CASE NUMBER:

99-296

National
Presence

GTE

Annual Report 1998

Financial
Strength

Building A Profitable
Growth Machine

Data
Solutions

About GTE

With 1998 revenues of more than $25 billion, GTE is a leading telecommunications provider with one of the industry's broadest arrays of products and services. In the United States, GTE provides local service in 28 states and wireless service in 17 states, as well as nationwide long-distance and internetworking services ranging from dial-up Internet access for residential and small-business consumers to Web-based applications for *Fortune* 500 companies. Outside the United States, the company serves customers on five continents. GTE is also a leader in government and defense communications systems and equipment, directories and telecommunications-based information services, and aircraft-passenger telecommunications.

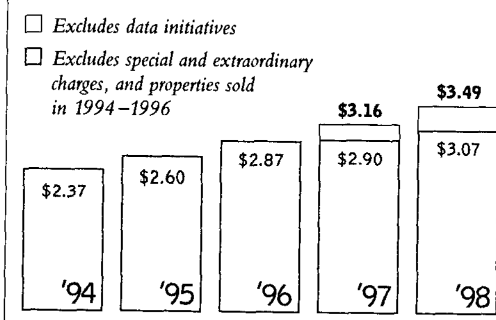
Consolidated Financial Highlights

(Dollars in Millions, Except Per-Share Amounts)	*1998*	*1997*	*% change*
Revenues and Sales	$25,473	$23,260	9.5
Operating Income Before Special Charges[a]	6,091	5,611	8.6
Income Before Special and Extraordinary Charges[a]	2,974	2,794	6.4
Diluted Earnings per Common Share:			
Income from Core Operations[b]	3.49	3.16	10.4
Income Before Special and Extraordinary Charges[a]	3.07	2.90	5.9
Net Income	2.24	2.90	(22.8)
Average Diluted Common Shares Outstanding (in millions)	968	962	.6
Capital Expenditures	5,609	5,128	9.4
Return on Common Equity[c]	27.3%	37.6%	–
Access Minutes of Use (in millions)	87,943	79,086	11.2
Access Lines (in thousands)	29,594	27,670	7.0
Employees (in thousands)	120	114	5.3

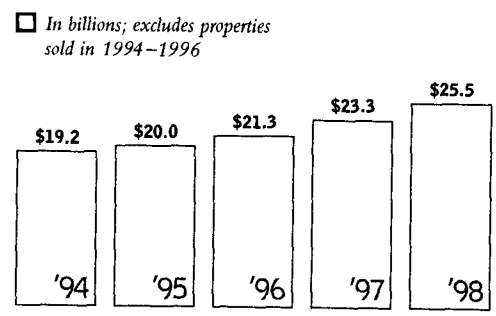
[a] *1998 excludes the pretax special charges of $755 million, which reduced net income by $482 million, or $.50 per diluted share, as well as the noncash extraordinary charges of $320 million after-tax, or $.33 per diluted share.*

[b] *Core operations exclude the special and extraordinary charges in 1998 and the data initiatives, which reduced net income by $407 million, or $.42 per diluted share, in 1998 and $242 million, or $.26 per diluted share, in 1997.*

[c] *Excluding the data initiatives, special charges and extraordinary charges, return on common equity would have been 37.4% and 40.6% in 1998 and 1997, respectively.*



Diluted Earnings per Common Share



Consolidated Revenues and Sales

Chairman's Message

Chairman and Chief Executive Officer

Charles R. Lee

Dear GTE Shareholder:

Dramatic changes are reshaping the telecommunications industry and creating significant growth opportunities for companies that have what it takes. We believe GTE is one of those companies.

In 1997, we mapped out an aggressive strategy to reposition our company to grow in this environment of increasing competition and emphasis on Internet-related communications. In 1998, as the pace of change accelerated, we put our strategy into action by expanding our national marketing capabilities and ramping up revenue growth in data communications. At the same time, we continued to grow and nurture our strong core businesses, which provide a solid foundation for future success. And, we took yet another crucial step to secure our place as one of a handful of emerging global players by announcing our intention to merge with Bell Atlantic.

What has this meant for our shareholders?

Over the past two years, as our core wireline, wireless, and international businesses produced consistently strong earnings, our consolidated earnings per share growth slowed due to our investments in future growth opportunities.

I'm happy to report, however, that dilution from these investments peaked in 1998, and began to decline in the latter part of the year. This trend paves the way for earnings per share growth in the 13% to 15% range in 1999 and beyond. Certain factors that may affect this and other forward-looking statements are discussed on page 21.

As a result of the strategic moves and investments we have made, GTE is well positioned in the segments of the telecommunications industry with the highest growth potential. We are well on our way to building a profitable growth machine that will equip us to compete successfully as a "tier-one" company—and provide greater shareholder value—well into the next century.

GTE also realizes that technological capabilities and financial strength are not enough. We need an employee team with the skills to meet and shape the future. That's why we are focused on attracting top talent and retaining the key employees we have developed over the years. As a result, GTE has uniquely positioned itself by securing and training some of the best people in the telecommunications industry. Ultimately, it will be the skills, abilities and commitment of our work force that will differentiate us in the marketplace.

Here is a summary of GTE's performance in 1998:

Strong Core Businesses

Our wireline operations provide a solid base for GTE's continued success. In 1998, we added 1.9 million domestic access lines, an increase of 9% over the prior year. Domestic access minutes of use grew by 8.9 billion minutes, or 11.2%, to lead the industry. We also had strong performances from value-added services such as call waiting, Caller ID and voice messaging. These services, which grew $108 million, or 18%, provide customers with additional choices to meet their telecommunications needs. Overall, wireline revenues grew 4% to $15 billion, despite mandated federal and state price reductions. Regulatory mandates to provide wholesale service to competitors also impacted our wireline operating results.

To enhance the satisfaction of our local telephone customers, GTE in 1998 adopted the industry's toughest policy to prevent "cramming," or unauthorized third-party charges, on customers' telephone bills. GTE acts as the middleman between customers and more than 60 third-party companies for services ranging from long distance and wireless to Internet access. GTE's new policy will enable customers to limit the companies that bill products to their local telephone bills. In fact, last year GTE refused to handle the billing for companies that failed to meet minimum customer-satisfaction levels.

Our domestic wireless operations also performed well in 1998, even in the face of stiff competition. The strategy of focusing on high-value customers, reducing costs, and improving customer service increased operating cash flow margin for this business to 38.8% from 33.5% in 1997. This improvement was among the highest in the industry. Moreover, the number of domestic wireless customers grew by 7.4%, while revenues increased by 5%. Consequently, our revenues per customer per month remained steady throughout the year, despite competitive pressures on pricing.

And we are pleased with GTE Directories' performance. Directories exceeded its financial and operating objectives for 1998, and distinguished itself from the competition by offering multimedia packages of print Yellow Pages, Internet and cable-television advertising. Government Systems and Airfone also performed well—exceeding all their growth and income objectives for 1998.

GTE's international operations had an excellent year both financially and strategically. Net income grew 20% in 1998 to $441 million, primarily because we nearly doubled our wireless subscriber base. With these strong results, we achieved—two years ahead of schedule—our commitment made in 1995 to double net income from our international operations within five years. These operations account for approximately 15% of our net income and total assets.

Moreover, we've extended our international footprint by acquiring a significant equity interest in the Puerto Rico Telephone Company. Completed in the first quarter of 1999, this investment was immediately accretive to GTE. We also gained a stake in a full-service provider in Canada through the merger of BC TELECOM and TELUS Corp., two of that country's largest telephone companies. GTE, which owned 51% of BC TELECOM, now owns nearly 27% of the combined firm. In total, these acquisitions expanded our international customer base from nearly 9 million at the end of 1998 to 9.3 million wireline and 3.4 million wireless subscribers.

National Expansion

In 1997, GTE created a new sales, service, and marketing organization, also known as a competitive local exchange carrier, or CLEC, to further our goal of becoming a tier-one player. Our CLEC currently operates in some of our largest and most competitive markets—including California, Florida and Washington—and will expand in 1999 beyond our current markets.

During 1998, we built software systems, distribution centers, and other processes for expansion nationwide. We also served 86,000 customers in eight states and gained valuable experience in how to package and price telecommunications services for greatest customer acceptance.

In fact, the early response from customers underscores the power of this approach. Last year, direct-marketing response rates to bundled offers were twice what they were when selling a single product. We learned, too, that offering GTE Long Distance through the bundle allows us to reduce customer acquisition costs while increasing loyalty and gaining additional sales.

Data Initiatives

To ensure our status as a top-tier company in this emerging growth industry, GTE is establishing a solid presence in three key areas of the data market: transport, access, and value-added services.

The foundation of this strategy is our Global Network Infrastructure (GNI), a state-of-the-art high-speed transport system. By the time it is fully operational later this year, this nationwide fiber backbone will span 17,000 miles and connect more than 100 major markets from coast to coast. Not only will we expand our services through the infrastructure, we will reduce our costs by moving our voice and data traffic from other carriers' networks onto our GNI.

Yet, no matter how powerful this high-speed network is, its value to customers is limited without fast and reliable access. That's why GTE offers residential and small-business customers two varieties of access—dial-up modems at speeds up to 56 Kbps, and asymmetric digital subscriber line (ADSL) services.

GTE's dial-up Internet service—GTE.net—is preloaded on millions of personal computers from Compaq, Hewlett-Packard, Dell, Acer, Sony Electronics and Recompute. These companies have installed an icon on the desktops of their computers that allows customers to access the Internet through GTE with just one touch. In the latter part of 1998, GTE was averaging 60,000 promotional sign-ups per week, and converting more than 10% of them to customers. With approximately 500,000 customers at the end of 1998, GTE.net is one of the largest Internet access providers in the nation.

We are transforming our local network into a broadband pipeline to millions of homes and businesses through a technology known as ADSL, which moves data over existing copper wire at 1.5 Mbps, or more than 25 times faster than today's 56 Kbps modems. At ADSL speeds, customers can download a two-minute movie preview on their personal computers in two minutes, versus the 53 minutes it would take using the fastest analog modem. Last year, GTE initiated the nation's largest ADSL rollout. Since then, we've equipped 333 central offices in 16 states with ADSL, and plan to expand the service to more than 550 central offices—within reach of almost six million customers—by the end of 1999.

In the area of value-added services, GTE offers secure, reliable, and high-speed systems so businesses can stay connected to their customers and suppliers using the Internet. When visitors access Web sites for companies like Yahoo! and *The Boston Globe*, they're using GTE's Web-hosting facilities.

Internet users can also find information about millions of U.S. businesses through GTE's SuperPages® service, the leading online Yellow Pages service. This year, we expect our usage to increase 60%, in part because of an agreement with America Online making GTE's SuperPages and Bell Atlantic's BigYellow the exclusive providers of AOL's Yellow Pages service.

Consolidated Results

Our strong focus on core wireline, wireless, and international operations has paid off. Our consolidated revenues and sales for the year increased $2.2 billion, or 10%, to $25.5 billion. Consolidated income for the year climbed to $3.0 billion, or $3.07 per diluted share, excluding the effects of previously announced after-tax, nonrecurring charges of $802 million. This compared with income of $2.8 billion, or $2.90 per diluted share, in 1997.

As strong as our results have been, we continue to align our strategies and costs with the realities of the marketplace to enhance shareholder value. Last year, we announced our plan to divest certain nonstrategic assets, including our Airfone unit, and the sale or trade of about 1.6 million of the 21.5 million total domestic access lines we held at the end of 1997. We anticipate reaching definitive agreements for these properties by the middle of this year, and they will transfer to their new owners during the remainder of 1999 and 2000.

This year, we also offered for sale our Government Systems subsidiary. Though Government Systems is an excellent performer in its specific businesses, we are now focusing all of our resources on becoming a top-tier provider of bundled services in commercial markets. Taken together, these actions are part of a corporate program that will generate in excess of $3 billion in after-tax proceeds that will be redeployed in high-growth strategic initiatives in GTE's business operations.

As a result of the steps we're taking this year, we expect revenues from "continuing operations" to grow in the high single digits in 1999 rather than the 10% to 12% range we previously estimated. Nonetheless, we will proceed with our investments in high-growth opportunities—including data and national service delivery capabilities—that will maximize value for our shareholders.

Our Proposed Merger

Bell Atlantic, our partner in a merger of equals, has also been implementing its own success strategy. By combining our complementary strengths, sharing our resources, and capitalizing on our synergies, we will speed our common ascent to the top tier.

The merger is pro-competitive and pro-consumer. Together, our two companies will bring new services to millions of consumers and businesses. In-region, we will provide a broad product mix that will allow customers to obtain new services faster and more cost-effectively. Out-of-region, this union will give us the scale, scope, and skills to offer a full package of local, long-distance, Internet, wireless, and video services on a highly competitive basis. The merged company's greater resources will allow it to develop a national brand, accelerate the transition to facilities-based competition, and continue to invest in expensive operational platforms for bundled services—all components that are necessary to succeed out of franchise. In fact, within 18 months of the merger's completion, the combined company plans to compete in 21 major markets outside its current service territories.

We believe that GTE already has the best national profile of any local carrier, with wireline operations in 58 of the top 100 markets. After the proposed merger, we will operate in 76 of those markets. What's more, GTE will integrate our data and advanced Internet services into Bell Atlantic's market of information-intensive residential and corporate customers, enabling us to provide the crucial link to the global telecommunications network for millions of homes and businesses in 39 states and the District of Columbia.

Together, GTE and Bell Atlantic will have a significant presence in more than 30 countries, with virtually no overlap. From Canada to Argentina, and from Europe to Asia, GTE and Bell Atlantic are focused on some of the world's highest growth markets. Above all, the proposed merger will be in the best interest of the shareholders of both companies. It will give them a stake in a premier telecommunications company that combines the people skills, experience, products, services and strong customer base to lead the industry. In total, we expect earnings per share growth to be greater than 15% by the third full year of the new company—beyond what either company could have achieved on its own.

More Than Numbers

Our success in 1998 can also be measured in terms of people. For example, in recognition of our family-friendly programs, we were named one of the 100 Best Companies for Working Mothers by *Working Mother* magazine in 1998. Recently, *Hispanic* magazine named GTE to the *Hispanic* Corporate 100, a listing of companies providing the most opportunities for Hispanics.

The Literacy Volunteers of America joined with other organizations in 1998 to recognize GTE for our support of literacy, one of the primary thrusts of our giving program.

What's more, we were inducted into the National Urban League Million Dollar Hall of Fame for fostering equal opportunity through programs such as the National Urban League's Black Executive Exchange Program. GTE participants in the exchange program serve as visiting professors in historically African-American colleges to lecture in courses related to their own areas of expertise.

As we approach the next century, we continue to rely on and develop our people, and to tap their remarkable diversity of knowledge, skills, and experience. GTE is committed to achieving diversity in the recruitment, hiring, career development, and promotion of our employees. After all, our success in the marketplace largely depends on a work force that is able to anticipate and meet the needs of diverse customers.

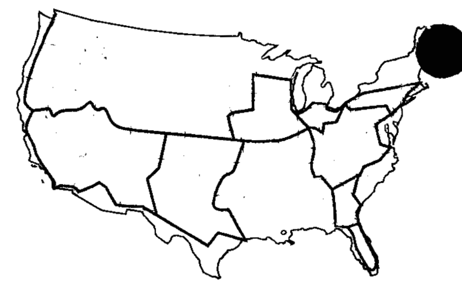
In Closing

In short, we will continue to build the profitable growth machine that will assure GTE's leadership in the millennium, and provide the greatest return to our shareholders year after year. Thank you to our customers, our employees and our shareholders for your continued support of our company.

