 31, 1999, 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 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 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. As of December 31, 1999, no notes have been delivered for exchange.

In August 1998, FSI issued $3,180 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, 1999 the notes had a carrying value of $3,886 million, including a loss on a mark-to-market adjustment of $664 million. The CWC exchangeable notes are exchangeable into 277.6 million ordinary shares of CWC stock 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 CWC and TCNZ exchangeable notes are indexed to the fair market value of each company's common stock. If the price of the shares exceeds the exchange price established at the offering date, a mark-to-market adjustment is recorded, recognizing an increase in the carrying value of the debt obligation and a charge to income. If the price of the shares subsequently declines the debt obligation is reduced (not to less than its amortized carrying value).

At December 31, 1999, the CWC share price exceeded the exchange price and we recorded an increase in the carrying value of the CWC exchangeable notes of $664 million and a corresponding charge to income ($432 million after-tax). We recorded no mark-to-market adjustment for the TCNZ exchangeable notes at December 31, 1999. During 1998, no mark-to-market adjustments were recorded.

A proposed restructuring of our investment in CWC, as discussed in Note 3, would change the securities to be delivered upon exchange for the CWC exchangeable notes. Under this restructuring, we would receive shares of two companies acquiring the businesses of CWC in exchange for our CWC shares. After the restructuring, we would account for these investments under the cost method.

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 each of the Support Agreements, Bell Atlantic guarantees the payment of interest, premium (if any), principal, and cash value of exchange property related to the 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 $184 million at December 31, 1999 and $245 million at December 31, 1998) should FSI fail to pay. The holders of FSI 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 $17 billion at December 31, 1999.

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, 1999, excluding capital lease obligations and unamortized discount and premium, are $958 million in 2000, $536 million in 2001, $882 million in 2002, $3,581 million in 2003, $1,030 million in 2004 and $12,632 million thereafter. These amounts include the redeemable debt at the earliest possible redemption dates.

Note 10 continued

Early Extinguishment of Debt

In 1999, we recorded charges associated with the early extinguishment of debentures of the telephone subsidiaries. These charges reduced net income by $6 million (net of an income tax benefit of $4 million). In 1998, we recorded extraordinary charges associated with the early extinguishment of debentures and refunding mortgage bonds of the operating telephone subsidiaries and debt issued by FLAG, an investment accounted for under the equity method. These charges reduced net income by $26 million (net of an income tax benefit of $14 million) in 1998.

Note 11

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 $13 million in 1999, $(4) million in 1998, and $17 million in 1997 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 Forwards/Interest Rate Swaps				
1999	$ 232	2000 – 2002	5.8%	6.6%
1998	$ 303	1999 – 2002	5.3%	6.0%
Other Interest Rate Swaps				
Pay fixed				
1999	$ 285	2000 – 2005	6.1%	5.9%
1998	$ 260	1999 – 2005	5.0%	5.9%
Pay variable				
1999	$ 553	2000 – 2006	6.4%	6.1%
1998	$ 784	1999 – 2006	6.6%	5.3%
Structured Note Swap Agreements				
1999	$ –	–		
1998	$ 60	1999		
Interest Rate Cap/Floor Agreements				
1999	$ 147	2001 – 2002		
1998	$ 297	1999 – 2002		
Basis Swap Agreements				
1999	$ 1,001	2003 – 2004		
1998	$ 1,001	2003 – 2004		

We use foreign currency forwards/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 converted 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. These contracts expired in 1999.

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 $12 million in 1999, $(4) million in 1998, and $4 million in 1997 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

Note 11 continued

contracts were $77 million at December 31, 1999, $2 million at December 31, 1998, and $15 million at December 31, 1997. The contracts outstanding at December 31, 1999 have maturities ranging from four to sixteen months. Contracts outstanding in 1998 and 1997 had maturities of six months or less.

Certain of the interest rate swap agreements shown in the table contain both a foreign currency forward and a U.S. dollar interest rate swap component. These agreements require the exchange of payments in U.S. dollars 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 $2,218 million at December 31, 1999 and $1,917 million at December 31, 1998. Our most significant investments at December 31, 1999 and 1998 had operations in Italy and the United Kingdom. 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 $(8) million in 1999, $11 million in 1998, and $(30) million in 1997, related to such fluctuations in Income (Loss) From Unconsolidated Businesses. Our consolidated subsidiary, Iusacell, recognized a gain of $15 million in 1999 related to balances denominated in a currency other than its functional currency, the Mexican peso. Amounts recognized in 1998 and 1997 were immaterial.

