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

FORM

10-K

(Mark one)

[x] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 1998

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to

Commission file number 1-8606

Bell Atlantic Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

1095 Avenue of the Americas
New York, New York 10036
(Address of principal executive offices) *(Zip Code)*

23-2259884
(I.R.S. Employer Identification No.)

Registrant's telephone number, including area code:
(212) 395-2121

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

Title of each class
Common Stock, $.10 par value

Name of each exchange on which registered
New York, Philadelphia, Boston, Chicago and
Pacific Stock Exchanges

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ✔ No __

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

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

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

Documents incorporated by reference:

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

Part I

Item 1. Business

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

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

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

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

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

Proposed Bell Atlantic–GTE Merger

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

We expect the merger to qualify as a pooling of interests, which means that for accounting and financial purposes, the companies will be treated as if they had always been combined. The completion of the merger is subject to a number of conditions, including certain regulatory approvals, receipt of opinions that the merger will be tax-free, and the approval of the shareholders of both Bell Atlantic and GTE.

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

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

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

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

As a result of the merger, the combined company will incur direct incremental and transition costs currently estimated at $1.6 billion to $2.0 billion (pre-tax) in connection with completing the transaction and integrating the operations of GTE and Bell Atlantic. These costs consist principally of systems modification costs, costs associated with the elimination and consolidation of duplicate facilities, employee severance and relocation resulting from the merger, branding, compensation arrangements, and professional and registration fees. While the exact timing, nature and amount of these

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

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

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

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

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

We are unable to predict definitively the impact that the 1996 Act will ultimately have on our business, results of operations or financial condition. The financial impact will depend on several factors, including the timing, extent and success of competition in our markets, the timing and outcome of various regulatory proceedings and any appeals, and the timing, extent and success of our pursuit of new opportunities resulting from the 1996 Act.

FCC REGULATION AND INTERSTATE RATES

The operating telephone subsidiaries are subject to the jurisdiction of the FCC with respect to interstate services and certain related matters. In 1998, the FCC continued to implement reforms to the interstate access charge system and to implement the "universal service" and other requirements of the 1996 Act.

ACCESS CHARGES

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

PRICE CAPS

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

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

UNIVERSAL SERVICE

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

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

NEW ENGLAND TELEPHONE

Maine

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

Massachusetts

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

New Hampshire

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

Rhode Island

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

Vermont

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

BELL ATLANTIC – MARYLAND

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

BELL ATLANTIC – VIRGINIA

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

BELL ATLANTIC – WEST VIRGINIA

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

BELL ATLANTIC – DELAWARE

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

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

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

ALTERNATIVE ACCESS

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

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

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

WIRELESS SERVICES

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

PUBLIC TELEPHONE SERVICES

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

OPERATOR SERVICES

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

Directory

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

Global Wireless

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

UNITED STATES

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

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

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

MEXICO

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

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

ITALY

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

GREECE

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

CZECH REPUBLIC AND SLOVAKIA

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

INDONESIA

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

Cautionary Statement Concerning Forward-Looking Statements

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

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

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

Item 3. Legal Proceedings

There were no proceedings reportable under Item 3.

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

Not Applicable.

Executive Officers of the Registrant

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

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

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

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

Part IV

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

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

(1) Financial Statements
See Index to Financial Information appearing on Page F-1.

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

(3) Exhibits

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

EXHIBIT NUMBER

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Index to Financial Information

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

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

Merger-related Costs

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

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

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

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

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

(DOLLARS IN MILLIONS)

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

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

Retirement Incentive Costs

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

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

(DOLLARS IN MILLIONS)

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

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

Other Charges and Special Items

YEAR 1998

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

ASIAN INVESTMENTS

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

WRITE-DOWN OF ASSETS AND REAL ESTATE CONSOLIDATION

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

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

REGULATORY, TAX AND LEGAL CONTINGENCIES AND OTHER SPECIAL ITEMS

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

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

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

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

YEAR 1996

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

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

Segmental Results of Operations

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

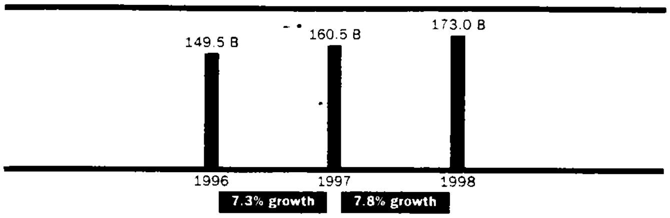
We measure and evaluate our reportable segments based on adjusted net income, which excludes undistributed corporate expenses and special items arising during each period. Special items are transactions that management has excluded from the business units' results, but has included in reported consolidated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

(DOLLARS IN MILLIONS)

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

Reconciling items consist of corporate operations and intersegment eliminations.