Charles R. Lee

Charles R. Lee
Chairman and Chief Executive Officer
March 26, 1999

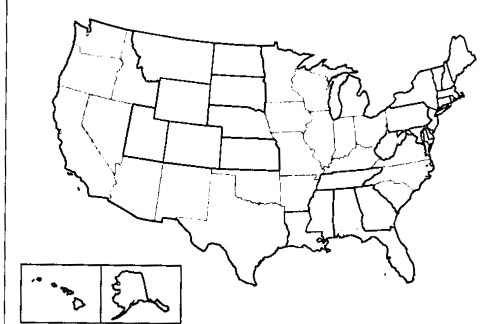
At A Glance



Global Network Infrastructure

Business **Profile**

National **Operations**

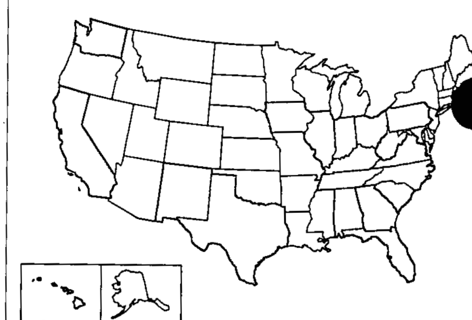


Wireline*

GTE's National Operations provide a strong mixture of traditional telecommunications services and leading-edge offerings, including Internet-related services.

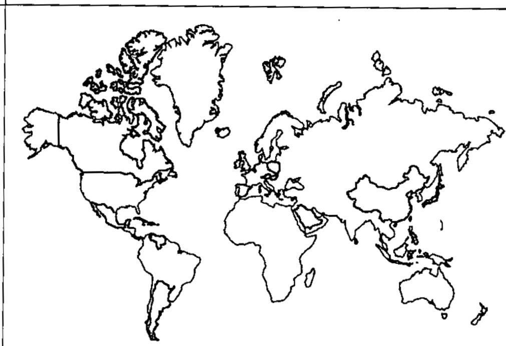
Network Services
Wireless Products and Services
Data Products and Services
GTE Communications
Government Systems
Directory Services
GTE Airfone

Customer Totals:
- 23.5 million access lines
- 2.7 million long-distance customers
- 4.8 million wireless subscribers
- 500,000 dial-up Internet customers
- 104,000 video customers



Wireless*

International **Operations**



International Operations*

**States and countries in which GTE has principal operations.*

GTE's International Operations account for approximately 15% of total assets and net income, and serve customers on five continents.

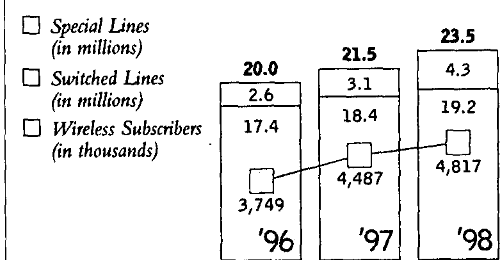
Significant Operations:	*% Ownership*[(a)]
BCT.TELUS	27
Compañía Anónima Nacional Teléfonos de Venezuela (CANTV)	26
Compañía Dominicana de Teléfonos (CODETEL)	100
CTI Holdings, S.A.	58
Pacific Communications Services Co. Ltd. (Taiwan)	12
Puerto Rico Telephone Company	40
QuébecTel Group Inc.	50

(a) *As of March 1999*

1998 Performance **Highlights**

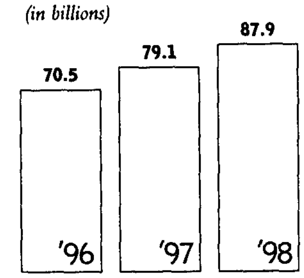
- National Operations revenues were $22.2 billion, an increase of 9% over the prior year.
- Domestic wireline revenues were driven by 9% growth in access lines and industry-leading 11.2% growth in minutes of use over 1997.
- Domestic wireless operating cash flow margin rose to 38.8%, placing GTE among the leaders in operating cash flow margin improvement.
- Millions of Internet consumers made GTE's SuperPages® service the leading Internet Yellow Pages service.
- Tripled users of GTE's Internet-access service, making GTE.net one of the nation's leading consumer Internet Service Providers.
- Began carrying Internet and voice traffic on the new Global Network Infrastructure, a 17,000-mile, nationwide, high-speed private fiber network. When completed in 1999, the network will connect more than 100 major U.S. markets.

Access Lines & Wireless Subscribers



National Operations

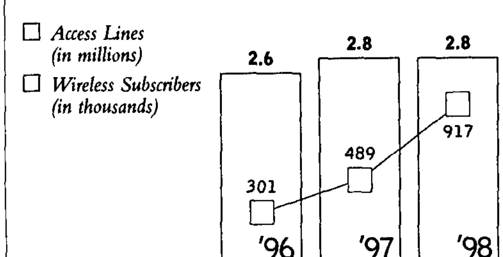
Minutes of Use
(in billions)



National Operations

- Revenues from consolidated International Operations grew $432 million to $3.3 billion, an increase of 15% over the prior year.
- A GTE-led consortium submitted a winning bid for a majority stake in the Puerto Rico Telephone Company.
- Gained a 27% stake in a full-service provider in Canada through the merger of BC TELECOM and TELUS.
- Wireless customers nearly doubled in 1998, providing a solid base for current and prospective results.
- In Taiwan, gained 900,000 wireless customers in the first year of operation – tripling expectations.

Proportionate Access Lines & Wireless Subscribers*



International Operations

**Results shown with proportional adjustment for GTE's ownership interest.*

Selected **Financial Data**

GTE Corporation and Subsidiaries

(Dollars in Millions, Except Per-Share Amounts)	*1998*	*1997*	*1996*	*1995*	*1994*
Results of Operations					
Revenues and sales	$25,473	$23,260	$21,339	$19,957	$19,528
Cost of services and sales	10,741	9,203	8,071	7,537	7,677
Selling, general and administrative	4,821	4,560	4,010	3,689	3,667
Depreciation and amortization	3,820	3,886	3,770	3,675	3,432
Special charges	755	—	—	—	—
Operating income	5,336	5,611	5,488	5,056	4,752
Net income (loss)					
Income before extraordinary charges	2,492[a]	2,794[a]	2,798[b]	2,538[b]	2,441[b]
Consolidated	2,172[c]	2,794	2,798	(2,144)[d]	2,441
Basic earnings (loss) per common share					
Income before extraordinary charges	2.59[a]	2.92[a]	2.89[b]	2.62[b]	2.55[b]
Consolidated	2.26[c]	2.92	2.89	(2.21)[d]	2.55
Diluted earnings (loss) per common share					
Income before extraordinary charges	2.57[a]	2.90[a]	2.88[b]	2.61[b]	2.54[b]
Consolidated	2.24[c]	2.90	2.88	(2.20)[d]	2.54
Common dividends declared per share	1.88	1.88	1.88	1.88	1.88
Book value per share	9.06	8.39	7.62	7.05[d]	10.85
Average common shares outstanding (in millions)					
Basic	963	958	969	970	958
Diluted	968	962	972	973	961
Assets and Capital					
Consolidated assets	43,615	42,142	38,422	37,019[d]	42,500
Long-term debt	15,418	14,494	13,210	12,744	12,163
Shareholders' equity	8,766	8,038	7,336	6,871[d]	10,483
Net cash from operations	5,890	6,164	5,899	5,033	4,740
Capital expenditures	5,609	5,128	4,088	4,034	4,192
Consolidated Ratios and Other Information					
Return on common equity	27.3%	37.6%	40.2%	(20.3)%[d]	24.8%
Return on investment	10.9%	14.5%	15.6%	(4.2)%[d]	13.1%
Average common equity	7,962	7,433	6,960	10,539	9,838
Equity ratio	35.4%	36.5%	38.1%	37.9%[d]	46.2%
Average investment	28,662	26,857	24,395	27,150	25,647
Research and development	159	122	122	137	139
Employees (in thousands)					
Total	120	114	102	106	111
United States	98	94	83	85	89
Access minutes of use (in millions)	87,943	79,086	70,452	64,193	59,247
Access lines (in thousands)					
Total	29,594	27,670	25,766	24,050	22,739
United States	23,473	21,539	20,007	18,512	17,427
Wireless subscribers (in thousands)					
Total	7,567	5,701	4,445	3,547	2,660
United States	4,817	4,487	3,749	3,011	2,339
Adjusted "POPs" (in millions)[e]					
Total	84.8	78.9	78.3	76.7	68.0
United States	61.4	61.3	61.9	61.7	53.0

(a) 1998 includes after-tax special charges of $482 million, or $.50 per share, as well as after-tax losses associated with data initiatives of $407 million, or $.42 per share, in 1998 and $242 million, or $.26 per diluted share ($.25 per basic share), in 1997.

(b) 1996, 1995 and 1994 include after-tax gains of $8 million, or $.01 per share; $11 million, or $.01 per share; and $162 million, or $.17 per share, respectively, on sales of nonstrategic domestic telephone properties.

(c) In addition to the items discussed in (a), 1998 includes after-tax extraordinary charges of $320 million, or $.33 per share resulting from the discontinued use of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS No. 71), by GTE's Canadian operations, and the early retirement of long-term debt and preferred stock.

(d) During 1995, GTE's domestic telephone operating companies discontinued the use of SFAS No. 71 resulting in a noncash, after-tax extraordinary charge of $4.6 billion or $4.77 per diluted share ($4.79 per basic share). In addition, GTE redeemed long-term debt and preferred stock resulting in an after-tax extraordinary charge of $41 million or $.04 per share.

(e) Represents population available to be served times GTE's percentage interest in wireless markets.

Overview

Return to Shareholders

The primary objective of GTE Corporation ("GTE" or "the Company") is to maximize shareholders' long-term total return, consisting of share-price appreciation and dividends. Total return to GTE shareholders in 1998 was 29% compared with 20% in 1997. Average total return over the past three years was 19%. These measures include share-price appreciation during the period and assume that actual dividends paid were reinvested in GTE stock at the market price at the time of payment.

Consolidated Operations

Revenues and Sales

	Years Ended December 31,					
(Dollars in Millions)	*1998*	%	*1997*	%	*1996*	%
Network Services	$15,248	60	$14,524	62	$13,555	64
Wireless Products and Services	3,070	12	2,922	13	2,634	12
Data Products and Services	784	3	279	1	—	—
Other National Operations	3,137	12	2,647	12	2,412	11
Total National Operations	22,239	87	20,372	88	18,601	87
International Operations	3,334	13	2,902	12	2,711	13
Corporate and other, including eliminations	(100)	—	(14)	—	27	—
Total revenues	$25,473	100	$23,260	100	$21,339	100

Consolidated revenues in 1998 grew 9.5% as compared with 1997. This growth was primarily driven by growth in domestic access lines and minutes of use, as well as demand for long-distance service offerings.

Consolidated net income in 1998 was $2.2 billion, or $2.24 per diluted share. This represents a decrease of $.66 per diluted share compared with consolidated net income in 1997 of $2.8 billion, or $2.90 per diluted share. Net income for 1998 includes the effects of after-tax special charges of $482 million, or $.50 per diluted share, and extraordinary charges of $320 million, or $.33 per diluted share. Consolidated net income for 1998 and 1997 also includes $407 million, or $.42 per diluted share, and $242 million, or $.26 per diluted share, respectively, of start-up losses related to GTE's Data Products and Services unit that was formed in mid-1997. While the continued investment in the high-growth data sector of the telecommunications industry is essential to achieving GTE's growth objectives, over the past two years, these start-up losses have offset the strong performance of GTE's traditional core operations. Losses are expected to decline during 1999 as the Data Products and Services unit moves out of its start-up phase.

The 1998 special charges related to the continuation of GTE's strategic initiatives, as discussed below. The 1998 extraordinary charges related to the discontinuance of regulatory accounting principles at the Company's Canadian telephone operations and the redemption of high-coupon debt and preferred stock prior to their stated maturity.

Strategic Initiatives

GTE's domestic strategy is to profitably offer a complete bundle of high-growth telecommunications services nationwide. Consistent with this strategy, as permitted by the Telecommunications Act of 1996 (the Telecommunications Act), GTE launched nationwide long-distance telephone service in early 1996. To accelerate its strategic transformation, in 1997, GTE created a national sales and marketing organization to market its products and services both inside and outside of its traditional franchise areas and made significant investments in enhanced data and leading-edge, Internet-based products and services. These investments included the purchase of a nationwide fiber-optic network and the acquisition of BBN Corporation, a leading provider of Internet-based services. Consistent with GTE's decision to focus its resources on higher-growth segments of the industry, in late 1997, GTE began a comprehensive review of its core operations to identify business activities that were no longer strategic or were inconsistent with its growth objectives. As a result of the completion of the initial phase of this review during the first quarter of 1998, the Company committed to a plan to sell or exit various business activities and reduce costs through employee reductions and related actions. As a result of these actions, during the first quarter of 1998, the Company recorded a pretax charge of $755 million, $482 million after-tax, or $.50 per diluted share, for the year.

Net Assets Held for Sale

During the first quarter of 1998, the Company committed to a repositioning plan that resulted in a decision to sell GTE Government Systems Corporation, a supplier of government and defense communications systems; GTE Airfone Incorporated, a provider of aircraft-passenger telecommunications; and approximately 1.6 million domestic access lines located in 13 states. In aggregate, these transactions are expected to generate for the Company after-tax cash proceeds in excess of $3 billion. The sale of GTE Government Systems and GTE Airfone are expected to close in 1999 and, accordingly, their net assets have been reclassified to "Net assets held for sale" in the consolidated balance sheets. Due to the regulatory approvals that are required, it is projected that most of the sales of local access lines will close in 2000. As a result, the net book value of these lines, which approximates $1.6 billion, continues to be reported in "Property, plant and equipment, net" in the consolidated balance sheets. The Company intends to continue to operate all of these assets until sold. Based on the decision to sell, however, the Company stopped recording depreciation expense for these assets. This lowered depreciation expense by approximately $100 million for the year.

During 1998-1996, GTE Government Systems and GTE Airfone generated combined revenues of approximately $1.6 billion, $1.4 billion and $1.3 billion, respectively, and operating income of approximately $160 million, $80 million and $50 million, respectively. Due to the centralized manner in which GTE's local telephone companies are managed and since the access lines to be sold represent portions of states rather than entire operating companies, revenues and operating income applicable to the access lines to be sold are not readily determinable. The 1.6 million access lines represent approximately 7% of the average domestic lines that GTE Network Services had in service during 1998.

Special Charges—asset impairments and exit costs

Based on the decision to sell, the Company recorded a pretax charge of $200 million to reduce the carrying value of GTE Airfone's assets to estimated net sales proceeds. No charge was recorded for GTE Government Systems or the access lines to be sold because their estimated fair values were in excess of their carrying values.

During the first quarter of 1998, the Company also committed to a plan to exit a number of other nonstrategic business activities. As a result, the Company recorded a pretax charge of $156 million to reduce the carrying value of affected assets to expected net salvage value and to recognize costs resulting from the exit plan. The major components of the charge include:

- the write-off of network equipment and supplies for discontinued wireless products and services ($81 million);
- the shutdown of business units developing interactive video products and services and excess printing facilities ($42 million); and
- the write-off of impaired assets in Latin America ($33 million).

GTE expects that the assets affected by these actions will be sold or discarded within a year of the decision to exit the activities to which they relate.

After completing the review of its operations, the Company also decided to scale back the deployment of the hybrid fiber coax (HFC) video networks that it had built over the past three years in certain test markets. Although the Company is obligated to, and will continue to, use the existing HFC networks to provide video service in these markets, technological innovations have created alternative ways for the Company to deliver video and high-speed data services in the future at a significantly lower overall cost. Due to the significant change in the scale of the HFC networks and the effect on future revenues and expenses, the Company recorded a pretax charge for impairment of approximately $161 million based on estimated future cash flows. At December 31, 1998, these networks, which have generated operating losses of approximately $86 million, had a net book value of approximately $250 million.