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
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; foreign currency forwards and option contracts	Future cash flows discounted at current rates

(dollars in millions)

	1999		1998	
At December 31,	Carrying Amount*	Fair Value	Carrying Amount*	Fair Value
Short - and long - term debt	$ 17,480	$ 17,088	$ 14,837	$ 15,928
Exchangeable notes	6,341	6,417	5,645	5,818
Cost investments in unconsolidated businesses	2,406	2,430	777	797
Notes receivable, net	13	13	18	18
Interest rate swap and other agreements				
Assets	8	8	6	27
Liabilities	14	20	26	40
Foreign currency forward and option contracts				
Assets	–	–	–	–
Liabilities	–	1	–	–

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

The increase in our cost investments in unconsolidated businesses resulted from a change in the method of accounting for our TCNZ investment, as described in Note 3. 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 used the sale price as the fair value of our Viacom investment at December 31, 1998. We were unable to determine the fair value of other investments, with carrying values of $2 million and $1 million at December 31, 1999 and 1998, without incurring excessive costs.

Note 12

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 and a portion of our investment in CWC.

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, 1999 and 1998, 95,000 shares ($9 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, 1999, these shares had an annual dividend rate of 4.80%.

Note 13

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.

Note 14

Earnings Per Share

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

(dollars and shares in millions, except per share amounts)

Years Ended December 31,	1999	1998	1997
Net Income Available To Common Shareowners			
Income before extraordinary item	$ 4,208	$ 2,991	$ 2,455
Redemption of minority interest	–	(30)	–
Redemption of investee preferred stock	–	(2)	–
Income available to common shareowners*	4,208	2,959	2,455
Extraordinary item	(6)	(26)	–
Net income available to common shareowners*	$ 4,202	$ 2,933	$ 2,455
Basic Earnings Per Common Share			
Weighted-average shares outstanding	1,553	1,553	1,552
Income before extraordinary item	$ 2.72	$ 1.90	$ 1.58
Extraordinary item	(.01)	(.01)	–
Net income	$ 2.71	$ 1.89	$ 1.58
Diluted Earnings Per Common Share			
Weighted-average shares outstanding	1,553	1,553	1,552
Effect of dilutive securities	30	25	19
Weighted-average shares – diluted	1,583	1,578	1,571
Income before extraordinary item	$ 2.66	$ 1.87	$ 1.56
Extraordinary item	(.01)	(.01)	–
Net income	$ 2.65	$ 1.86	$ 1.56

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

For the years ended December 31, 1999, 1998 and 1997, the number of stock options excluded from the calculation of diluted earnings per share because they were antidilutive was not material.

Note 15

Stock Incentive Plans

We have stock-based compensation plans that include fixed stock option, performance-based, and phantom share plans. We recognize no compensation expense for our fixed stock option plans. Compensation expense charged to income for our performance-based and phantom share plans was $57 million in 1999, $29 million in 1998, and $27 million in 1997. If we had elected to recognize compensation expense based on the fair value at the grant dates for 1997 and subsequent fixed 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,		1999	1998	1997
Net income	As reported	$ 4,202	$ 2,965	$ 2,455
	Pro forma	4,129	2,918	2,394
Basic earnings per share	As reported	$ 2.71	$ 1.89	$ 1.58
	Pro forma	2.66	1.86	1.54
Diluted earnings per share	As reported	$ 2.65	$ 1.86	$ 1.56
	Pro forma	2.61	1.83	1.52

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:

	1999	1998	1997
Dividend yield	3.98%	4.59%	4.86%
Expected volatility	21.51%	18.63%	14.87%
Risk-free interest rate	4.82%	5.55%	6.35%
Expected lives (in years)	5	5	5

The weighted-average value of options granted was $9.60 per option during 1999, $6.47 per option during 1998 and $4.30 per option during 1997.