Access Minutes of Use



The Federal Communications Commission (FCC) regulates the rates that we charge long distance carriers and end-user subscribers for interstate access services. We are required to file new access rates with the FCC each year, under the rules of the Price Cap Plan. We implemented price decreases for interstate access services of approximately $63 million on an annual basis for the period July 1996 through June 1997 and approximately $430 million on an annual basis for the period July 1997 through June 1998.

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

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

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

LONG DISTANCE SERVICES

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

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

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

ANCILLARY SERVICES

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

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

OPERATING EXPENSES

EMPLOYEE COSTS

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

Global Wireless

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

YEARS ENDED DECEMBER 31 (DOLLARS IN MILLIONS)

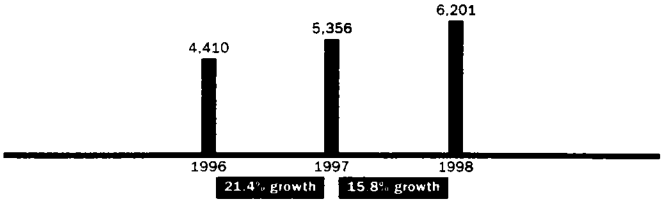
Results of Operations–Adjusted Basis	1998	1997	1996
Operating Revenues			
Wireless services revenues	$ 3,798	$ 3,347	$ 2,684
Operating Expenses			
Employee costs	548	490	395
Depreciation and amortization	592	481	303
Other operating expenses	1,942	1,742	1,465
	3,082	2,713	2,163
Operating Income	$ 716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

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

OPERATING REVENUES

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

Bell Atlantic Mobile Customers (in thousands)



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

OPERATING EXPENSES

EMPLOYEE COSTS

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

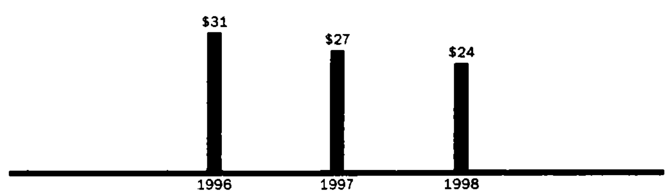
DEPRECIATION AND AMORTIZATION

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

OTHER OPERATING EXPENSES

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

Bell Atlantic Mobile Monthly Cash Expense per Subscriber



LOSS FROM UNCONSOLIDATED BUSINESSES

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

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

Nonoperating Items

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

YEARS ENDED DECEMBER 31 (DOLLARS IN MILLIONS)

Interest Expense	1998	1997	1996
Interest expense from continuing operations	$ 1,335	$ 1,230	$ 1,082
Capitalized interest costs	90	81	129
Total interest costs on debt balances	$ 1,425	$ 1,311	$ 1,211
Average debt outstanding	$ 19,963	$ 18,897	$ 17,745
Effective interest rate	7.14%	6.94%	6.82%

The rise in interest cost in both 1998 and 1997 was principally due to higher average debt levels. In 1998, interest expense also included added costs due to the settlement of tax-related matters. The reduction in capitalized interest costs in 1997 was largely attributable to our PrimeCo investment and the consolidation of Iusacell.

YEARS ENDED DECEMBER 31 (DOLLARS IN MILLIONS)

Other Income and (Expense), net	1998	1997	1996
Minority interest	$ (75)	$ (95)	$ (169)
Foreign currency gains, net	40	28	3
Interest income	81	27	28
Gains on disposition of assets/businesses, net	44	17	3
Other, net	32	20	35
Total	$ 122	$ (3)	$ (100)

The change in other income and expense in 1998, as compared to 1997, was due to several factors. These factors principally included an increase in income resulting from the settlement of tax-related matters and from the sales of our paging business and a leveraged lease. Other factors included a reduction in minority interest, which was largely attributable to a write-down of assets by Iusacell and higher foreign exchange gains associated with our international investments.