Special Charges—employee related and other actions

During the first quarter of 1998, the Company also decided to consolidate facilities and centralize or eliminate a variety of employee functions and, as a result, recorded a $107 million pretax charge. During the second half of the year, the Company closed several administrative facilities, including its corporate headquarters in Connecticut and approximately 140 domestic retail stores and other locations operated by its National Operations. The cost of these actions is composed primarily of employee severance, outplacement and benefit continuation costs for approximately 1,700 employees and other costs to exit locations no longer used by the Company. At December 31, 1998, 1,587 employees had been separated. The Company anticipates that an additional 2,500–3,500 employee separations and related actions will occur during the first quarter of 1999 and that additional charges of approximately $100–$150 million after-tax will be necessary as the plans are finalized.

The Company also recorded a pretax charge of approximately $131 million related to nonrecurring federal and state regulatory rulings affecting its Network Services unit. Approximately two thirds of this charge relates to nonrecurring access rate refunds applied by the FCC retroactively in 1997, which the Company has contested in the courts. In addition, the charge also included the write-off of mandated costs, including generic software, and other costs incurred by the Company for which revenue recovery was not allowable under the regulatory process.

Special Charges—by category and business unit

The following summarizes the special charges by major category and by business unit affected:

(Dollars in Millions)	*Initial Charge*	*Cash Payments*	*Remaining Liability*
Major Category:			
Asset impairments	$483	$ —	$ —
Exit costs	34	10	24
Employee related and other actions			
Severance	77	33	44
Other	30	22	8
Other actions	131	94	37
Total	$755	$159	$113
Business Unit:			
National Operations			
Network Services	$171	$124	$ 38
Wireless Products and Services	91	9	25
Other National Operations	397	7	—
International Operations	38	—	11
Corporate and other	58	19	39
Total	$755	$159	$113

The $58 million included in "Corporate and other" relates to severance and related costs associated with the closing of several administrative facilities, including the Company's corporate headquarters and worldwide training facility in Connecticut.

There have been no adjustments to the liability as originally recorded.

Results of Operations

The following discussion covers the separate results of GTE's National and International Operations and makes reference to a new segment reporting concept adopted in 1998. As discussed more fully in Note 15 to the consolidated financial statements, GTE has four reportable segments. Three reportable segments are within GTE's National Operations and the fourth reportable segment is GTE's International Operations.

National Operations

The results of GTE's National Operations include the results of the Network Services, Wireless Products and Services, and Data Products and Services reportable segments, as well as the results of smaller business units, including GTE Technology and Systems, GTE Communications Corporation, GTE Directories Corporation and GTE Airfone.

Network Services

Network Services provides wireline communication services within its operating areas, including local telephone service, toll calls within franchised areas and access services that enable long-distance carriers to complete calls to or from locations outside of GTE's operating areas. Network Services also provides complex voice and data services to businesses, billing and collection, operator-assistance and inventory management services to other telecommunications companies.

Revenues and Sales

(Dollars in Millions)	*Years Ended December 31,* 1998	1997	1996
Local services	$ 5,814	$ 5,530	$ 5,130
Network access services	5,316	4,896	4,589
Toll services	859	1,251	1,525
Directory services and other	3,259	2,847	2,311
Total revenues	15,248	14,524	13,555
Intersegment revenues	(305)	(220)	(92)
Total external revenues	$14,943	$14,304	$13,463

Local services

Local service revenues are earned from providing local telephone service and from value-added services. Value-added services include products such as Caller ID and Call Waiting.

Higher usage of our network was the primary reason for the increase in local service revenues in 1998 and 1997. This growth was generated by an increase in switched access lines in service of 4.6% in 1998 and 5.5% in 1997. Access line growth reflects higher demand by Internet Service Providers (ISPs), and additional residential lines, including second lines. Revenue growth in 1998 and 1997 was also boosted by increased revenues from value-added services. These services contributed revenue growth of $91 million in 1998 and $127 million in 1997.

Network access services

Network access service revenues are based on fees charged to interexchange carriers that use the Company's local network to provide long-distance services to their customers. Cellular providers and other local telephone companies also pay access charges for cellular and toll calls transported or terminated by the Company. Special access revenues arise from access charges paid by carriers and end-users with private networks who access the Company's local network.

Network access service revenues increased $258 million and $227 million in 1998 and 1997, respectively, due to higher customer demand as reflected by growth in access minutes of use of 11.2% in 1998 and 12.3% in 1997. Growth in access revenues in 1998 and 1997 also reflects higher network usage by alternative providers of intraLATA toll services. Special access revenues, driven by growing demand for increased bandwidth by high-capacity users, increased $151 million and $141 million in 1998 and 1997, respectively. In addition, 1998 revenue reflects $98 million from CyberPop℠, a service which creates a point of presence for ISPs that operate in or near GTE's markets. Revenue growth was negatively impacted in both years by price reductions mandated by federal and state regulation. The impact of price cap filings reduced interstate access rates $140 million and $60 million in 1998 and 1997, respectively (see "Regulatory and Competitive Trends—Price Cap" for additional information). In 1997, the Federal Communications Commission (FCC) also ordered significant changes that altered the structure of access charges collected by the Company. As a result of the order, usage-sensitive access charges paid by long-distance carriers were reduced by $338 million in 1998. This reduction was partially offset by $298 million of new per-line charges to long-distance carriers and increased charges paid by the end-user customer (see "Regulatory and Competitive Trends—Interstate Access Revision" for additional information). Intrastate access charges were also reduced by $102 million in 1998 and $62 million in 1997 as a result of state regulatory proceedings.

Toll services

Toll services revenue is earned primarily from calls made outside a customer's local calling area but within the same LATA (intraLATA). LATAs are geographic areas that were defined by the FCC in the 1980s.

Toll revenues decreased in 1998 and 1997 due to lower toll volumes resulting from competition. By August 1997, all of GTE's operating areas were open to toll competition. Prior to full competition, intraLATA toll calls were completed by the Company, unless the customer dialed a code to access a different carrier. The ability to preselect a competing carrier changed this and enabled customers to complete toll calls using another carrier without having to dial an access code. Revenue reductions from intraLATA toll competition were partially offset by increased network access revenues for usage of our network by alternative providers of intraLATA toll services.

Toll revenues also declined in both years because of company-initiated and regulatory-mandated rate reductions. The Company continues to implement price reductions on certain long-distance services as part of its response to competition. Partially offsetting the toll erosion in Network Services was $280 million of higher revenues related to GTE's long-distance service (see "Other National Operations" for additional information).

Directory services and other

Directory services revenues result primarily from publication rights received from GTE Directories Corporation (included in the discussion of "Other National Operations") for sales of Yellow Pages advertising to customers in Network Services' operating areas. Directory services revenues remained relatively constant in both 1998 and 1997.

Other revenues include nonregulated sales and services such as inventory management and purchasing services, telephone equipment sales, public telephone revenues, billing and collection and operator services provided to affiliates and third parties.

Revenues from inventory management and purchasing services increased by $281 million in 1998 and $300 million in 1997, and billing and collection revenues increased by $74 million in 1998 and $26 million in 1997, as a result of recently acquired third-party and affiliated customers.

Public telephone revenues increased $34 million and $57 million in 1998 and 1997, respectively. These increases were related to the Telecommunications Act, which mandated compensation to payphone service providers for credit card and toll-free calls originating from payphones. Prior to the Telecommunications Act, the Company was not compensated for such calls. Revenues in 1998 and 1997 also increased due to higher sales of advanced products, including paging and voice mail.

Intersegment revenues

Intersegment revenues at Network Services primarily represent local telephone services provided at market rates to GTE Communications, which markets bundled telecommunications services, and sales of inventory management services provided to affiliates.

Operating Costs and Expenses

	Years Ended December 31,		
(Dollars in Millions)	***1998***	***1997***	***1996***
Cost of services and sales	$ 5,485	$5,028	$4,884
Selling, general and administrative	2,184	2,165	2,140
Depreciation and amortization	2,591	2,605	2,642
Special charges	171	—	—
Total operating costs and expenses	$10,431	$9,798	$9,666

Cost of services and sales

The 1998 and 1997 increases were primarily driven by growth in inventory management and purchasing services to third-party customers and higher volumes. The 1998 increase is also due to the recording of pension settlement gains in 1997, which resulted from lump-sum payments from the Company's pension plan to separated employees. These increases were partially offset by productivity improvements.

Selling, general and administrative

Selling, general and administrative costs remained relatively constant in all years. The slight increase in 1998 was driven primarily by sales growth and new initiative support costs. This increase was partially offset by lower advertising and marketing costs.

Depreciation and amortization

Depreciation and amortization decreased in 1997 from 1996 reflecting a reduction in depreciation rates to reflect higher salvage values for outside plant. The 1998 decrease primarily resulted from the discontinuation of depreciation expense for nonstrategic domestic access lines held for sale. In 1998, GTE announced its plan to sell approximately 1.6 million nonstrategic domestic access lines. Based on the decision to sell these access lines, the Company ceased recording depreciation expense. The decrease in both years was partially offset by the depreciation of capital additions, reflecting growth in the demand for access lines and data services.

Wireless Products and Services

Wireless Products and Services provides wireless communications services (both voice and data) within licensed areas in the U.S., sells cellular telephones and accessories and provides support services to other cellular telephone companies.

Revenues and Sales

	Years Ended December 31,		
(Dollars in Millions)	***1998***	***1997***	***1996***
Service revenues	$2,687	$2,549	$2,347
Equipment sales and other	383	373	287
Total revenues	$3,070	$2,922	$2,634

The growth in service revenues was primarily attributable to the growth in GTE's wireless customer base of 7.4% in 1998 and 19.7% in 1997. Total U.S. customers served reached 4.8 million and 4.5 million in 1998 and 1997, respectively. In both 1998 and 1997, revenue growth resulting from the increased customer base was somewhat offset by a decline in revenues per customer per month, reflecting the increasing level of competition in the wireless industry. However, 1998 results reflect profitable growth by focusing on higher-value customers utilizing a value-based marketing strategy.

Operating Costs and Expenses

	Years Ended December 31,		
(Dollars in Millions)	***1998***	***1997***	***1996***
Cost of services and sales	$1,049	$1,083	$ 908
Selling, general and administrative	848	974	846
Depreciation and amortization	435	428	398
Special charges	91	—	—
Total operating costs and expenses	$2,423	$2,485	$2,152

Cost of services and sales

Cost of services and sales decreased slightly in 1998 as compared with 1997 despite an increased customer base. The increased volumes were offset by reduced costs for cellular phones, favorable interconnection fees, lower fraud losses and increased productivity throughout the organization. Cost of services and sales also includes approximately $69 million of gains on the sale of assets in 1998. The 1997 increase over 1996 reflects higher equipment and operations costs due to a larger customer base, partially offset by lower roaming costs and lower fraud losses.

Selling, general and administrative

The 1998 decrease is attributable to lower customer acquisition and retention costs, including lower costs due to increased productivity in the retail channel. The 1997 increase reflects higher customer acquisition and retention costs, increased sales and marketing efforts to aggressively grow and retain the customer base and higher general and administrative costs to support a larger customer base.

Depreciation and amortization

Depreciation and amortization increased in both 1998 and 1997 as a result of continuing investment in the wireless network to provide greater capacity. The 1998 increase is partially offset by lower depreciation expense due to the discontinuation of the Tele-Go product offering and the write-off of affected network equipment and supplies, which is included in the special charges.

Data Products and Services

The Data Products and Services segment offers a wide range of advanced data and Internet-related services, including dedicated and dial-up access to the Internet, managed network security, Web-server hosting, application development and systems integration services. During 1998, GTE expanded its business service offerings to include E-Commerce Hosting, Virtual Private Networks, Global Remote Access and Digital Certificates. Data Products and Services also includes the investment in GTE's nationwide fiber-optic network. More than two thirds of the planned 17,000 miles of this network is operational. Additional investments in undersea cable expand the reach of the nationwide network into Europe, Asia and Latin America. During the latter half of 1998, the Company began migrating its customers' data and voice traffic to the network from leased facilities and began providing access and transport services to other ISPs and telecommunications carriers.

GTE's Data Products and Services segment was created in mid-1997 after the acquisition of BBN Corporation. This segment does not include the results of GTE's traditional local data businesses, such as T-1 connections and ISDN dedicated access, which continue to be reflected in the Company's Network Services segment.

Revenues and Sales

	Years Ended December 31,	
(Dollars in Millions)	*1998*	*1997*
Data revenues	$784	$279
Intersegment revenues	(36)	(11)
Total external revenues	$748	$268

Revenues for 1998 reflect a full year of activity, whereas 1997 revenues reflect only a partial year, as described above. The increase in 1998 is also due to sales of access and transport services to other ISPs and carriers and the expanded relationship with America Online (AOL), for which GTE provides national network deployment services in support of AOL's dial-up network. The increase also reflects customer growth and revenues derived from newly introduced Internet-based products and services for both consumers and businesses.

Intersegment revenues reflect affiliate activity between Data Products and Services and other entities within National Operations.

Operating Costs and Expenses

	Years Ended December 31,	
(Dollars in Millions)	*1998*	*1997*
Cost of services and sales	$ 754	$376
Selling, general and administrative	428	162
Depreciation and amortization	128	88
Total operating costs and expenses	$1,310	$626

Total operating costs and expenses for 1998 reflect a full year of activity, whereas 1997 reflects only a partial year, as described above.

Cost of services and sales

Cost of services and sales consists primarily of the cost of leasing telecommunication circuits and labor and expenses of operating the network infrastructure and supporting customers. The results reflect the growth in the cost of the network infrastructure and personnel to support a growing customer base and service offerings introduced during the year. Cost of services and sales also reflects the continued expansion of dial-up networks operated for AOL.

Selling, general and administrative

Selling, general and administrative costs are driven by customer growth, higher new product development costs and continued investment in the Company's sales and marketing infrastructure, including expansion of sales channels, advertising costs and other promotional activities related primarily to Internet-based services for consumers and businesses.

Depreciation and amortization

Depreciation and amortization reflects the continuing investment in the network and other infrastructure necessary to support the growth in customers and services. Capital expenditures during 1998 and 1997 collectively totaled over $900 million, primarily associated with the build-out of the 17,000 mile fiber-optic network.

Other National Operations

GTE's Other National Operations include: GTE Technology and Systems, GTE Communications Corporation, GTE Directories Corporation and GTE Airfone. Eliminations for intersegment activity occurring within National Operations are also included in Other National Operations.

Revenues and Sales

	Years Ended December 31,		
(Dollars in Millions)	*1998*	*1997*	*1996*
Technology and Systems	$1,423	$1,271	$1,204
Communications	1,063	630	333
Other, including eliminations	651	746	875
Total revenues	$3,137	$2,647	$2,412

Operating Costs and Expenses

	Years Ended December 31,		
(Dollars in Millions)	*1998*	*1997*	*1996*
Cost of services and sales	$2,347	$1,879	$1,442
Selling, general and administrative	635	561	369
Depreciation and amortization	196	250	260
Special charges	397	—	—
Total operating costs and expenses	$3,575	$2,690	$2,071

Technology and Systems is primarily composed of GTE Government Systems. As previously discussed, the Company has committed to a plan to sell its Government Systems unit. The Company expects to consummate the sale during 1999.

GTE Communications Corporation includes GTE's national sales and marketing organization, which enables GTE to expand its business beyond its traditional operating boundaries. GTE established this organization during 1997, to take advantage of the new opportunities available as a result of the changing regulatory environment. GTE Communications Corporation also includes GTE Long Distance, which provides long-distance services to customers in all 50 states, and GTE Video Services, which provides video services to residential and business customers primarily in California, Florida and Hawaii.