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, 1996	90,593	$ 27.93
Granted	15,670	33.10
Exercised	(26,238)	26.40
Canceled/forfeited	(885)	29.39
Outstanding, December 31, 1997	79,140	29.28
Granted	24,061	46.40
Exercised	(23,373)	29.01
Canceled/forfeited	(1,744)	36.88
Outstanding, December 31, 1998	78,084	34.87
Granted	22,021	56.23
Exercised	(13,430)	30.94
Canceled/forfeited	(2,037)	38.21
Outstanding, December 31, 1999	84,638	40.55
Options exercisable, December 31,		
1997	63,651	28.27
1998	55,396	30.17
1999	53,683	33.62

Note 15 continued

The following table summarizes information about fixed stock options outstanding as of December 31, 1999:

	Stock Options Outstanding			Stock Options Exercisable	
Range of Exercise Prices	Shares (in thousands)	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Shares (in thousands)	Weighted-Average Exercise Price
$ 20.00 – 24.99	5,991	2.5 years	$ 23.05	5,991	$ 23.05
25.00 – 29.99	12,238	4.6	25.74	12,238	25.74
30.00 – 34.99	22,687	6.4	33.02	22,687	33.02
35.00 – 39.99	1,190	7.6	37.78	946	37.78
40.00 – 44.99	237	8.0	43.24	237	43.24
45.00 – 49.99	19,895	8.1	46.11	9,121	46.17
50.00 – 54.99	1,356	8.8	52.15	930	52.19
55.00 – 59.99	19,434	9.1	55.86	1,478	56.70
60.00 – 64.99	1,432	9.7	62.51	55	61.44
65.00 – 69.99	178	9.6	65.99	–	–
Total	84,638	7.0	40.55	53,683	33.62

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 387,000 at December 31, 1999, 393,000 at December 31, 1998, and 1,100,000 at December 31, 1997.

A total of 230,560,000 shares may be distributed under the fixed stock option plans and the performance-based share plans. As of December 31, 1999 and 1998, a total of 94,666,000 and 56,579,000 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.

Note 16

Employee Benefits

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 defined contribution savings plans to provide opportunities for eligible employees to save for retirement on a tax-deferred basis and to encourage employees to acquire and maintain an equity interest in our company.

In 1998, 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 were determined using weighted-average assumptions for the combined Bell Atlantic and NYNEX benefit plans.

Pension and Other Postretirement Benefits

At December 31, 1999, 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 68% 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 16 continued

Benefit Cost

(dollars in millions)

Years Ended December 31,	Pension			Healthcare and Life		
	1999	1998	1997	**1999**	1998	1997
Service cost	$ 394	$ 389	$ 356	$ 111	$ 101	$ 98
Interest cost	1,899	1,855	1,877	613	593	626
Expected return on plan assets	(2,763)	(2,545)	(2,347)	(331)	(287)	(249)
Amortization of transition asset	(82)	(82)	(82)	–	–	–
Amortization of prior service cost	(118)	(133)	(136)	52	53	50
Actuarial (gain), net	(176)	(111)	(62)	(66)	(102)	(40)
Net periodic (income) benefit cost	(846)	(627)	(394)	379	358	485
Special termination benefits	–	1,029	688	–	58	60
Curtailment (gain) loss (including recognition of prior service cost)	–	(134)	(222)	–	150	118
Release of severance and postretirement medical reserves	–	(39)	(69)	–	(55)	(88)
Retirement incentive cost, net*	–	856	397	–	153	90
Total (income) cost	$ (846)	$ 229	$ 3	$ 379	$ 511	$ 575

* 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		
	1999	1998	1997	**1999**	1998	1997
Discount rate at end of year	8.00%	7.00%	7.25%	8.00%	7.00%	7.25%
Long-term rate of return on plan assets for the year	9.00	8.90	8.90	9.00	8.90	8.70
Rate of future increases in compensation at end of year	4.00	4.00	4.00	4.20	4.00	4.00
Medical cost trend rate at end of year				5.50	6.00	6.50
Ultimate (year 2001)				5.00	5.00	5.00
Dental cost trend rate at end of year				3.50	3.50	3.50
Ultimate (year 2002)				3.00	3.00	3.00

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	$ 63	$ (50)
Effect on postretirement benefit obligation	609	(495)

Note 16 continued

(dollars in millions)