The principal factors contributing to the change in other income and expense in 1997, as compared to the prior year, included the consolidation of our Iusacell investment and the effect of the change in accounting method for our equity investment in CWC, as described earlier.

YEARS ENDED DECEMBER 31	1998	1997	1996
Effective Income Tax Rates	40.2%	38.4%	36.3%

The higher reported effective income tax rate in 1998 resulted from higher state and local income taxes caused principally by the change in the New Jersey state tax law described above 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.

The reported effective income tax rate was higher in 1997, than in 1996, due to the effect of certain merger-related costs and special charges for which there were no corresponding tax benefits. Adjustments to the valuation allowance resulting from our re-evaluation of tax planning strategies in light of the merger also contributed to the higher effective income tax rate in 1997. These factors were partially offset by the effect of the change in the New Jersey state tax law, which resulted in the recognition of a deferred state income tax benefit of approximately $75 million in the third quarter of 1997.

You can find a reconciliation of the statutory federal income tax rate to the effective income tax rate for each period in Note 16 to the consolidated financial statements.

EXTRAORDINARY ITEM

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 $25.5 million (net of an income tax benefit of $14.3 million) in 1998.

Consolidated Financial Condition

(DOLLARS IN MILLIONS)

YEARS ENDED DECEMBER 31	1998	1997	1996
Cash Flows From (Used In)			
Operating activities	$ 10,071	$ 8,859	$ 8,781
Investing activities	(7,685)	(7,339)	(7,574)
Financing activities	(2,472)	(1,447)	(1,420)
Increase (Decrease) In Cash and Cash Equivalents	$ (86)	$ 73	$ (213)

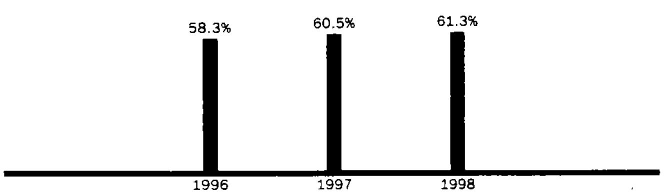
We use the net cash generated from our operations and from external financing to fund capital expenditures for network expansion and modernization, pay dividends, and invest in new businesses. While current liabilities exceeded current assets at December 31, 1998 and 1997, our sources of funds, primarily 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 1998 and 1997 resulted principally from improved operating income before special charges and timing differences in the payment of accounts payable and accrued taxes.

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

Debt Ratio



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

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

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

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

Market Risk

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

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

The table that follows summarizes the fair values of our foreign currency derivatives, cost investments, and the exchangeable notes as of December 31, 1998 and 1997. 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, 1998, the carrying value of our equity method international investments totaled approximately $1.9 billion.

(DOLLARS IN MILLIONS)

AT DECEMBER 31, 1998	Fair Value	Fair Value assuming 10% decrease in US$	Fair Value assuming 10% increase in US$
Costs investments and foreign currency derivatives	$ 154	$ 140	$ 172
Exchangeable notes	(5,818)	(6,023)	(5,643)
Total	$ (5,664)	$ (5,883)	$ (5,471)

AT DECEMBER 31, 1997	Fair Value	Fair Value assuming 10% decrease in US$	Fair Value assuming 10% increase in US$
Cost investments and foreign currency derivatives	$ 351	$ 368	$ 341
Exchangeable notes	–	–	–
Total	$ 351	$ 368	$ 341

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 Loss in our consolidated balance sheets. At December 31, 1998, our primary translation exposure was to the British pound, Italian lira and New Zealand dollar. 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 holds 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. 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, beginning in 1999 our earnings will be affected by any foreign currency gains or losses associated with the U.S dollar denominated debt held by Iusacell and our equity will be affected by the translation from the Mexican peso.

Other Market Risks

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 provide for the receipt of a variable interest rate (LIBOR-based) in exchange for a rate calculated based on a tax-exempt market index (J.J. Kenney). We account for these basis swaps at fair value and record changes as unrealized gains and losses in earnings.