GTE Communications Corporation revenues grew $433 million, or 69%, during 1998. Revenues from long-distance operations grew $280 million, or 88%, during 1998, due to a 59% increase in the number of customers. Significant market share increases in GTE's franchised territories, coupled with a significant improvement in the rate of customer churn, contributed to this growth. Costs associated with the start up of the national sales and marketing organization and costs for the acquisition of long-distance customers contributed to increased operating losses compared with 1997.

Included in other revenues is GTE Directories Corporation, which publishes telephone directories and develops and markets online advertising and information services; and GTE Airfone, a provider of airborne communications services. In the first quarter of 1998, GTE announced its intention to dispose of GTE Airfone. Based on the decision to sell, the Company recorded a pretax charge of $200 million to reduce the carrying value of GTE Airfone's assets to estimated net sales proceeds. This amount is included in the special charges of $397 million. Also included is a pretax charge of approximately $161 million resulting from the Company's decision to scale back the deployment of hybrid fiber coax (HFC) video networks that it had built over the past three years in certain test markets. See the discussion of asset impairments on page 10 for further information. The remaining $36 million of the special charges relates to the decision to exit various business units involved in the development of interactive video products and services and to close excess printing facilities in the U.S.

International Operations

GTE's International Operations provide telecommunications services in Canada, the Dominican Republic and Argentina and operate directory advertising companies in Europe and Central America through consolidated subsidiaries. GTE also participates in ventures/consortia that are accounted for on the equity basis. These investments include a full-service telecommunications company in Venezuela, a paging network in China and a nationwide digital-cellular network in Taiwan. In the fourth quarter of 1998, GTE increased its ownership interest in CTI Holdings, S.A. (CTI) and changed its method of accounting for this investment from the equity basis to full consolidation. This change in accounting had no impact on net income. CTI provides cellular services in the north and south interior regions of Argentina.

Revenues and Sales

	Years Ended December 31,		
(Dollars in Millions)	*1998*	*1997*	*1996*
Local services	$1,219	$1,076	$ 930
Toll services	907	883	932
Wireless services	422	265	215
Directory services and other	786	678	634
Total revenues	$3,334	$2,902	$2,711

Local services

Local service revenues are based on fees charged to customers for providing local telephone service within designated franchise areas. Local service revenues increased in 1998 due to a rate increase in Canada and an increase in access lines in service. Partially offsetting this revenue growth was a decrease of approximately $83 million in 1998 due to unfavorable exchange rates.

Toll services

Toll, or long-distance, service revenues are based on fees charged for calls made to a location outside of a customer's local calling area. Toll service revenues increased in 1998 primarily due to a change in the manner of reporting toll settlements by the Canadian operations. Early in 1998, Canadian carriers began reporting toll settlements on a gross revenue and expense basis. Previously, the carriers recorded toll settlements on a net basis (see offsetting increase in "Cost of services and sales" below). Toll revenues, excluding the modified settlement reporting, declined in 1998 and 1997 due to company-initiated rate reductions partially offset by higher toll volumes. GTE's International Operations continue to implement price reductions on certain domestic and international toll services in response to competition. Additionally, toll revenues reflect a decrease of approximately $50 million in 1998 due to unfavorable exchange rates.

Wireless services

Wireless services primarily represent cellular, PCS and paging services. The consolidation of CTI's operating revenues, in the fourth quarter of 1998, resulted in an increase in reported revenues of $121 million. Also contributing to wireless revenue growth in 1998 was an increase in wireless customers in Canada and the Dominican Republic, partially offset by a decrease of approximately $22 million due to unfavorable exchange rates.

Directory services and other

Directory services and other revenues result primarily from sales of Yellow Pages advertising to local and national businesses. The increase in 1998 directory services revenues was primarily driven by operations in Austria and Poland that were acquired late in 1997, as well as higher directory advertising sales in the Costa Rican operation. Directory services revenues in 1997 increased as compared with 1996 due to higher directory advertising sales.

Operating Costs and Expenses

(Dollars in Millions)	*Years Ended December 31,* 1998	1997	1996
Cost of services and sales	$1,147	$ 882	$ 842
Selling, general and administrative	856	771	715
Depreciation and amortization	459	523	463
Special charges	38	—	—
Total operating costs and expenses	$2,500	$2,176	$2,020

Cost of services and sales

The 1998 increase in cost of services and sales was primarily driven by higher operating costs associated with the change in the reporting of toll settlements in early 1998 (see offsetting increase in "Toll services" above), as well as higher customer acquisition costs related to an increase in wireless customers during the year. Additionally, cost of services and sales increased by $51 million as a result of the consolidation of CTI in the fourth quarter of 1998.

Selling, general and administrative

Selling, general and administrative expenses in both 1998 and 1997 increased primarily due to higher selling expenses related to the growth in customer additions. Approximately $30 million of the 1998 increase was a result of the consolidation of CTI in the fourth quarter of 1998.

Depreciation and amortization

Depreciation and amortization increased in 1997 as compared with 1996 due to the shortening of the depreciable lives of telephone plant, primarily in Canada. In 1998, the effect of shorter lives was offset by a reduction in the carrying value of plant due to the discontinuation of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS No. 71).

Special charges

The special charges relate to the write-off of impaired assets in Latin America, related primarily to the decision to exit nonstrategic business activities in the Dominican Republic ($33 million) and for employee severance and related actions ($5 million).

Equity Income

Equity income in 1998 increased $25 million from 1997 due to reduced losses for CTI for the first nine months of the year. As previously discussed, in the fourth quarter of 1998, GTE changed its method of accounting for this investment from the equity basis to full consolidation due to increased ownership of CTI.

Financial Condition

(Dollars in Millions)	*Years Ended December 31,* 1998	1997	1996
Cash flows from (used in):			
Operations	$ 5,890	$ 6,164	$ 5,899
Investing	(5,508)	(5,893)	(4,277)
Financing	(466)	(125)	(1,549)

Operations

GTE's primary source of funds during 1998 was cash from operations of $5.9 billion compared with $6.2 billion in 1997. The decrease in cash from operations primarily reflects an increase in the Company's working capital requirements, including increased funding of GTE's postretirement liabilities in 1998 and costs associated with growing GTE's data initiatives and its national marketing and sales organization. The increase in 1997 from 1996 reflects the improved operating results from the National and International Operations.

Investing

Capital expenditures totaled $5.6 billion in 1998, a 9% increase from the $5.1 billion spent in 1997. The majority of the 1998 new investments were made to acquire facilities and develop and install applications necessary to support the growth in demand for GTE's core services, facilitate the introduction of new products and services, and increase operating efficiency and productivity. Significant investments are also being made to build and expand GTE's national fiber-optic data network. GTE expects capital expenditures to remain at approximately the same level in 1999. Cash used in investing activities was favorably impacted in 1998 due to the sales of certain nonstrategic wireless properties. In 1997, GTE expended over $900 million to acquire new operations, primarily BBN Corporation, in connection with the Company's data initiatives.

As previously announced, GTE has committed to a plan to sell GTE Government Systems, GTE Airfone and approximately 1.6 million domestic access lines over the next two years. These transactions are expected to generate after-tax proceeds in excess of $3 billion. Cash generated from these dispositions will be partially used to fund the Company's growth strategy. As announced in July 1998, GTE has also agreed to acquire approximately 40% of the Puerto Rico Telephone Company (PRTC) for approximately $350 million. This transaction closed in the first quarter of 1999.

Financing

In 1997–95, GTE announced plans to repurchase up to 20, 25 and 20 million shares, respectively, of its currently issued common stock from time to time, depending on market conditions. The shares will be used to satisfy the requirements of GTE's employee benefit and dividend reinvestment programs. Of the announced repurchase plans, a total of 38.8 million shares had been repurchased under the 1996 and 1995 programs. Cash used for the purchase of these shares was $1.7 billion through 1997. GTE did not repurchase any shares in 1998.

GTE targets a financial profile including capitalization and credit ratios that are appropriate for an "A" rated telecommunications corporation. This allows GTE's shareholders to enjoy the benefits of prudent and reasonable financial leverage, while also protecting debtholder interest and providing ready access to the capital markets. During July 1998, several rating agencies placed GTE, as well as certain GTE operating subsidiaries, on their "Watch" list for a potential debt rating increase as a result of the proposed merger with Bell Atlantic Corporation.

During 1998, GTE maintained its two syndicated credit facilities totaling $4.0 billion, including a five-year line of $2.5 billion for GTE and a 364-day line of $1.5 billion for certain domestic telephone operating subsidiaries. Under current terms and conditions, the $2.5 billion line will mature in June 2002 and the $1.5 billion line, which the Company expects to renew, will mature in June 1999. Fifty-four banks representing 12 countries participate in these syndicated facilities, which are used primarily to back up commercial paper borrowings. In August 1998, GTE negotiated bilateral credit agreements for an additional $1.0 billion in credit capacity. These facilities, which are shared by GTE and certain domestic telephone operating subsidiaries, are aligned with the maturity date of the existing 364-day line. The additional capacity provides greater flexibility to incur additional indebtedness of a shorter-term duration during periods when it may not be desirable to access the capital markets to refinance short-term debt. GTE and certain of its domestic telephone operating subsidiaries have shelf registration statements filed with the Securities and Exchange Commission that total $2.4 billion as of December 31, 1998.

In 1999, the funding of dividends and capital requirements for GTE's businesses will be substantially sourced by cash from operations, although GTE's strong financial position allows ready access to worldwide capital markets for any additional cash requirements.

Risk Management

GTE views derivative financial instruments as risk management tools and, in accordance with Company policy, does not utilize them for speculative or trading purposes. GTE is also not a party to any leveraged derivatives. GTE is exposed to market risk from changes in interest rates and foreign currency exchange rates, as well as changes in the market price of GTE's common stock. GTE manages its exposure to market risks through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments that have been authorized pursuant to the Company's policies and procedures. The use of these derivatives allows GTE to reduce its overall exposure to market risk, as the gains and losses on these contracts substantially offset the gains and losses on the liabilities being hedged. In addition, GTE enters into derivative financial instruments with a diversified group of major financial institutions in order to manage its exposure to nonperformance on such instruments.

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

Based on GTE's interest rate sensitive derivative financial instruments outstanding at December 31, 1998, a 100 basis point increase in interest rates as of December 31, 1998, would result in a net gain to GTE of $31 million. Conversely, a 100 basis point decrease in interest rates would result in a net loss to GTE of $32 million. Any increase or decrease in the market value of GTE's interest rate sensitive derivative financial instruments would be substantially offset by a corresponding decrease or increase in the market value of the underlying liability or anticipated debt issuance.

GTE uses foreign currency derivative instruments to reduce its exposure to adverse changes in foreign currency rates. The use of these derivatives allows GTE to reduce its overall exposure to exchange rate fluctuations, as the gains and losses on these contracts substantially offset the gains and losses on assets and liabilities being hedged. The Company's exposure to foreign exchange rates primarily exists with respect to loans denominated in British pounds and short-term investments denominated in Canadian dollars. As of December 31, 1998, GTE's exposure resulting from fluctuations in foreign currency exchange rates was not material.

In the past, GTE issued stock options to certain of its employees that had tandem stock appreciation rights. To minimize GTE's exposure to compensation expense related to these stock appreciation rights, GTE purchased long-term call options on its common stock. As a result of these purchases, a $5 change in the per-share price of GTE's common stock would impact GTE's pretax earnings by approximately $35 million, as of December 31, 1998. However, gains and losses recognized on the call options would be substantially offset by increased or decreased compensation expense related to stock appreciation rights.

Other Factors That May Affect Future Results

Regulatory and Competitive Trends

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

In 1998, GTE continued to meet the wholesale requirements of new competitors. GTE signed more than 750 interconnection agreements with other carriers, providing them the capability to purchase unbundled network elements (UNEs), resell retail services and interconnect facilities-based networks. Several of these interconnection agreements were the result of the arbitration process established by the Telecommunications Act, and incorporated prices or terms and conditions based upon the FCC rules that were subsequently overturned by the Eighth Circuit Court (Eighth Circuit) in July 1997. GTE challenged a number of such agreements in federal district courts during 1997.

The Company's position in these challenges was supported by the Eighth Circuit's July 1997 decision stating that the FCC had overstepped its authority in several areas concerning implementation of the interconnection provisions of the Telecommunications Act. In January 1999, the U.S. Supreme Court (Supreme Court) reversed in part and affirmed in part the Eighth Circuit's decisions. The Supreme Court reversed the Eighth Circuit on many of the FCC rules related to pricing and costing, that had previously been reversed by the Eighth Circuit on jurisdictional grounds. The pricing rules established by the FCC will now be remanded back to the Eighth Circuit for a determination on the merits. On the other hand, the Supreme Court vacated the FCC rules requiring incumbent local exchange carriers (LECs) to provide unbundled network elements to competitive LECs. This latter ruling will be the subject of continued proceedings before the FCC and the state commissions concerning what elements will have to be offered under what conditions. Pending the final rulemaking by the FCC on the provisions of unbundled network elements, GTE will continue to provide individual unbundled network elements under existing interconnection agreements.

Concurrent with competitors' entry into GTE markets, the Company has continued its own expansion into local, long-distance, Internet-access, wireless and video services both within and outside its traditional operating areas. GTE now provides long-distance and dial-up Internet-access services to approximately 2.7 million and 500,000 customers, respectively.

Interstate Access Revision

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

The FCC Access Reform Order released in May 1997 revamped the rate structure through which local and long-distance companies charge customers for using the local phone network to make long-distance calls. GTE and numerous other parties challenged the FCC's May 1997 Access Reform Order before the Eighth Circuit based on the premise that the FCC did not eliminate the universal service subsidies hidden within interstate access charges (as directed by the Telecommunications Act), and the FCC created additional subsidy charges paid only by business and multi-line residential customers. In August 1998, the Eighth Circuit denied all of the petitions for review of the Access Reform Order. In October 1998, the FCC began a proceeding to refresh the record used in the 1997 access charge reform proceedings. The FCC will determine whether to retain or modify its market-based access charge reform approach, or to adopt a prescriptive approach. In addition, the FCC will decide whether the 6.5% productivity offset should be changed. An order is expected to be released prior to July 1999.

Universal Service

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

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

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

Price Cap

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

Advanced Data Service

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

Number Portability

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

Internet Service Traffic

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

International

The global communications industry is in the midst of a major transformation away from serving the regulatory-driven needs of the telecommunications market. This new marketplace will be characterized by demand for both expanded basic communication services in developing markets and a wide range of new services for the delivery of data, voice, multimedia, and information services to a variety of different customers. In addition, the FCC's new foreign participation rules, adopted to implement the United States' World Trade Organization commitments, significantly liberalized the policies for international telecommunications and satellite services. Since adopting the new rules in November 1997, the FCC has granted over 700 applications to foreign and domestic applicants to provide international service in the United States.

Throughout Latin America, telecommunications providers will be faced with a series of challenges, new opportunities, and deregulation in 1999. In Venezuela, a new president was recently elected seeking a fundamental restructuring of the Venezuelan state, including the National Assembly. In addition, recent actions by CONATEL (Venezuela's telecommunications regulatory body) included approval of draft Interconnection Regulations, the implementation of expanded local calling areas, and the development of a new telephone numbering plan. Deliberations between CANTV (an affiliate of GTE) and CONATEL on the opening of competitive telecommunications in Venezuela will begin in 1999.