At December 31,	Pension 1999	Pension 1998	Healthcare and Life 1999	Healthcare and Life 1998
Benefit Obligation				
Beginning of year	$ 28,080	$ 26,732	$ 9,063	$ 8,852
Service cost	394	389	111	101
Interest cost	1,899	1,855	613	593
Plan amendments	272	38	(1)	11
Actuarial (gain) loss, net	(2,534)	350	(881)	(91)
Benefits paid	(2,713)	(2,371)	(635)	(550)
Curtailments	–	(96)	–	89
Special termination benefits	–	1,029	–	58
Transfers	40	154	–	–
End of year	25,438	28,080	8,270	9,063
Fair Value of Plan Assets				
Beginning of year	36,966	35,253	4,463	3,825
Actual return on plan assets	6,214	4,019	652	722
Company contribution	33	61	187	173
Benefits paid	(2,713)	(2,371)	(301)	(257)
Transfers	2	4	–	–
End of year	40,502	36,966	5,001	4,463
Funded Status				
End of year	15,064	8,886	(3,269)	(4,600)
Unrecognized				
Actuarial (gain), net	(16,343)	(10,534)	(3,093)	(1,952)
Prior service cost	(928)	(1,317)	91	143
Transition asset	(275)	(357)	–	–
Net amount recognized	$ (2,482)	$ (3,322)	$ (6,271)	$ (6,409)
Amounts recognized on the balance sheet				
Employee benefit obligations	$ (2,521)	$ (3,373)	$ (6,271)	$ (6,409)
Other assets	24	24	–	–
Accumulated other comprehensive loss	15	27	–	–
Net amount recognized	$ (2,482)	$ (3,322)	$ (6,271)	$ (6,409)

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.

Effective January 19, 2000, we amended our management cash balance plan to provide employees having at least 15 years of service as of September 1, 1999 with a pension benefit that is the "greater of" their cash balance account or a benefit based on our former management pension plan. Employees will be given the greater of the two benefits when they retire or terminate from the company. In February 2000, we announced a special lump sum pension payment to management and associate employees who retired before January 1, 1995 and who are receiving pension annuities. The payments range from $2,500 to $20,000 depending on years in retirement and current pension amount. Retirees will have the option of electing the payment as a lump sum or an annuity.

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 announced in 1993.

Since the inception of the retirement incentive program, we have 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:

Note 16 continued

Years	Amount	Employees
		(dollars in millions)
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 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 offset the pension and postretirement benefit liabilities as employees accepted the retirement incentive offer.

The voluntary 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	$ 179	$ 472
1995	82	72	154
1996	91	126	217
1997	82	88	170
1998	38	55	93
	$ 586	$ 520	$ 1,106

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	$ 93
Utilization	(170)	(93)
End of year	$ 93	$ –

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 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 company funded $64 million for the January 2000 debt service payment in December 1999. 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, 1999, the number of unallocated and allocated shares of common stock was 15 million and 36 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,	1999	1998	1997
Compensation	$ 121	$ 98	$ 105
Interest incurred	36	49	57
Dividends	(26)	(34)	(37)
Net leveraged ESOP cost	131	113	125
Reduced ESOP cost	(43)	(9)	(2)
Total ESOP cost	$ 88	$ 104	$ 123
Dividends received for debt service	$ 84	$ 66	$ 67
Total company contributions to leveraged ESOP trusts	$ 210	$ 144	$ 137

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 $134 million in 1999, $81 million in 1998, and $71 million in 1997.

Note 17

Income Taxes

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

(dollars in millions)

Years Ended December 31,	1999	1998	1997
Current			
Federal	$ 1,454	$ 1,514	$ 1,208
State and local	315	368	222
	1,769	1,882	1,430
Deferred			
Federal	733	178	279
State and local	195	86	(42)
	928	264	237
Investment tax credits	(25)	(29)	(38)
Other credits	(115)	(109)	(100)
Total income tax expense	$ 2,557	$ 2,008	$ 1,529

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 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 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,	1999	1998	1997
Statutory federal income tax rate	35.0%	35.0%	35.0%
State income taxes,			
net of federal tax benefits	4.6	5.5	2.6
Write-down of foreign investments	–	3.8	–
Other, net	(1.8)	(4.1)	.8
Effective income tax rate	37.8%	40.2%	38.4%

Deferred taxes arise because of differences in the book and tax bases of certain assets and liabilities. Significant components of deferred tax liabilities (assets) are shown in the following table:

(dollars in millions)

At December 31,	1999	1998
Deferred tax liabilities		
Depreciation	$ 3,886	$ 3,634
Leveraged leases	2,732	2,437
Net unrealized gains on marketable securities	664	3
Partnership investments	528	471
Other	539	628
	8,349	7,173
Deferred tax assets		
Employee benefits	(3,818)	(4,123)
Investment tax credits	(78)	(84)
Allowance for uncollectible accounts receivable	(129)	(94)
Other	(865)	(985)
	(4,890)	(5,286)
Valuation allowance	326	317
Net deferred tax liability	$ 3,785	$ 2,204

Deferred tax assets include approximately $2,632 million at December 31, 1999 and $2,609 million at December 31, 1998 related to postretirement benefit costs recognized under SFAS No. 106, "Employer's Accounting for Postretirement Benefits Other Than Pensions." This deferred tax asset will gradually be realized over the estimated lives of current retirees and employees. At December 31, 1999, undistributed earnings of our foreign subsidiaries amounted to approximately $285 million. Deferred income taxes are not provided on these earnings as it is intended that the earnings are indefinitely invested in these entities. It is not practical to estimate the amount of taxes that might be payable upon the remittance of the undistributed earnings.