In addition to the risks that we have discussed, we are typically exposed to other types of risk in the course of our business such as political risks to assets located in foreign countries. Credit risks and other potential risks have not been included in the above analysis.

Other Factors That May Affect Future Results

Proposed Bell Atlantic-GTE Merger

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

We expect the merger to qualify as a pooling of interests, which means that for accounting and financial reporting purposes the companies will be treated as if they had always been combined. The completion of the merger is subject to a number of conditions, including certain regulatory approvals, receipt of opinions that the merger will be tax-free, and the approval of the shareholders of both Bell Atlantic and GTE.

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

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

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

We anticipate that these industry changes, together with the rapid growth, enormous size and global scope of these markets, will attract new entrants and encourage existing competitors to broaden their offerings. Current and potential competitors in telecommunication services include long distance companies, other local telephone companies, cable companies, wireless service providers, foreign telecommunications providers, electric utilities, Internet service providers and other companies that offer network services. Many of these companies have a strong market presence, brand recognition and existing customer relationships, all of which contribute to intensifying competition and may affect our future revenue growth. In addition, a number of major industry participants have announced mergers, acquisitions and joint ventures which could substantially affect the development and nature of some or all of our markets. You should also read the "Competition" section for additional information.

Recent Developments–FCC

In 1998, the FCC continued to implement reforms to the interstate access charge system and to implement the "universal service" and other requirements of the 1996 Act.

ACCESS CHARGES

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

PRICE CAPS

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

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

UNIVERSAL SERVICE

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

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

Competition

INTRALATA TOLL SERVICES

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

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

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

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

- *NETWORK ELEMENTS*

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

- *APPLICATIONS AND SUPPORT SYSTEMS*

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

- *INFORMATION TECHNOLOGY INFRASTRUCTURE*

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

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

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

THIRD PARTY ISSUES

- *VENDORS*

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

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

- *CUSTOMERS*

  Our customers remain keenly interested in the progress of our Year 2000 efforts, and we anticipate increased demand for information, including detailed testing data and company-specific responses. We are providing limited warranties of Year 2000 compliance for certain new telecommunications services and other offerings, but we do not expect any resulting warranty costs to be material. We are also analyzing and addressing Year 2000 issues in customer premise equipment (CPE), including CPE that we have

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

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

Significant events affecting our historical earnings trends include the following:

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

Consolidated Balance Sheets

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

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

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Cash Flows

(DOLLARS IN MILLIONS)

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

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 CONTINUED

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

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

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

COMPUTER SOFTWARE COSTS

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

CAPITALIZATION OF INTEREST COSTS

We capitalize interest associated with the acquisition or construction of plant assets. Capitalized interest is reported as a cost of plant and a reduction in interest cost.

GOODWILL AND OTHER INTANGIBLES

Goodwill is the excess of the acquisition cost of businesses over the fair value of the identifiable net assets acquired. We amortize goodwill and other identifiable intangibles on a straight-line basis over its estimated useful life, not exceeding 40 years. We assess the impairment of other identifiable intangibles and goodwill related to our consolidated subsidiaries under Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. A determination of impairment (if any) is made based on estimates of future cash flows. In instances where goodwill has been recorded for assets that are subject to an impairment loss, the carrying amount of the goodwill is eliminated before any reduction is made to the carrying amounts of impaired long-lived assets and identifiable intangibles.

FOREIGN CURRENCY TRANSLATION

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

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

DERIVATIVE INSTRUMENTS

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

FAIR VALUE METHOD

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

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

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

2. Bell Atlantic – NYNEX Merger

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

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

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

(DOLLARS IN MILLIONS)

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

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

MERGER-RELATED COSTS

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

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

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

OTHER INITIATIVES

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

VIDEO-RELATED CHARGES

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

WRITE-DOWN OF ASSETS AND REAL ESTATE CONSOLIDATION

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

3. Investments in Unconsolidated Businesses

Our investments in unconsolidated businesses are comprised of the following:

(DOLLARS IN MILLIONS)

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

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

PRIMECO PERSONAL COMMUNICATIONS, L.P.

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

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

CABLE & WIRELESS COMMUNICATIONS plc

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

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

OMNITEL PRONTO ITALIA S.p.A.

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

TELECOM CORPORATION OF NEW ZEALAND LIMITED

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

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

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

FLAG Ltd.