In Argentina, hearings have begun to discuss the new licensing plans and regulatory framework, which will promote a more competitive Argentine telecommunications market. The decisions resulting from these hearings will influence the rules of the marketplace in which GTE's cellular subsidiary, CTI, and three other full-service providers will compete by November 1999. In the Dominican Republic, a new Telecommunications Law was enacted, which, when implemented, will help eliminate subsidies from local service and create a new regulatory body composed of members from both the public and private sectors. CODETEL, a wholly-owned subsidiary of GTE, operates in the Dominican Republic.

GTE's position is growing in Asia, where the Company provides PCS service in Taiwan and paging service in China. From this base in Asia, GTE will continue to share in the region's growth.

In Canada, GTE already provides a wide range of telecommunications services through its BC TELECOM Inc. (BC TELECOM) and Québec Telephone (Québec Tel) operations. On January 31, 1999, BC TELECOM, a majority-owned investment of GTE, and TELUS Corporation (TELUS) merged in order to better leverage the synergies between the two companies, as well as take advantage of the opening of competition throughout the Canadian telecommunications market. (See "1999 Developments" for further information on this merger.) Québec Tel will also be subject to the continued pro-competitive changes in regulation.

As can be seen in these activities around the globe, GTE continues its development of new telecommunications business opportunities throughout the world in order to secure a strategic position for the dynamic future ahead.

Proposed Merger with Bell Atlantic Corporation

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

1999 Developments

On January 31, 1999, BC TELECOM, a majority-owned investment of GTE, merged with TELUS to create a growth-oriented telecommunications company. The merged company is called BCT.TELUS Communications, Inc. Initially, BCT.TELUS will provide a full range of voice and data communications services over both wireline and wireless networks in the Canadian provinces of British Columbia and Alberta. Under the terms of the merger agreement, GTE's ownership interest in the merged company is approximately 26.7%. Accordingly, during the first quarter of 1999, GTE will deconsolidate BC TELECOM and account for its investment in BCT.TELUS using the equity method of accounting. As a result, GTE expects to record a one-time, noncash gain of approximately $300 million after-tax in the first quarter of 1999.

In Puerto Rico, GTE agreed to purchase a 40% interest in PRTC from the government of Puerto Rico. PRTC is currently the largest provider of local telephone service across Puerto Rico and also competes with several other companies in long-distance and cellular services. This acquisition, which closed in the first quarter of 1999, will play a key role in GTE's Latin American strategy.

During the first quarter of 1999, GTE also continued the review of its operations and cost structure to ensure they were consistent with its growth objectives. In connection with this ongoing review, GTE expects that additional one-time charges of approximately $150–$225 million after-tax will be recorded during the first quarter of 1999. This charge is expected to include approximately $100–$150 million after-tax related to the separation of 2,500–3,500 employees and associated facilities costs. The components of the charge will include separation and related benefits such as outplacement and benefit continuation costs and the cost of assets or facilities that will no longer be used by the Company.

Year 2000 Conversion

General

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

State of Readiness

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

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

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

In summary, compliant product deployment and enterprise testing for most of GTE's domestic telecommunications-related businesses, including national and international interoperability and validation, are presently expected to be complete by the end of June 1999. BBN Corporation, a provider of Internet-based services acquired by GTE in 1997, is presently targeting completion of its key infrastructure systems by the end of September 1999. As previously mentioned (see "Financial Condition—Investing"), in July 1998, GTE agreed to acquire approximately 40% of PRTC. This transaction closed in the first quarter of 1999. The cost of GTE's Year 2000 program includes the cost for the PRTC Year 2000 program, which is expected to be complete by the end of the third quarter of 1999.

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

Use of Independent Verification and Validation

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

Cost to Address Year 2000 Issues

The current estimate for the cost of GTE's Year 2000 Program is approximately $370 million. Through December 31, 1998, expenditures totaled $219 million. Year 2000 remediation costs are expensed in the year incurred. GTE has not elected to replace or accelerate the planned replacement of systems due to the Year 2000 issue.

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

Risks of Year 2000 Issues

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

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

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

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

Recent Accounting Pronouncements

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Under the provisions of this SOP, effective January 1, 1999, GTE will be required to capitalize and amortize the cost of all internal-use software, including network-related software it now expenses. During 1998, the Company expensed network-related software of approximately $200 million.

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

Forward-Looking Statements

GTE estimates that consolidated earnings per share will grow 13% to 15% in 1999 and beyond. Contributing to this growth is the expected turnaround in start-up costs associated with GTE's data initiatives and bundled telecom offerings through our national sales and marketing organization. In addition, this growth reflects cost-cutting initiatives, including programs to reduce expenses and decrease the number of contractors and employees, primarily through attrition and other voluntary efforts, in the U.S. The Company expects a one-time charge in the first quarter of 1999 to recognize these cost-cutting initiatives. GTE also expects to record a noncash gain of approximately $300 million in the first quarter of 1999 resulting from the merger of BC TELECOM and TELUS. Consolidated revenues are expected to grow in the high single digits through 1999, rather than the 10% to 12% previously estimated. This reduction is due to the Company's plan to moderate the expansion of its national sales and marketing operation, and increase focus on the roll-out of the Company's long-distance activities within bundled telecom offerings.

Cautionary Statement Regarding Forward-Looking Statements

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

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

The following important factors could affect the future results of the Company and could cause those results to differ materially from those expressed in the forward-looking statements: 1) materially adverse changes in economic conditions in the markets served by the Company or by companies in which GTE has substantial investments; 2) material changes in available technology; 3) the final resolution of federal, state and local regulatory initiatives and proceedings, including arbitration proceedings, and judicial review of those initiatives and proceedings, pertaining to, among other matters, the terms of interconnection, access charges, universal service, unbundled network elements and resale rates; 4) the extent, timing, success and overall effects of competition from others in the local telephone and intraLATA toll service markets; and 5) the success and expense of our remediation efforts and those of our suppliers, customers, joint ventures, noncontrolled investments and all interconnecting carriers in achieving Year 2000 compliance. In addition, GTE has embarked on a major initiative to expand its service capability in the data communication, long-distance and enhanced services segments of the telecommunications marketplace and to provide a bundle of products and services both in and outside of its traditional service territories. Whether the Company realizes the benefits of these initiatives depends on GTE's ability to successfully develop the network facilities and systems required to provide these enhanced services, the success of its marketing initiatives, the levels of demand that are created for these services and the level of competition the Company faces as it seeks to penetrate new markets and emerging markets for new products and services. While GTE's management believes that it will be successful in implementing these new initiatives, there are uncertainties associated with its ability to increase revenue and income growth rates to the levels targeted through these initiatives and its ability to do so within the planned timeframes or investment levels.

Report of **Independent Public Accountants**

To the Board of Directors and
Shareholders of GTE Corporation:

We have audited the accompanying consolidated balance sheets of GTE Corporation (a New York corporation) and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1998, as set forth on pages 23 through 37 of this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

Arthur Andersen LLP

Dallas, Texas
January 28, 1999

Management **Report**

To Our Shareholders:

The management of GTE is responsible for the integrity and objectivity of the financial and operating information contained in this annual report, including the consolidated financial statements covered by the Report of Independent Public Accountants. These statements were prepared in conformity with generally accepted accounting principles and include amounts that are based on the best estimates and judgments of management.

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

In addition, the Audit Committee of the Board of Directors, consisting solely of outside directors, meets periodically with management, the internal auditors and the independent public accountants to review internal accounting controls, audit results and accounting principles and practices, and annually recommends to the Board of Directors the selection of independent public accountants.

Charles R. Lee

Charles R. Lee
Chairman and
Chief Executive Officer

D P O'Brien

Daniel P. O'Brien
Executive Vice President—Finance
and Chief Financial Officer

Consolidated **Statements of Income**

GTE Corporation and Subsidiaries

(Dollars in Millions, Except Per-Share Amounts)	*Years Ended December 31,* 1998	1997	1996
Revenues and Sales	$25,473	$23,260	$21,339
Operating Costs and Expenses			
Cost of services and sales	10,741	9,203	8,071
Selling, general and administrative	4,821	4,560	4,010
Depreciation and amortization	3,820	3,886	3,770
Special charges	755	—	—
Total operating costs and expenses	20,137	17,649	15,851
Operating Income	5,336	5,611	5,488
Other (Income) Expense			
Interest—net	1,253	1,145	1,026
Other—net	38	48	50
Income before income taxes	4,045	4,418	4,412
Income taxes	1,553	1,624	1,614
Income before extraordinary charges	2,492	2,794	2,798
Extraordinary charges	(320)	—	—
Net Income	$ 2,172	$ 2,794	$ 2,798
Basic Earnings (Loss) Per Common Share			
Before extraordinary charges	$ 2.59	$ 2.92	$ 2.89
Extraordinary charges	(.33)	—	—
Net Income	$ 2.26	$ 2.92	$ 2.89
Diluted Earnings (Loss) Per Common Share			
Before extraordinary charges	$ 2.57	$ 2.90	$ 2.88
Extraordinary charges	(.33)	—	—
Net Income	$ 2.24	$ 2.90	$ 2.88
Average Common Shares Outstanding (in millions)			
Basic	963	958	969
Diluted	968	962	972

See Notes to Consolidated Financial Statements.

Consolidated **Balance Sheets**

GTE Corporation and Subsidiaries

(Dollars in Millions)	*December 31, 1998*	*1997*
Assets		
Current Assets		
Cash and cash equivalents	$ 467	$ 551
Receivables, less allowances of $395 and $333	4,785	4,782
Inventories and supplies	668	846
Deferred income tax benefits	167	51
Net assets held for sale	274	—
Other	420	307
Total current assets	6,781	6,537
Property, plant and equipment, net (including $1,600 held for sale at December 31, 1998, see Note 11)	24,866	24,080
Prepaid pension costs	4,927	4,361
Franchises, goodwill and other intangibles	3,144	3,232
Investments in unconsolidated companies	2,210	2,335
Other assets	1,687	1,597
Total assets	$43,615	$42,142
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term obligations, including current maturities	$ 4,148	$ 3,398
Accounts payable and accrued expenses	4,138	4,672
Taxes payable	1,071	771
Dividends payable	470	466
Other	528	534
Total current liabilities	10,355	9,841
Long-term debt	15,418	14,494
Employee benefit plans	4,404	4,756
Deferred income taxes	1,948	1,782
Minority interests	1,984	2,253
Other liabilities	740	978
Total liabilities	34,849	34,104
Shareholders' Equity		
Common stock—991,374,778 and 984,252,887 shares issued	50	49
Additional paid-in capital	7,884	7,560
Retained earnings	2,740	2,372
Accumulated other comprehensive loss	(375)	(243)
Guaranteed ESOP obligations	(509)	(550)
Treasury stock—23,377,388 and 26,253,088 shares, at cost	(1,024)	(1,150)
Total shareholders' equity	8,766	8,038
Total liabilities and shareholders' equity	$43,615	$42,142

See Notes to Consolidated Financial Statements.

Consolidated **Statements of Cash Flows**

GTE Corporation and Subsidiaries

(Dollars in Millions)	*1998*	*1997*	*1996*
	Years Ended December 31,		
Operations			
Income before extraordinary charges	$ 2,492	$ 2,794	$ 2,798
Adjustments to reconcile income before extraordinary charges to net cash from operations:			
Depreciation and amortization	3,820	3,886	3,770
Special charges	755	—	—
Deferred income taxes	471	456	415
Changes in current assets and current liabilities, excluding the effects of acquisitions and dispositions:			
Receivables—net	(767)	(622)	(571)
Other current assets	(5)	(220)	26
Accrued taxes and interest	381	86	(109)
Other current liabilities	(662)	325	(220)
Other—net	(595)	(541)	(210)
Net cash from operations	5,890	6,164	5,899
Investing			
Capital expenditures	(5,609)	(5,128)	(4,088)
Acquisitions and investments	(121)	(927)	(476)
Proceeds from sales of assets	209	73	337
Other—net	13	89	(50)
Net cash used in investing	(5,508)	(5,893)	(4,277)
Financing			
Common stock issued	447	288	444
Purchase of treasury stock	—	(576)	(967)
Dividends paid	(1,807)	(1,802)	(1,825)
Long-term debt issued	3,934	2,407	2,038
Long-term debt retired	(1,988)	(2,417)	(582)
Increase (decrease) in short-term obligations, excluding current maturities	(978)	2,015	(725)
Other—net	(74)	(40)	68
Net cash used in financing	(466)	(125)	(1,549)
Increase (decrease) in cash and cash equivalents	(84)	146	73
Cash and cash equivalents:			
Beginning of year	551	405	332
End of year	$ 467	$ 551	$ 405
Cash paid during the year for			
Interest	$ 1,321	$ 1,282	$ 1,088
Income taxes	854	1,057	1,325

See Notes to Consolidated Financial Statements.

Consolidated **Statements of Shareholders' Equity**

(Dollars in Millions)	*Common Stock*	*Additional Paid-in Capital*	*Retained Earnings (Deficit)*	*Accumulated Other Comprehensive Income (Loss)*	*Guaranteed ESOP Obligations*	*Treasury Stock*	*Total*
Shareholders' Equity, December 31, 1995	$49	$8,221	$ (534)	$(172)	$(603)	$ (90)	$ 6,871
Net income			2,798				2,798
Dividends declared		(915)	(905)				(1,820)
Common and treasury stock issued under employee and shareholder plans (11,570,646 shares)		110				340	450
Purchase of treasury stock (23,533,200 shares)						(1,006)	(1,006)
Other			11	4	28		43
Shareholders' Equity, December 31, 1996	49	7,416	1,370	(168)	(575)	(756)	7,336
Net income			2,794				2,794
Dividends declared			(1,800)				(1,800)
Common and treasury stock issued under employee and shareholder plans (6,620,993 shares)		146				142	288
Purchase of treasury stock (11,719,200 shares)						(536)	(536)
Other		(2)	8	(75)	25		(44)
Shareholders' Equity, December 31, 1997	49	7,560	2,372	(243)	(550)	(1,150)	8,038
Net income			2,172				2,172
Dividends declared			(1,811)				(1,811)
Common and treasury stock issued under employee and shareholder plans (9,997,591 shares)	1	320				126	447
Other		4	7	(132)	41		(80)
Shareholders' Equity, December 31, 1998	$50	$7,884	$ 2,740	$(375)	$(509)	$(1,024)	$ 8,766

Consolidated **Statements of Comprehensive Income**

	Years Ended December 31,		
(Dollars in Millions)	*1998*	*1997*	*1996*
Net income	$2,172	$2,794	$2,798
Other comprehensive income (loss):			
Foreign currency translation adjustments	(144)	(90)	19
Unrealized gains (losses) on securities, net of taxes of $6, $8, and $(8)	12	15	(15)
Other comprehensive income (loss)	(132)	(75)	4
Comprehensive income	$2,040	$2,719	$2,802

See Notes to Consolidated Financial Statements.

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

GTE Corporation and subsidiaries ("GTE" or "the Company") is one of the world's largest telecommunications companies with an array of products and services that is among the broadest in the industry. GTE's National and International Operations serve approximately 30 million telephone access lines through subsidiaries in the United States, Canada and the Dominican Republic, and an affiliate in Venezuela. GTE is a leading wireless operator in the United States, with more than 4.8 million wireless customers and the opportunity to serve 61.4 million potential wireless customers. Outside the United States, GTE operates wireless networks serving approximately 2.8 million customers with 23.4 million potential wireless customers through subsidiaries in Canada, the Dominican Republic and Argentina, and affiliates in Venezuela and Taiwan. GTE also participates in a venture which operates a paging network in China. GTE provides data services, including dial-up Internet access for residential and small business consumers and Web-based applications for *Fortune* 500 companies. GTE is also a leader in government and defense communications systems and equipment, directories and telecommunications-based information services and systems.

Basis of Presentation

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

The consolidated financial statements of GTE include the accounts of all majority-owned subsidiaries. All significant intercompany amounts have been eliminated. Investments in 20%- to 50%-owned companies and less than 20%-owned cellular partnerships over which the Company exercises significant influence are accounted for on the equity basis (see Note 5). Other investments of less than 20% are accounted for on the cost basis.