The valuation allowance primarily represents the tax benefits of certain state net operating loss carryforwards and other deferred tax assets which may expire without being utilized. During 1999, the valuation allowance increased $9 million. This increase primarily relates to state net operating loss carryforwards and a federal net operating loss carryforward for which we do not anticipate receiving a benefit in future periods.

Note 18

Segment Information

We have four reportable segments, which we operate and manage as strategic business units and 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 are included in reported consolidated earnings. We generally account for intersegment sales of products and services and asset transfers at current market prices. 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, data solutions and 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 meet customer requirements.
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 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,	1999	1998	1997
Domestic			
Operating revenues	$ 32,636	$ 31,168	$ 29,760
Long-lived assets	40,444	38,528	37,432
Foreign			
Operating revenues	538	398	434
Long-lived assets	5,130	2,564	2,752
Consolidated			
Operating revenues	33,174	31,566	30,194
Long-lived assets	45,574	41,092	40,184

Note 18 continued

Reportable Segments

(dollars in millions)

1999	Domestic Telecom	Global Wireless	Directory	Other Businesses	Total Segments Adjusted
External revenues	$ 26,168	$ 4,543	$ 2,331	$ 136	$ 33,178
Intersegment revenues	154	21	7	15	197
Total operating revenues	26,322	4,564	2,338	151	33,375
Depreciation and amortization	5,505	673	36	2	6,216
Income (loss) from unconsolidated businesses	14	80	(1)	37	130
Interest income	20	5	1	2	28
Interest expense	951	340	18	57	1,366
Income tax expense	2,224	151	474	(35)	2,814
Extraordinary items	(6)	–	–	–	(6)
Net income	3,444	388	726	67	4,625
Assets	43,080	10,468	1,730	7,420	62,698
Investments in unconsolidated businesses	2	2,515	15	3,591	6,123
Capital expenditures	7,498	1,100	31	22	8,651

(dollars in millions)

1998	Domestic Telecom	Global Wireless	Directory	Other Businesses	Total Segments Adjusted
External revenues	$ 25,435	$ 3,780	$ 2,258	$ 104	$ 31,577
Intersegment revenues	122	18	6	20	166
Total operating revenues	25,557	3,798	2,264	124	31,743
Depreciation and amortization	5,195	592	37	3	5,827
Income (loss) from unconsolidated businesses	27	(96)	29	86	46
Interest income	45	11	1	24	81
Interest expense	972	276	20	38	1,306
Income tax expense	1,959	115	437	(35)	2,476
Extraordinary items	(10)	–	–	(16)	(26)
Net income	3,173	228	684	135	4,220
Assets	41,217	7,739	1,741	5,353	56,050
Investments in unconsolidated businesses	–	1,768	15	1,868	3,651
Capital expenditures	6,409	996	35	3	7,443

(dollars in millions)

1997	Domestic Telecom	Global Wireless	Directory	Other Businesses	Total Segments Adjusted
External revenues	$ 24,669	$ 3,328	$ 2,210	$ 255	$ 30,462
Intersegment revenues	140	19	5	23	187
Total operating revenues	24,809	3,347	2,215	278	30,649
Depreciation and amortization	4,990	481	39	48	5,558
Income (loss) from unconsolidated businesses	(14)	(196)	23	78	(109)
Interest income	15	9	1	13	38
Interest expense	906	268	17	33	1,224
Income tax expense	1,792	65	410	(40)	2,227
Net income	2,993	95	657	48	3,793
Assets	39,429	7,090	1,474	5,583	53,576
Investments in unconsolidated businesses	4	1,571	22	2,080	3,677
Capital expenditures	5,486	988	34	134	6,642
Noncash financing and investing activities:					
Contributions of net assets to unconsolidated businesses	–	–	–	682	682
Contributions to partnerships	–	–	–	73	73

Note 18 continued

Reconciliation to Consolidated Financial Information

The following is a reconciliation of the adjusted results for the operating segments to the applicable line items in the consolidated financial statements.