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

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

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

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

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

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

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

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

PUT OPTIONS

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

5. Plant, Property and Equipment

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

(DOLLARS IN MILLIONS)

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

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

6. Leasing Arrangements

AS LESSOR

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

7. Commitments and Contingencies

In connection with certain state regulatory incentive plan commitments, we have deferred revenues which will be recognized as the commitments are met or obligations are satisfied under the plans. In addition, several state and federal regulatory proceedings may require our operating telephone subsidiaries to refund a portion of the revenues collected in the current and prior periods. There are also various legal actions pending to which we are a party. We have established reserves for specific liabilities in connection with regulatory and legal matters which we currently deem to be probable and estimable.

We do not expect that the ultimate resolution of pending regulatory and legal matters in future periods will have a material effect on our financial condition, but it could have a material effect on our results of operations.

8. Debt

DEBT MATURING WITHIN ONE YEAR

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

(DOLLARS IN MILLIONS)

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

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

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

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

LONG-TERM DEBT

This table shows our outstanding long-term debt obligations:

(DOLLARS IN MILLIONS)

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

9. Financial Instruments

DERIVATIVES

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

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

INTEREST RATE RISK MANAGEMENT

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

(DOLLARS IN MILLIONS)

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

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

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

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

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

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

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

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

NOTE 10 CONTINUED

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

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

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

OTHER MINORITY INTERESTS

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

11. Preferred Stock of Subsidiary

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

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

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

12. Shareowners' Investment

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

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

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

14. Stock Incentive Plans

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

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

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

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

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

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

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

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

FIXED STOCK OPTION PLANS

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

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

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

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

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

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

NOTE 15 CONTINUED

BENEFIT COST

(DOLLARS IN MILLIONS)

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

* See "Retirement Incentives" section for additional information

ASSUMPTIONS

The actuarial assumptions used are based on financial market interest rates, past experience, and management's best estimate of future benefit changes and economic conditions. Changes in these assumptions may impact future benefit costs and obligations. The weighted-average assumptions used in determining expense and benefit obligations are as follows:

	Pension			Healthcare and Life		
	1998	1997	1996	1998	1997	1996
Discount rate at end of year	7.00%	7.25%	7.75%	7.00%	7.25%	7.75%
Long-term rate of return on plan assets for the year	8.90	8.90	8.60	8.90	8.70	8.35
Rate of future increases in compensation at end of year	4.00	4.00	4.40	4.00	4.00	4.40
Medical cost trend rate at end of year				6.00	6.50	8.30
Ultimate (year 2001 for 1998 and 1997, year 2008 for 1996)				5.00	5.00	4.75
Dental cost trend rate at end of year				3.50	3.50	3.75
Ultimate (year 2002)				3.00	3.00	3.50

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

(DOLLARS IN MILLIONS)

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

NOTE 15 CONTINUED

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

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

(DOLLARS IN MILLIONS)

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

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

(DOLLARS IN MILLIONS)

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

SAVINGS PLANS AND EMPLOYEE STOCK OWNERSHIP PLANS

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

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

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

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

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

ESOP cost and trust activity consist of the following:

(DOLLARS IN MILLIONS)

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

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

17. Segment Information

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

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

Our segments and their principal activities consist of the following:

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

GEOGRAPHIC AREAS

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

(DOLLARS IN MILLIONS)

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

NOTE 17 CONTINUED

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

(DOLLARS IN MILLIONS)

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

18. Proposed Bell Atlantic - GTE Merger

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

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

19. Additional Financial Information

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

INCOME STATEMENT INFORMATION

(DOLLARS IN MILLIONS)

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

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

BALANCE SHEET INFORMATION

(DOLLARS IN MILLIONS)

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

CASH FLOW INFORMATION

(DOLLARS IN MILLIONS)

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

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

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

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

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

Ivan Seidenberg

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

Frederic V. Salerno

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

Doreen A. Toben

Doreen A. Toben
Vice President – Controller

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

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Bell Atlantic Corporation and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

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

PricewaterhouseCoopers LLP

New York, New York
February 9, 1999

Computation of Ratio of Earnings to Fixed Charges

Exhibit 12

(DOLLARS IN MILLIONS)

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

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