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

Revenue Recognition

Revenues are recognized when services are rendered or products are delivered to customers. Long-term contracts are accounted for using the percentage-of-completion method, with revenues recognized in the proportion that costs incurred bear to the estimated total costs at completion. Expected losses on such contracts, if any, are charged to income currently.

Depreciation and Amortization

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

The economic asset lives used by our telephone subsidiaries are as follows:

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

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

Property and equipment of other subsidiaries is depreciated on a straight-line basis over the following estimated useful lives: buildings, 20 to 40 years; cellular and data network equipment, 5 to 10 years; furniture and fixtures and other equipment, 3 to 5 years.

When depreciable assets of other subsidiaries are retired or otherwise disposed of, the related cost and accumulated depreciation are deducted from the plant accounts and any resulting gain or loss is included in operating income.

Franchises, goodwill and other intangibles are amortized on a straight-line basis over the periods to be benefited or 40 years, whichever is less. Amortization expense for consolidated subsidiaries was $131 million, $96 million and $90 million in 1998-96, respectively. Accumulated amortization was $819 million and $677 million at December 31, 1998 and 1997, respectively. Goodwill resulting from investments in unconsolidated subsidiaries is amortized on a straight-line basis over the periods to be benefited or 40 years, whichever is less.

Foreign Currency Translation

Assets and liabilities of subsidiaries operating in foreign countries are translated into U.S. dollars using the exchange rates in effect at the balance sheet date. Results of operations are translated using the average exchange rates prevailing throughout the period. For most subsidiaries and affiliates, the effects of exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are included in the other comprehensive income component of shareholders' equity. For those affiliates operating in highly inflationary economies, gains and losses associated with the effects of exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are included in net income.

Comprehensive Income

Effective January 1, 1998, GTE adopted Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," which establishes standards for reporting comprehensive income and its components. Included in other comprehensive income are unrealized gains and losses on securities that the Company intends to hold to maturity and foreign currency translation gains and losses. Prior year financial statements have been reclassified to conform to the requirements of SFAS No. 130.

Employee Benefit Plans

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

Valuation of Assets

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

Income Taxes

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

Deferred income taxes were not provided on undistributed earnings of foreign subsidiaries of approximately $488 million at December 31, 1998, as such earnings are expected to be permanently reinvested.

Earnings Per Common Share

All earnings per share computations and presentations are in accordance with SFAS No. 128, "Earnings per Share" (see Note 14).

Cash and Cash Equivalents

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

Financial Instruments

GTE uses a variety of financial instruments to hedge its exposure to fluctuations in interest and foreign exchange rates and in compensation expense related to GTE's common stock price appreciation. The Company does not use financial instruments for speculative or trading purposes, nor is the Company a party to leveraged derivatives. Amounts to be paid or received under interest rate swaps are accrued as interest expense. Gains or losses on foreign exchange contracts are recognized based on changes in exchange rates, as are offsetting foreign exchange gains or losses on the foreign currency obligations being hedged. Gains or losses on long-term call options on GTE's common stock, which hedge GTE's exposure to compensation expense related to outstanding stock appreciation rights (SARs) and other stock-based compensation, are recognized based on fluctuations in the market price of GTE's common stock. Gains or losses recognized on call options offset compensation expense in GTE's consolidated statements of income.

Inventories and Supplies

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

Software

GTE classifies software as either network-related or non-network related. For network-related software, initial operating systems software is capitalized and amortized over the life of the related hardware. All other network-related software, including right-to-use fees, is expensed as incurred. Non-network related software, which includes billing and administrative systems, is capitalized and amortized over useful lives ranging from 3 to 5 years. Software maintenance costs are expensed as incurred. During 1998-1996, non-network and maintenance-related software expenditures were $516 million, $376 million and $168 million, respectively, of which $243 million and $149 million were capitalized in 1998 and 1997, respectively, associated with the implementation of new administrative systems within the Company.

Recent Accounting Pronouncements

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Under the provisions of this SOP, effective January 1, 1999, GTE will be required to capitalize and amortize the cost of all internal-use software, including network-related software it now expenses. During 1998, the Company expensed network-related software of approximately $200 million.

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

2. Proposed Merger with Bell Atlantic Corporation

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

3. Strategic Initiatives

GTE's domestic strategy is to profitably offer a complete bundle of high-growth telecommunications services nationwide. Consistent with this strategy, as permitted by the Telecommunications Act of 1996, GTE launched nationwide long-distance telephone service in early 1996. To accelerate its strategic transformation, in 1997, GTE created a national sales and marketing organization to market its products and services both inside and outside of its traditional franchise areas and made significant investments in enhanced data and leading-edge, Internet-based products and services. These investments included the purchase of a nationwide fiber-optic network and the acquisition of BBN Corporation, a leading provider of Internet-based services. Consistent with GTE's decision to focus its resources on higher-growth segments of the industry, in late 1997, GTE began a comprehensive review of its core operations to identify business activities that were no longer strategic or were inconsistent with its growth objectives. As a result of the completion of the initial phase of this review during the first quarter of 1998, the Company committed to a plan to sell or exit various business activities and reduce costs through employee reductions and related actions. As a result of these actions, during the first quarter of 1998, the Company recorded a pretax charge of $755 million, $482 million after-tax, or $.50 per diluted share, for the year.

Net Assets Held for Sale

During the first quarter of 1998, the Company committed to a repositioning plan that resulted in a decision to sell GTE Government Systems Corporation, a supplier of government and defense communications systems; GTE Airfone Incorporated, a provider of aircraft-passenger telecommunications; and approximately 1.6 million domestic access lines located in 13 states. In aggregate, these transactions are expected to generate for the Company after-tax cash proceeds in excess of $3 billion. The sale of GTE Government Systems and GTE Airfone are expected to close in 1999 and, accordingly, their net assets have been reclassified to "Net assets held for sale" in the consolidated balance sheets. Due to the regulatory approvals that are required, it is projected that most of the sales of local access lines will close in 2000. As a result, the net book value of these lines, which approximates $1.6 billion, continues to be reported in "Property, plant and equipment, net" in the consolidated balance sheets. The Company intends to continue to operate all of these assets until sold. Based on the decision to sell, however, the Company stopped recording depreciation expense for these assets. This lowered depreciation expense by approximately $100 million for the year.

During 1998-1996, GTE Government Systems and GTE Airfone generated combined revenues of approximately $1.6 billion, $1.4 billion and $1.3 billion, respectively, and operating income of approximately $160 million, $80 million and $50 million, respectively. Due to the centralized manner in which GTE's local telephone companies are managed and since the access lines to be sold represent portions of states rather than entire operating companies, revenues and operating income applicable to the access lines to be sold are not readily determinable. The 1.6 million access lines represent approximately 7% of the average domestic lines that GTE Network Services had in service during 1998.

Special Charges—asset impairments and exit costs

Based on the decision to sell, the Company recorded a pretax charge of $200 million to reduce the carrying value of GTE Airfone's assets to estimated net sales proceeds. No charge was recorded for GTE Government Systems or the access lines to be sold because their estimated fair values were in excess of their carrying values.

During the first quarter of 1998, the Company also committed to a plan to exit a number of other nonstrategic business activities. As a result, the Company recorded a pretax charge of $156 million to reduce the carrying value of affected assets to expected net salvage value and to recognize costs resulting from the exit plan. The major components of the charge include:

- the write-off of network equipment and supplies for discontinued wireless products and services ($81 million);
- the shutdown of business units developing interactive video products and services and excess printing facilities ($42 million); and
- the write-off of impaired assets in Latin America ($33 million).

GTE expects that the assets affected by these actions will be sold or discarded within a year of the decision to exit the activities to which they relate.

After completing the review of its operations, the Company also decided to scale back the deployment of the hybrid fiber coax (HFC) video networks that it had built over the past three years in certain test markets. Although the Company is obligated to, and will continue to, use the existing HFC networks to provide video service in these markets, technological innovations have created alternative ways for the Company to deliver video and high-speed data services in the future at a significantly lower overall cost. Due to the significant change in the scale of the HFC networks and the effect on future revenues and expenses, the Company recorded a pretax charge for impairment of approximately $161 million based on estimated future cash flows. At December 31, 1998, these networks, which have generated operating losses of approximately $86 million, had a net book value of approximately $250 million.

Special Charges—employee related and other actions

During the first quarter of 1998, the Company also decided to consolidate facilities and centralize or eliminate a variety of employee functions and, as a result, recorded a $107 million pretax charge. During the second half of the year, the Company closed several administrative facilities, including its corporate headquarters in Connecticut and approximately 140 domestic retail stores and other locations operated by its National Operations. The cost of these actions is composed primarily of employee severance, outplacement and benefit continuation costs for approximately 1,700 employees and other costs to exit locations no longer used by the Company. At December 31, 1998, 1,587 employees had been separated. The Company anticipates that an additional 2,500–3,500 employee separations and related actions will occur during the first quarter of 1999 and that additional charges of approximately $100–$150 million after-tax will be necessary as the plans are finalized.

The Company also recorded a pretax charge of approximately $131 million related to nonrecurring federal and state regulatory rulings affecting its Network Services unit. Approximately two thirds of this charge relates to nonrecurring access rate refunds applied by the FCC retroactively in 1997, which the Company has contested in the courts. In addition, the charge also included the write-off of mandated costs, including generic software, and other costs incurred by the Company for which revenue recovery was not allowable under the regulatory process.

Special Charges—by category and business unit
The following summarizes the special charges by major category and by business unit affected:

(Dollars in Millions)	*Initial Charge*	*Cash Payments*	*Remaining Liability*
Major Category:			
Asset impairments	$483	$ —	$ —
Exit costs	34	10	24
Employee related and other actions			
Severance	77	33	44
Other	30	22	8
Other actions	131	94	37
Total	$755	$159	$113
Business Unit:			
National Operations			
Network Services	$171	$124	$ 38
Wireless Products and Services	91	9	25
Other National Operations	397	7	—
International Operations	38	—	11
Corporate and other	58	19	39
Total	$755	$159	$113

The $58 million included in "Corporate and other" relates to severance and related costs associated with the closing of several administrative facilities, including the Company's corporate headquarters and worldwide training facility in Connecticut.

There have been no adjustments to the liability as originally recorded.

4. Extraordinary Charges

During the first quarter of 1998, GTE recorded after-tax extraordinary charges of $320 million (net of tax benefits of $256 million), or $.33 per diluted share.

Approximately $300 million of the charge related to the discontinuation of SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," by GTE's Canadian operations. The decision by GTE's Canadian subsidiaries to discontinue using regulatory accounting practices was in response to rulings by the Canadian regulatory commission in March of 1998 that opened the Canadian telecommunications market to full competition. Under SFAS No. 71, certain assets were depreciated and certain expenses were recognized over a longer period of time than would have been the case in a competitive environment. This charge includes a reduction in the net carrying value of property, plant and equipment of $270 million to reflect impairment based on the estimated cash flows that the assets are expected to generate in a competitive environment and a reduction in costs that had been capitalized based on the expectation of future recovery of approximately $30 million.

In addition, during the first quarter of 1998, GTE called $800 million of high-coupon debt and preferred stock prior to their stated maturity date, resulting in a one-time, after-tax extraordinary charge of $20 million.

5. Investments in Unconsolidated Companies

GTE's investments in companies accounted for on the equity basis at December 31, were as follows:

(Dollars in Millions)	*1998*	*1997*
CANTV	$1,751	$1,645
CTI Holdings, S.A.	—	208
Other investments	459	482
Total	$2,210	$2,335

Compañía Anónima Nacional Teléfonos de Venezuela (CANTV) is the primary provider of local telephone service and national and international long-distance service in Venezuela. CANTV also provides cellular, Internet-access and directory advertising services. On December 22, 1998, GTE increased its ownership interest in CANTV from 25.9% to 26.4%. At December 31, 1998 and 1997, GTE's investment in CANTV included unamortized goodwill of $765 million and $787 million, respectively.

CTI Holdings, S.A. (CTI), is a consortium providing cellular services in the north and south interior regions of Argentina. During 1998, GTE increased its ownership interest in CTI and assumed management control through the conversion of debt to equity, and through the purchase of additional shares. As a result, in the fourth quarter of 1998, GTE changed the accounting for its investment in CTI from the equity method to full consolidation. The consolidation of CTI, which increased the Company's revenues and operating income by $126 million and $17 million, respectively, during 1998 had no effect on net income. As of December 31, 1998, CTI had total assets of approximately $1.1 billion, including $700 million of net property, plant and equipment, and long-term debt of $712 million.

Other investments represent cellular partnerships in the U.S. and other international investments.

At December 31, 1998, GTE had a 50.8% ownership interest in BC TELECOM, Inc. (BC TELECOM), a full-service telecommunications provider in the province of British Columbia, Canada. On January 31, 1999, BC TELECOM and TELUS Corporation merged to form a public company called BCT.TELUS Communications, Inc. GTE's ownership interest in the merged company, BCT.TELUS, is approximately 26.7% and, as such, during the first quarter of 1999, the Company will change the accounting for its investment from full consolidation to the equity method. In 1998, GTE's consolidated results include the following amounts related to BC TELECOM: revenues of $2.2 billion, operating income of $589 million, total assets of $2.6 billion, including $1.7 billion of net property, plant and equipment, and long-term debt of $686 million.

6. Shareholders' Equity

Common Stock

The authorized common stock of GTE at December 31, 1998, consisted of two billion shares with a par value of $.05 per share. In 1997, GTE's Board of Directors authorized the repurchase of up to 20 million shares of currently issued GTE common stock in the open market or in privately negotiated transactions.

Additional Paid-In Capital

Dividends for the first and second quarters of 1996 were paid entirely from additional paid-in capital as a result of the extraordinary charges taken as of December 31, 1995, in connection with the discontinuance of SFAS No. 71 for domestic telephone subsidiaries. Beginning in the third quarter of 1996, dividends were paid from retained earnings.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income includes cumulative foreign currency translation adjustments of $(407) million, $(263) million and $(173) million at December 31, 1998-96, respectively (see Note 1); and cumulative unrealized gains on investments in securities of $32 million, $20 million and $5 million at December 31, 1998-96, respectively.

7. Stock Option and Shareholder Rights Plans

Stock Option Plans

GTE maintains broad-based stock option plans that cover substantially all employees. Prior to 1997, options were granted separately or in conjunction with stock appreciation rights (SARs). Beginning in 1997, the granting of SARs was discontinued. In 1997, shareholders approved the GTE Corporation 1997 Long-Term Incentive Plan (the LTIP). Each option granted under the LTIP conveys the right to purchase, at fair market value on the date of the grant, shares of GTE common stock. Generally, options have a term of 10 years and become vested over a period not to exceed seven years. The LTIP plan, as approved, authorizes GTE to issue up to 43 million common shares. Through December 31, 1998, options have been granted to purchase 27.2 million shares. In addition, 19.4 million options have been granted under predecessor plans.

The following table summarizes stock option activity during each of the last three years (number of options in thousands):

	Stock Options	*Average Price*
Balance, December 31, 1995	15,434	$32.21
Options granted	13,268	41.96
Options exercised	(2,634)	30.29
Options cancelled or forfeited	(154)	37.51
Balance, December 31, 1996	25,914	37.36
Options granted	22,208	45.28
Options exercised	(3,951)	33.58
Options cancelled or forfeited	(1,046)	40.31
Balance, December 31, 1997	43,125	41.71
Options granted	14,703	53.97
Options exercised	(8,672)	39.34
Options cancelled or forfeited	(2,461)	44.78
Balance, December 31, 1998	46,695	$45.85

At December 31, 1998, 17.6 million options were exercisable.