(dollars in millions)

	1999	1998	1997
Operating Revenues			
Total reportable segments – adjusted	$ 33,375	$ 31,743	$ 30,649
Reconciling items	(201)	(177)	(192)
Special items	–	–	(263)
Consolidated operating revenues	$ 33,174	$ 31,566	$ 30,194
Net Income			
Total reportable segments – adjusted	$ 4,625	$ 4,220	$ 3,793
Reconciling items	135	103	54
Special items	(558)	(1,358)	(1,392)
Consolidated net income	$ 4,202	$ 2,965	$ 2,455
Assets			
Total reportable segments	$ 62,698	$ 56,050	$ 53,576
Reconciling items	(84)	(906)	388
Consolidated assets	$ 62,614	$ 55,144	$ 53,964

Reconciling items include undistributed corporate expenses, corporate assets and intersegment eliminations. Special items in 1999 included costs associated with our 1997 merger with NYNEX Corporation and a loss on a mark-to-market adjustment for exchangeable notes. Special items in 1998 and 1997 included merger-related costs, retirement incentives, and other charges.

Note 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,	1999	1998	1997
Taxes other than income	$ 1,484	$ 1,466	$ 1,607
Interest expense incurred, net of amounts capitalized	1,285	1,376	1,275
Capitalized interest	98	90	81
Advertising expense	379	394	397

Interest expense incurred includes $22 million in 1999, $41 million in 1998, and $45 million in 1997 related to our lease financing business. Such interest expense is classified as Other Operating Expenses.

Balance Sheet Information

(dollars in millions)

At December 31,	1999	1998
Accounts Payable and Accrued Liabilities		
Accounts payable	$ 3,753	$ 3,401
Accrued expenses	1,148	1,272
Accrued vacation pay	641	634
Accrued salaries and wages	282	232
Interest payable	292	329
Accrued taxes	349	237
	$ 6,465	$ 6,105
Other Current Liabilities		
Advance billings and customer deposits	$ 635	$ 696
Dividends payable	602	610
Other	310	132
	$ 1,547	$ 1,438

Cash Flow Information

(dollars in millions)

Years Ended December 31,	1999	1998	1997
Cash Paid			
Income taxes, net of amounts refunded	$ 1,352	$ 1,369	$ 1,403
Interest, net of amounts capitalized	1,247	1,201	1,215

Note 20

Comprehensive Income

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.

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,	1999	1998	1997
Foreign Currency Translation Adjustments, net of taxes of $1, $2 and $(2)	$ (68)	$ (146)	$ (234)
Unrealized Gains on Marketable Securities			
Unrealized gains, net of taxes of $661, $16 and $0	1,226	12	3
Less: reclassification adjustments for gains realized in net income, net of taxes of $0, $13 and $1	1	10	1
Net unrealized gains on marketable securities	1,225	2	2
Minimum Pension Liability Adjustment, net of taxes of $5 and $(10)	7	(17)	–
Other Comprehensive Income (Loss)	$ 1,164	$ (161)	$ (232)

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

		(dollars in millions)
At December 31,	1999	1998
Foreign currency translation adjustments	$ (767)	$ (699)
Unrealized gains on marketable securities	1,227	2
Minimum pension liability adjustment	(10)	(17)
Accumulated other comprehensive income (loss)	$ 450	$ (714)

In 1999, unrealized gains included $1,131 million (net incomes taxes of $609 million) related to our investment in TCNZ, for which we changed our accounting from the equity method to the cost method (see Note 1).

Note 21

Proposed Domestic Wireless Transaction

On September 21, 1999, we signed a definitive agreement with Vodafone AirTouch plc (Vodafone AirTouch) to create a national wireless business (Wireless Co.) composed of both companies' U.S. wireless assets.

Assuming that all of the assets are contributed as provided for in the agreement, Wireless Co. will be 55% owned by Bell Atlantic and 45% owned by Vodafone AirTouch. We will control the venture and, accordingly, consolidate the results of Wireless Co. into our financial results. The transaction will be accounted for as a purchase method business combination.

The completion of this transaction is subject to a number of conditions, including certain regulatory approvals. In January 2000, the transaction was approved by shareholders of Vodafone AirTouch. In February 2000, we signed an agreement with ALLTEL Corporation to exchange certain wireless interests. This agreement eliminates all of the overlapping cellular operations that would be created by the combination of Bell Atlantic and Vodafone AirTouch wireless properties.

Wireless Co. will initially assume or incur up to $10 billion in existing and new debt. Vodafone AirTouch has the right to require that up to $20 billion worth of its interest in Wireless Co. be purchased by Bell Atlantic and/or Wireless Co. between the third and seventh years following the closing of the transaction. We expect to complete the transaction in April 2000.

Note 22

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 reporting purposes the companies will be treated as if they had always been combined. At annual meetings held in May 1999, the shareholders of each company approved the merger. The completion of the merger is subject to a number of conditions, including certain regulatory approvals (all of which have been obtained except that of the Federal Communications Commission) and receipt of opinions that the merger will be tax-free.

We are targeting completion of the merger in the second quarter of 2000.

We have provided the following unaudited pro forma combined condensed financial statements. These financial statements are presented assuming that the merger will be accounted for as a pooling of interests, and include certain reclassifications to conform to the presentation that will be used by the combined company and certain pro forma adjustments that conform the companies' methods of accounting. This information is presented for illustration purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the merger had been completed at the period indicated. This information does not give pro forma effect to the proposed domestic wireless transaction described in Note 21. The information does not necessarily indicate the future operating results or financial position of the combined company.

Pro Forma Combined Condensed Statements of Income

(dollars in millions, except per share amounts)(unaudited)

Years Ended December 31,	1999	1998	1997
Operating revenues	$ 58,510	$ 57,039	$ 53,454
Operating expenses	42,643	45,284	42,613
Operating income	15,867	11,755	10,841
Income (loss) from unconsolidated businesses	575	(175)	93
Other income and (expense), net	(7)	(39)	(178)
Interest expense	2,616	2,705	2,465
Mark-to-market adjustment for exchangeable notes	(664)	–	–
Provision for income taxes	4,862	3,482	3,111
Income from continuing operations	$ 8,293	$ 5,354	$ 5,180
Basic Earnings Per Common Share			
Income from continuing operations	$ 3.03	$ 1.95	$ 1.90
Weighted-average shares outstanding (in millions)	2,739	2,728	2,720
Diluted Earnings Per Common Share			
Income from continuing operations	$ 2.99	$ 1.93	$ 1.89
Weighted-average shares–diluted (in millions)	2,777	2,759	2,745

Pro Forma Combined Condensed Balance Sheet

At December 31, 1999	(dollars in millions)(unaudited)
Assets	
Current assets	
Cash and temporary cash investments	$ 3,068
Receivables, net	12,083
Net assets available for sale	1,802
Other current assets	2,919
	19,872
Plant, property and equipment, net	62,366
Investments in unconsolidated businesses	10,207
Other assets	20,668
Total assets	$ 113,113
Liabilities and Shareowners' Investment	
Current liabilities	
Debt maturing within one year	$ 15,063
Accounts payable and accrued liabilities	12,247
Other current liabilities	2,635
	29,945
Long-term debt	32,420
Employee benefit obligations	13,744
Deferred credits and other liabilities	10,710
Shareowners' investment	
Common stock (2,756,484,606 shares)	276
Contributed capital	20,135
Reinvested earnings	7,346
Accumulated other comprehensive income	74
	27,831
Less common stock in treasury, at cost	640
Less deferred compensation–employee stock ownership plans	897
	26,294
Total liabilities and shareowners' investment	$ 113,113

We anticipate that the combined company will record a pre-tax charge of approximately $375 million for direct incremental merger-related costs in the quarter in which the merger is completed. Merger-related costs anticipated to be incurred have been reflected as an increase to Other Current Liabilities and amounts already incurred by GTE and Bell Atlantic have been shown as a reduction to Other Current Assets. The after-tax cost of this anticipated charge (approximately $310 million) has been reflected as a reduction in Reinvested Earnings in the unaudited pro forma combined condensed balance sheet as of December 31, 1999.

Note 23

Quarterly Financial Information (Unaudited)

(dollars in millions, except per share amounts)

Quarter Ended	Operating Revenues	Operating Income	Income (Loss) Before Extraordinary Item: Amount	Per Share - Basic	Per Share - Diluted	Net Income (Loss)
1999						
March 31	$ 7,967	$ 2,078	$ 1,142	$ .74	$ .72	$ 1,142
June 30	8,295	2,147	1,173	.76	.75	1,167
September 30	8,304	2,118	1,174	.76	.74	1,174
December 31*	8,608	2,152	719	.46	.45	719
1998						
March 31	$ 7,651	$ 1,712	$ 910	$ .58	$ .57	$ 893
June 30	7,928	1,953	1,027	.66	.65	1,021
September 30**	7,910	1,130	(7)	(.01)	(.01)	(8)
December 31	8,077	1,832	1,061	.66	.65	1,059

* Results of operations for the fourth quarter of 1999 include a $432 million (after-tax) loss on mark-to-market adjustment for exchangeable notes and a credit of $19 million (after-tax) for the favorable settlement of a litigation matter.