In 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation." As permitted by SFAS No. 123, GTE continues to apply the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). In accordance with APB 25, compensation expense is not recognized for stock options on the date of grant since it is GTE's practice to grant options with an exercise price equal to the fair market value of its common stock on the date of grant. Under SFAS No. 123, compensation cost is measured at the grant date based on the value of the award and is recognized over the service or vesting period. Had compensation cost for GTE's stock options been determined under SFAS No. 123, based on the fair market value at the grant dates, GTE's proforma net income and diluted earnings per share at December 31 would have been as follows:

(Dollars in Millions, Except Per-Share Amounts)	*1998*	*1997*	*1996*
Net Income			
As reported	$2,172	$2,794	$2,798
Proforma	2,113	2,769	2,776
Diluted Earnings Per Share			
As reported	$ 2.24	$ 2.90	$ 2.88
Proforma	2.18	2.88	2.86

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for those options granted in 1998-1996: expected volatility of 18%, expected maturities of seven years, risk-free interest rates equal to the yield on seven-year U.S. Treasury notes on the grant date and expected dividend yield of approximately 3%.

Shareholder Rights Plan

GTE maintains a shareholder rights plan. Under the original provisions of this plan, a right to purchase one one-thousandth of a share of series A participating no par preferred stock for $200 (a "Right") was granted for each outstanding share of GTE common stock. As a result of a two-for-one stock split effected after the adoption of the plan, each share of GTE common stock is currently entitled to one-half of a Right. The Rights become exercisable only if a person or group, without GTE's prior consent, (i) acquires or commences a tender or exchange offer for 20% or more of GTE common stock, or (ii) acquires 10% or more of GTE common stock and executes an agreement with GTE to effect a merger or other business combination. The Rights have certain anti-takeover effects designed to cause substantial dilution to a person or group that attempts to acquire GTE on terms not approved by GTE's Board of Directors. The Rights may be redeemed by GTE at a price of $.01 per Right, at any time prior to becoming exercisable. Under this plan, Rights that are not redeemed or exercised will expire on December 7, 1999.

8. Minority Interests

Minority interests in equity of subsidiaries as of December 31 was as follows:

(Dollars in Millions)	*1998*	*1997*
Minority interests in consolidated subsidiaries:		
BC TELECOM (50.8% GTE ownership)	$ 550	$ 789
Québec Telephone (50.1% and 50.6% GTE ownership, respectively)	85	85
Cellular partnerships and other	159	170
Preferred securities issued by subsidiaries	1,190	1,209
Total minority interests	$1,984	$2,253

Preferred securities issued by subsidiaries include two issues, Series A and B, totaling $1.0 billion of Monthly Income Preferred Securities. These securities, issued by GTE Delaware, a limited partnership holding solely GTE junior subordinated debentures, are subject to optional redemption at a price of $25 per share. Series A and B become callable beginning October 17, 1999, and March 6, 2000, respectively, have cumulative annual dividend rates of 9.25% and 8.75% and mature in 2024 and 2025, respectively.

9. Debt

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

(Dollars in Millions)	*1998*	*1997*
GTE Corporation:		
Debentures, maturing 2000 through 2028, average rates 7.9% and 8.7%	$ 5,300	$ 4,150
Guaranteed ESOP obligations, maturing 1999 through 2005, average rate 9.7%	555	555
Other borrowings, maturing 2000 through 2010, average rates 6.9% and 6.1%	805	807
	6,660	5,512
Telephone Subsidiaries:		
First mortgage bonds, debentures and notes, maturing through 2031, average rates 7.1% and 7.5%	8,347	7,412
Other Subsidiaries:		
Debentures and notes, maturing through 2012, average rates 10.1% and 7.3%	1,340	696
Commercial paper expected to be refinanced on a long-term basis, average rates 4.5% and 6.0%	217	1,963
Total principal amount	16,564	15,583
Unamortized premium and (discount)—net	(59)	13
Total	16,505	15,596
Less: Current maturities	1,087	1,102
Total long-term debt	$15,418	$14,494

Estimated payments of long-term debt during the next five years are: $1.1 billion in 1999; $1.1 billion in 2000; $884 million in 2001; $805 million in 2002; and $661 million in 2003.

GTE's telephone subsidiaries finance part of their construction programs through the use of short-term loans, including commercial paper, which are refinanced at later dates by the issuance of long-term debt or equity. As a result of this practice, at times, the Company has negative working capital. First mortgage bonds issued by GTE's telephone subsidiaries are secured by a lien on substantially all telephone property, plant and equipment.

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

(Dollars in Millions)	*1998*	*1997*
Commercial paper—average rates 5.4% and 6.1%	$3,056	$2,259
Notes payable—average rates 3.7% and 6.9%	5	37
Current maturities of long-term debt	1,087	1,102
Total short-term obligations	$4,148	$3,398

At December 31, 1998, GTE had lines of credit totaling $5.0 billion available to provide backup to its commercial paper program. No amounts had been drawn against these lines of credit at December 31, 1998.

10. Financial Instruments

As of December 31, 1998 and 1997, GTE had entered into interest rate swap agreements primarily to convert floating rate long-term and short-term debt to fixed rates. Additionally, GTE had entered into forward interest rate swap agreements and forward contracts to sell U.S. Treasury Bonds to hedge against changes in market interest rates on planned long-term debt issuances expected to be completed within the next 12 months. GTE used forward foreign exchange contracts to offset foreign exchange gains or losses on the foreign currency obligations being hedged and used long-term call options on GTE common stock to hedge exposure to compensation expense related to outstanding stock appreciation rights.

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

(Dollars in Millions)	*Notional Amount*	*Expiration Dates*	*Weighted-Average Pay Rate*
Interest rate swaps:			
Pay fixed			
1998	$ 648	1999-2008	6.3%
1997	1,212	1998-2008	6.3%
Pay floating			
1998	$ 124	1999-2001	
1997	214	1998-2001	
Forward interest rate swap agreements:			
1998	$ 100	1999	6.2%
1997	1,460	1998-2000	7.0%
Forward foreign exchange contracts:			
1998	$ 409	2004	
1997	579	1998-2004	
Call options on GTE common stock:			
1998	$ 315	1999-2006	
1997	380	1998-2006	

GTE has entered into domestic interest rate swaps and forward interest rate swap agreements, where GTE pays fixed rates, as indicated in the previous table, and receives floating rates, primarily based on three-month LIBOR. At December 31, 1998 and 1997, the three-month LIBOR was 5.1% and 5.8%, respectively.

GTE's Canadian telephone subsidiaries have entered into interest rate swaps, where GTE pays floating rates, primarily Banker's Acceptance rates, and receives fixed Canadian Dollar treasury rates. At December 31, 1998 and 1997, the Banker's Acceptance rate was 5.1% and 4.8%, respectively.

Gains and losses recognized upon the expiration or settlement of forward interest rate swap agreements and forward contracts to sell U.S. Treasury Bonds are amortized over the life of the associated long-term debt issuance as a decrease or increase to interest expense. For 1998 and 1997, the net gains (losses) that are being amortized over future periods were $(85) million and $2 million, respectively.

The risk associated with these financial instruments arises from the possible inability of counterparties to meet the contract terms and from movements in interest and exchange rates as well as the market price of GTE's common stock. GTE carefully evaluates and continually monitors the creditworthiness of its counterparties and believes the risk of nonperformance is remote.

The fair values of other financial instruments included in the consolidated balance sheets, other than long-term debt, closely approximate their carrying value. As of December 31, 1998 and 1997, the estimated fair value of long-term debt based on either quoted market prices or an option pricing model, exceeded its carrying value by approximately $1.5 billion and $600 million, respectively.

11. Property, Plant and Equipment

Property, plant and equipment as of December 31 was as follows:

(Dollars in Millions)	*1998*	*1997*
Land	$ 349	$ 369
Buildings	4,397	4,534
Plant and equipment	51,489	45,715
Work in progress and other	3,454	5,872
Total	59,689	56,490
Accumulated depreciation	(34,823)	(32,410)
Total property, plant and equipment—net	$ 24,866	$ 24,080

At December 31, 1998, total property, plant and equipment—net included approximately $1.6 billion of access lines and related equipment held for sale (see Note 3). This represents gross assets of $4.4 billion less accumulated depreciation of $2.8 billion.

12. Employee Benefit Plans

Pension and Other Postretirement Benefit Plans

GTE sponsors several qualified and nonqualified pension plans and other postretirement benefit plans for its employees. Substantially all GTE employees are covered under defined benefit pension plans and postretirement health care and life insurance plans. Pension plans are generally noncontributory. Postretirement health care plans are generally contributory and include a limit on GTE's share of the cost for recent and future retirees. All of the following information is presented in accordance with the revised disclosure requirements of SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits."

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of plan assets for the years ended December 31, and a statement of funded status as of December 31:

	Pension Benefits		*Other Postretirement Benefits*	
(Dollars in Millions)	*1998*	*1997*	*1998*	*1997*
Benefit obligation at January 1	$ 8,649	$ 8,067	$ 4,104	$ 4,065
Service cost	293	259	44	43
Interest cost	651	618	234	240
Plan amendments	10	206	(34)	—
Actuarial (gain) loss	527	347	(272)	(43)
Benefits paid	(792)	(545)	(230)	(222)
Curtailments and settlements	(85)	(339)	(2)	(11)
Assets held for sale	(435)	—	(175)	—
Other	(29)	36	32	32
Benefit obligation at December 31	$ 8,789	$ 8,649	$ 3,701	$ 4,104
Fair value of plan assets at January 1	$16,934	$15,097	$ 524	$ 416
Actual return on plan assets	2,511	2,689	83	44
Company contributions	45	105	217	253
Benefits paid	(792)	(545)	(230)	(222)
Settlements	(63)	(379)	—	—
Assets held for sale	(626)	—	(71)	—
Other	(60)	(33)	33	33
Fair value of plan assets at December 31	$17,949	$16,934	$ 556	$ 524
Funded status as of December 31	$ 9,160	$ 8,285	$(3,145)	$(3,580)
Unrecognized transition asset	(244)	(318)	—	—
Unrecognized prior service cost (benefit)	241	261	(626)	(731)
Unrecognized (gain) loss	(4,626)	(4,171)	(50)	248
Net amount recognized	$ 4,531	$ 4,057	$(3,821)	$(4,063)

The following table provides the amounts recognized in the consolidated balance sheets as of December 31:

	Pension Benefits		Other Postretirement Benefits	
(Dollars in Millions)	*1998*	*1997*	*1998*	*1997*
Prepaid pension costs	$4,927	$4,361	$ —	$ —
Accrued benefit liability	(396)	(304)	(3,821)	(4,063)
Net amount recognized	$4,531	$4,057	$(3,821)	$(4,063)

The following tables provide the components of net periodic benefit cost for the years ended December 31:

	Pension Benefits		
(Dollars in Millions)	*1998*	*1997*	*1996*
Service cost	$ 293	$ 259	$ 250
Interest cost	651	618	593
Expected return on plan assets	(1,307)	(1,193)	(1,136)
Amortization of:			
Transition asset	(76)	(89)	(96)
Prior service cost	26	9	9
Net gain	(60)	(42)	(51)
Curtailments and settlements	(35)	(269)	(70)
Net periodic benefit cost	$ (508)	$ (707)	$ (501)

	Other Postretirement Benefits		
(Dollars in Millions)	*1998*	*1997*	*1996*
Service cost	$ 44	$ 43	$ 49
Interest cost	234	240	255
Expected return on plan assets	(39)	(32)	(22)
Amortization of:			
Prior service benefit	(79)	(75)	(53)
Net gain	(9)	(4)	(1)
Curtailment gain	(2)	—	—
Net periodic benefit cost	$149	$172	$228

In addition to the net periodic benefit costs reported in the previous tables, GTE recognized one-time costs for special termination benefits provided under voluntary and involuntary separation programs of $19 million, $64 million and $20 million in 1998-1996, respectively. Curtailment and settlement gains or losses related to these programs, divestitures occurring during the period and benefit obligations settled through the purchase of annuities for certain retiree pensions are reflected in the above tables.

The weighted-average assumptions used in measuring the Company's benefit obligations as of December 31 are as follows:

	Pension Benefits		Other Postretirement Benefits	
	1998	*1997*	*1998*	*1997*
Discount rate	7.00%	7.25%	7.00%	7.25%
Rate of compensation increase	4.75%	5.00%	—	—

The expected return on pension plan assets for 1998 and 1997 was 9.00%. The expected return on other postretirement benefits plan assets for 1998 and 1997 was 8.00%.

The assumed health care cost trend rate is 6.75% in 1999 and is assumed to decrease gradually to an ultimate rate of 5.50% in the year 2004. A one percentage point change in the assumed health care cost trend rate would have the following effects on the Company's other postretirement benefits:

(Dollars in Millions)	*1% Increase*	*1% Decrease*
Effect on 1998 service and interest costs	$ 25	$ (23)
Effect on postretirement benefit obligation as of December 31, 1998	241	(223)

Savings and Stock Ownership Plans

GTE sponsors employee savings plans under section 401(k) of the Internal Revenue Code. The plans cover substantially all full-time employees. Under the plans, GTE provides matching contributions in GTE common stock based on qualified employee contributions. Matching contributions charged to income were $95 million, $76 million and $80 million in the years 1998-96, respectively.

GTE also maintains an Employee Stock Ownership Plan (ESOP). In 1989, the ESOP borrowed $700 million to acquire, at market value, 24.6 million shares of GTE common stock, which will be used to meet GTE's contributions to certain employee savings plans through the year 2004. The unpaid balance of the loan, which has been guaranteed by GTE, is included in the accompanying consolidated balance sheets as long-term debt and short-term obligations with a similar reduction in shareholders' equity. The debt service payments, including interest, made by the ESOP for the years 1998-96 totaled $100 million, $96 million and $92 million, respectively. These payments were funded by $47 million, $49 million and $45 million of dividends accumulated on the GTE stock held by the ESOP and by $53 million, $47 million and $47 million of cash contributions by GTE in 1998-96, respectively.

13. Income Taxes

Income before income taxes is as follows:

(Dollars in Millions)	*1998*	*1997*	*1996*
Domestic	$3,246	$3,720	$3,799
Foreign	799	698	613
Total	$4,045	$4,418	$4,412

The income tax provision (benefit) before extraordinary charges is as follows:

(Dollars in Millions)	*1998*	*1997*	*1996*
Current:			
Federal	$ 612	$ 725	$ 851
Foreign	293	256	241
State and local	177	187	107
	1,082	1,168	1,199
Deferred:			
Federal	451	451	399
Foreign	(14)	(26)	(38)
State and local	56	65	97
	493	490	458
Amortization of deferred investment tax credits	(22)	(34)	(43)
Total provision	$1,553	$1,624	$1,614

The amortization of deferred investment tax credits relates to the amortization of investment tax credits previously deferred by GTE's telephone subsidiaries.

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

(Dollars in Millions)	*1998*	*1997*	*1996*
Amounts computed at statutory rates	$1,416	$1,546	$1,544
State and local income taxes, net of federal benefit	151	164	133
Minority interests and preferred stock dividends	54	44	44
Amortization of investment tax credits	(22)	(34)	(43)
Other differences—net	(46)	(96)	(64)
Total provision	$1,553	$1,624	$1,614

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

(Dollars in Millions)	*1998*	*1997*
Depreciation and amortization	$ 1,625	$ 1,830
Employee benefit obligations	(1,810)	(1,873)
Prepaid pension costs	1,688	1,439
Other—net	278	335
Net deferred tax liability	$ 1,781	$ 1,731

14. Earnings per Common Share

Basic earnings per common share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share is calculated in a similar manner except that the weighted-average number of common shares outstanding during the period includes the potential dilution that could occur if stock options or other contracts to issue common stock were exercised. The number of shares included in diluted earnings per common share for the potential issuance of common shares was 5.2 million in 1998, 4.3 million in 1997, and 3.4 million in 1996. Certain outstanding options to purchase common shares were not included in the computation of diluted earnings per common share because to do so would have been antidilutive for the period, including 1.0 million shares during 1998, 8.5 million shares during 1997, and 8.7 million shares during 1996.