** 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.

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.

Note 24

Subsequent Events

Common Stock Buyback Program

On March 1, 2000, our Board of Directors authorized a new share buyback program through which we may repurchase up to 80 million shares of our common stock over time in the open market. The Board of Directors also rescinded a previous authorization to repurchase up to $1.4 billion in company shares.

Agreement with Metromedia Fiber Network, Inc.

On March 6, 2000, we invested approximately $1.7 billion in Metromedia Fiber Network, Inc. (MFN), a domestic and international provider of dedicated fiber optic networks in major metropolitan markets. This investment included $715 million to acquire approximately 9.5% of the equity of MFN through the purchase of newly issued shares at $28 per share. We also purchased approximately $975 million in subordinated debt securities convertible at our option, upon receipt of necessary government approvals, into common stock at a conversion price of $34 per share or an additional 9.6% of the equity of MFN. This investment completed a portion of our previously announced agreement with MFN, which included the acquisition of approximately $550 million of long-term capacity on MFN's fiber optic networks, beginning in 1999 through 2002. Of the $550 million, 10% was paid in November 1999 and 30% will be paid each October from 2000 through 2002.

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Group President – Consumer

John Diercksen
Group President – Directory

Bruce S. Gordon
Group President – Enterprise Business

Paul A. Lacouture
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Regina H. Novotny
Group President – General Business

Dennis F. Strigl
Group President – Wireless

Shareowner Services
Questions about stock-related matters including account changes, stock transfers and other requests for assistance with regard to your stock ownership should be directed to our transfer agent, Fleet National Bank, c/o EquiServe:

Bell Atlantic Shareowner Services
c/o EquiServe
P.O. Box 8038
Boston, MA 02266-8038
Phone 800 631-2355

Persons outside the U.S. may call collect: 781 575-3994

Persons using a telecommunications device for the deaf (TDD) may call: 800 524-9955

Shareowners with e-mail addresses can send inquiries to: BellAtlantic@EquiServe.com

Shareowner News
For earnings highlights, dividend announcements and other pertinent information, you may call our newsline: 800 BEL-5595

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Online Proxy Materials
Registered shareowners can receive their Annual Report, Proxy Statement and Proxy Card on-line instead of receiving printed copies by mail. Enroll through our investor information website – www.BellAtlantic.com/invest

On-Line Account Access
Registered shareowners can view account information on-line through the investor information website – www.BellAtlantic.com/invest

Bell Atlantic Direct Invest
Bell Atlantic offers a direct stock purchase and share ownership plan. The plan allows current and new investors to purchase Bell Atlantic stock conveniently and economically.

To receive a Plan Prospectus and enrollment form, contact EquiServe.

Dividend Direct Deposit Service
Bell Atlantic offers an electronic funds transfer service to shareowners wishing to deposit dividends directly into checking or savings accounts on dividend payment dates.

For more information, contact EquiServe.

Stock Market Information
Shareowners of record at December 31, 1999: 1,028,500

Bell Atlantic is listed on the New York Stock Exchange (ticker symbol: BEL)

Also listed on the Philadelphia, Boston, Chicago, Pacific, London, Swiss, Amsterdam, and Frankfurt exchanges

Common Stock Price and Dividend Information

	Market Price High	Market Price Low	Cash Dividend Declared
1999			
First Quarter	$ 60 7/16	$ 50 5/8	$ .385
Second Quarter	65 3/8	50 15/16	.385
Third Quarter	68 3/16	60 1/4	.385
Fourth Quarter	69 1/2	59 3/16	.385
1998			
First Quarter	$ 53	$ 42 3/8	$ .385
Second Quarter	51 5/8	44 11/16	.385
Third Quarter	50 7/16	40 7/16	.385
Fourth Quarter	61 3/16	47 3/4	.385

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

Equal Opportunity Policy
The Company has over 145,000 employees and maintains a long-standing commitment to equal opportunity and valuing the diversity of its employees, suppliers, and customers. The Company strives to create a working environment free of discrimination with respect to age, color, disability, gender, national origin, race, religion, citizenship status, marital status, sexual orientation, disabled veteran and veteran of the Vietnam era status.

For a summary of annual profile reports filed with the EEOC, contact Mr. Charles Christian, 1717 Arch Street, 28th Floor South, Philadelphia, Pennsylvania 19103.

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Printed on recycled paper

4800–AR–00