15. Segment Reporting

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

The Company has two operating units, its National Operations and its International Operations, and a Corporate group. The National Operations are further segmented along product lines although certain activities such as marketing and data processing are managed on a common basis. The costs of activities managed on a common basis are allocated to the product segments based on usage, where possible, or other factors depending on the nature of the activity. The International Operations are organized by country. For the most part, the National and the International Operations are independent of each other and the various countries comprising the International Operations are independent of each other. Affiliated transactions that occur are based on market prices.

The three major product segments (reportable segments) within National Operations are Network Services, Wireless Products and Services, and Data Products and Services.

Network Services provides wireline communication services within franchised areas. These services include local telephone service and toll calls as well as access services that enable long-distance carriers to complete calls to or from locations outside of GTE's operating areas. Network Services also provides complex voice and data services to businesses, billing and collection, operator assistance and inventory management services to other telecommunications companies and receives revenues in the form of a publication right from an affiliate that publishes telephone directories in its operating areas. The intersegment revenues at Network Services primarily represent local telephone services provided at market rates to GTE's national sales and marketing organization, which markets bundled telecommunication services, and sales of inventory management services to other GTE companies.

Wireless Products and Services provides wireless communications services (both voice and data) within licensed areas in the U.S., sells cellular telephones and accessories and provides support services to other cellular telephone companies.

The Data Products and Services segment offers a wide range of advanced data and Internet-related services, including dedicated and dial-up access to the Internet and a variety of value-added Internet services such as managed network security, Web-server hosting, application development and systems integration services. GTE's Data Products and Services segment was created in 1997 after the acquisition of BBN Corporation.

The Company's National Operations also include GTE Technology and Systems, GTE Communications Corporation, GTE Directories Corporation and GTE Airfone. GTE Technology and Systems is primarily composed of GTE Government Systems, a provider of communications and intelligence systems to the military and federal government. GTE Communications provides nationwide long-distance service, video services in selected markets and bundled telecommunications services through its national sales and marketing organization. GTE Directories publishes telephone directories for which it receives advertising revenue and develops and markets online advertising and information services for consumers and advertisers on the Internet. The advertising revenue for directories published in Network Services' operating areas is split and a portion is recognized as revenue by Network Services (approximately 60%) and a portion is recognized as revenue by GTE Directories (approximately 40%). GTE Airfone provides aircraft-passenger telecommunications services.

The national sales and marketing organization was created during the second half of 1997 and has incurred significant start-up costs as it grows GTE's long-distance customer base and develops the employee skills and systems capabilities necessary to offer bundled telecommunications services on one bill.

GTE's International Operations (the fourth reportable segment) provide telecommunications services in Canada, the Dominican Republic and Argentina and operate directory advertising companies in Europe and Central America through consolidated subsidiaries. GTE also participates in ventures/consortia that are accounted for on the equity basis. These investments include a full-service telecommunications company in Venezuela, a paging network in China and a nationwide digital-cellular network in Taiwan.

As described in Note 3, during the year, the Company decided to sell approximately 1.6 million domestic access lines, as well as GTE Government Systems and GTE Airfone, and to exit certain other business activities. The amount of the special charge applicable to each business segment that was recorded to recognize the effect of these decisions is included in operating income in the following tables.

Accounting policies of the segments are the same as those described in the summary of significant accounting policies (see Note 1). Operating income includes profit on sales to affiliates. The related intersegment eliminations for National Operations are included in Other National Operations.

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

(Dollars in Millions)	*1998*	*1997*	*1996*
National Operations:			
Network Services			
Revenues and sales			
Local services	$ 5,814	$ 5,530	$ 5,130
Network access services	5,316	4,896	4,589
Toll services	859	1,251	1,525
Directory services and other	3,259	2,847	2,311
Total revenues	15,248	14,524	13,555
Intersegment revenues	(305)	(220)	(92)
Total external revenues	$14,943	$14,304	$13,463
Operating income[a]	$ 4,817	$ 4,726	$ 3,889
Special charges	171	—	—
Depreciation and amortization	2,591	2,605	2,642
Capital expenditures	3,362	3,245	2,581
Total assets	23,287	22,883	21,602
Wireless Products and Services			
Revenues and sales			
Service revenues	$ 2,687	$ 2,549	$ 2,347
Equipment sales and other	383	373	287
Total revenues	$ 3,070	$ 2,922	$ 2,634
Operating income[a]	$ 647	$ 437	$ 482
Special charges	91	—	—
Depreciation and amortization	435	428	398
Capital expenditures	461	396	671
Total assets	5,783	5,889	6,087
Data Products and Services			
Revenues and sales			
Data revenues	$ 784	$ 279	$ —
Intersegment revenues	(36)	(11)	—
Total external revenues	$ 748	$ 268	$ —
Operating loss	$ (526)	$ (347)	$ —
Depreciation and amortization	128	88	—
Capital expenditures	593	326	—
Total assets	2,041	1,284	—
Other National Operations			
Revenues and sales			
GTE Technology and Systems	$ 1,423	$ 1,271	$ 1,204
GTE Communications	1,063	630	333
Other, including eliminations	651	746	875
Total revenues	$ 3,137	$ 2,647	$ 2,412
Operating income (loss)[a]	$ (438)	$ (43)	$ 341
Special charges	397	—	—
Depreciation and amortization	196	250	260
Capital expenditures	481	477	209
Total assets	2,556	1,871	1,471

(Dollars in Millions)	*1998*	*1997*	*1996*
International Operations:			
Revenues and sales			
Local services	$ 1,219	$ 1,076	$ 930
Toll services	907	883	932
Wireless services	422	265	215
Directory services and other	786	678	634
Total revenues	$ 3,334	$ 2,902	$ 2,711
Operating income[(a)]	$ 834	$ 726	$ 691
Special charges	38	—	—
Depreciation and amortization	459	523	463
Equity income	110	85	87
Capital expenditures	657	648	580
Revenues by country			
Canada	$ 2,415	$ 2,262	$ 2,191
Dominican Republic and other	919	640	520
Total revenues	$ 3,334	$ 2,902	$ 2,711
Assets by country			
Canada	$ 2,979	$ 3,847	$ 3,984
Venezuela	1,727	1,622	1,464
Argentina	1,129	217	116
Dominican Republic and other	1,450	1,191	952
Total assets	$ 7,285	$ 6,877	$ 6,516
Consolidated revenues	$25,473	$23,260	$21,339
Consolidated operating income[(a)]	5,336	5,611	5,488
Total special charges	755	—	—
Consolidated assets	43,615	42,142	38,422

(a) Includes special charges in 1998.

16. Commitments and Contingencies

GTE has noncancelable operating leases covering certain buildings, office space and equipment. Rental expense was $464 million, $399 million and $392 million in 1998-96, respectively. Minimum rental commitments under noncancelable leases are $249 million, $213 million, $179 million, $127 million and $99 million for the years 1999-2003, respectively, and aggregate $738 million thereafter.

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

Recent judicial and regulatory developments, as well as the pace of technological change, have continued to influence industry trends, including accelerating and expanding the level of competition. As a result, GTE's National and International Operations face increasing competition in virtually all aspects of their business. In addition, to achieve its growth objectives, GTE has made significant investments to expand its service capability in the area of data communications and to establish a national sales and marketing organization to provide a bundle of voice and data communication products to customers. While GTE management believes that it will be successful in implementing these new initiatives, there are uncertainties associated with its ability to grow to the levels targeted and its ability to do so within the planned timeframes or investment levels.

17. Additional Income Statement Information

The table below provides additional financial information related to GTE's consolidated income statements:

	Years Ended December 31,		
(Dollars in Millions)	*1998*	*1997*	*1996*
Interest expense	$1,397	$1,283	$1,146
Interest capitalized	(27)	(48)	(61)
Interest income	(117)	(90)	(59)
Total Interest—net	$1,253	$1,145	$1,026
Minority interests	$ 290	$ 245	$ 239
Preferred dividends	8	12	17
Equity in income of unconsolidated companies	(240)	(217)	(201)
Other (income) expense	(20)	8	(5)
Total Other—net	$ 38	$ 48	$ 50

18. Quarterly Financial Data (Unaudited)

(Dollars in Millions, Except Per-Share Amounts)	*1st Qtr[(a)]*	*2nd Qtr*	*3rd Qtr*	*4th Qtr*
1998				
Revenues and sales	$5,885	$6,277	$6,480	$6,831
Operating income	592	1,432	1,650	1,662
Net income (loss)	(178)	673	822	855
Earnings (loss) per common share:				
Basic	$ (.18)	$ .70	$ .85	$ .89
Diluted	$ (.18)	$ .69	$ .85	$ .88
Dividends declared	$ .47	$ .47	$ .47	$ .47
Stock market price:				
High	$60.50	$64.38	$58.69	$71.81
Low	47.94	55.25	46.75	53.94
Close	59.88	55.63	55.00	65.00

(a) In the first quarter of 1998, the Company recorded pretax special charges of $755 million ($482 million after-tax), and after-tax extraordinary charges of $320 million (see Notes 3 and 4).

(Dollars in Millions, Except Per-Share Amounts)	*1st Qtr*	*2nd Qtr*	*3rd Qtr*	*4th Qtr*
1997				
Revenues and sales	$5,281	$5,692	$5,940	$6,347
Operating income	1,346	1,406	1,487	1,372
Net income	665	671	756	702
Earnings per common share:				
Basic	$ .69	$ .70	$ .79	$ .73
Diluted	$ .69	$ .70	$ .79	$ .73
Dividends declared	$ .47	$ .47	$ .47	$ .47
Stock market price:				
High	$49.38	$47.50	$48.38	$52.25
Low	43.13	41.13	42.88	40.50
Close	46.63	43.88	45.38	52.25

Directors

Edwin L. Artzt, Chairman of the Executive Committee and Director, The Procter & Gamble Company
James R. Barker, Chairman, The Interlake Steamship Co., and Vice Chairman, Mormac Marine Group, Inc. and the Moran Towing Company
Edward H. Budd, Retired Chairman of the Board of The Travelers Corporation
Robert F. Daniell, Retired Chairman, United Technologies Corporation
Kent B. Foster, President, GTE
James L. Johnson, Chairman Emeritus, GTE
James L. Ketelsen, Retired Chairman, Tenneco Inc.
Charles R. Lee, Chairman and Chief Executive Officer, GTE
Michael T. Masin, Vice Chairman and President – International, GTE
Sandra O. Moose, Senior Vice President and Director, The Boston Consulting Group, Inc.
Russell E. Palmer, Chairman and Chief Executive Officer, The Palmer Group
John W. Snow, Chairman, President and Chief Executive Officer, CSX Corporation
Robert D. Storey, Partner, Thompson, Hine & Flory LLP

Corporate Officers

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Michael T. Masin, Vice Chairman and President – International
Thomas W. White, Senior Executive Vice President – Market Operations
James A. Attwood, Executive Vice President – Strategic Development and Planning
William P. Barr, Executive Vice President – Government and Regulatory Advocacy and General Counsel
Armen Der Marderosian, Executive Vice President – Technology and Systems
J. Randall MacDonald, Executive Vice President – Human Resources and Administration
Daniel P. O'Brien, Executive Vice President – Finance and Chief Financial Officer
Mary Beth Bardin, Senior Vice President – Public Affairs and Communications
Jan L. Deur, Acting Treasurer
Geoffrey C. Gould, Vice President – Government and Regulatory Affairs
John P. Z. Kent, Vice President – Taxes
Thomas F. Lysaught, Vice President – Marketing and Quality
Paul R. Shuell, Vice President and Controller
Marianne Drost, Corporate Secretary

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Clarence F. Bercher, President, GTE Communications Corporation
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Paul R. Gudonis, President, GTE Internetworking
Katherine J. Harless, President, GTE Airfone
Thomas W. Muldoon, President, GTE Government Systems
Fares F. Salloum, Senior Vice President, International Operations

Corporate **Information**

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Information Via the Internet
World Wide Web users can access information about GTE at:
http://www.gte.com

Shareholder Systematic Investment Plan. Under this plan, GTE shareholders may reinvest their dividends or make optional payments toward the purchase of additional shares of common stock. Shareholders wishing information about this plan should contact BankBoston, N.A. at 800.225.5160.

Dividend Direct Deposit Service. GTE offers its registered shareholders the option of having dividends deposited directly into their checking or savings accounts at any financial institution participating in the Automated Clearing House (ACH) system. This service is provided at no charge. To sign up for this service, shareholders should contact BankBoston, N.A. at 800.225.5160.

Dividends and Earnings. GTE has generally paid its dividends on the first day of January, April, July and October. Earnings have generally been announced the third week of January, April, July and October. Shareholders may call 800.225.5160 at BankBoston, N.A. to hear quarterly financial highlights.

Shareholder Services. BankBoston, N.A., Transfer Agent and Registrar for GTE's common stock, should be contacted with any questions relating to shareholder accounts. This includes:

- Account Information • Dividends • Market Prices
- Transfer Instructions • Statements and Reports
- Change of Address • Lost Certificates

Shareholders may call toll free at 800.225.5160 any time, seven days a week. Customer Service Representatives are available Monday through Friday between the hours of 8 a.m. and 5 p.m. Eastern Time. Outside the United States call 781.575.2990.

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

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

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

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

Investor Relations. Security analysts, institutional investors and other members of the financial community requesting information about GTE should contact:
Investor Relations Department
GTE Corporation
1255 Corporate Drive
Irving, TX 75038
972.507.2789
International Telex: 4750071
Fax: 972.507.2520
http://www.gte.com

Stock Exchange Listings. GTE Corporation (symbol: GTE) is listed on the New York Stock Exchange, the Chicago, Pacific and other regional stock exchanges in the United States and on stock exchanges in Amsterdam, Basel, Geneva, Lausanne, London, Paris, Zurich and Tokyo.

Auditors
Arthur Andersen LLP
901 Main Street
Dallas, TX 75202

Requests for Annual Reports. Shareholders may obtain an additional printed copy of this annual report or a copy of the annual Form 10-K filed with the Securities and Exchange Commission, by calling 800.225.5160.

An audiocassette version of the 1998 annual report is available to visually impaired shareholders by contacting:
Public Affairs and Communications
GTE Corporation
1255 Corporate Drive
Irving, TX 75038
972.507.5369

Other Securities. Questions regarding the bonds, debentures and preferred securities of GTE or its subsidiaries should be directed to:
Treasury Department
Capital Markets
GTE Corporation
1255 Corporate Drive
Irving, TX 75038
972.507.5038

Products and Services Hotline. Shareholders may call 800.828.7280 to receive information concerning GTE products and services.

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

This report is printed on recycled paper that contains 20% postconsumer material.

GTE Corporation
1255 Corporate Drive
Irving, TX 75038
972.507.5000
http://www.gte.com

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State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE RESTATED CERTIFICATE OF "BELL ATLANTIC CORPORATION", FILED IN THIS OFFICE ON THE FOURTEENTH DAY OF AUGUST, A.D. 1997, AT 9:15 O'CLOCK P.M.

Edward J. Freel, Secretary of State

2018751 8100

981355398

AUTHENTICATION: 9299395

DATE: 09-14-98

8-14-97

CERTIFICATE OF RESTATED
CERTIFICATE OF INCORPORATION

Bell Atlantic Corporation, a corporation organized on October 7, 1983, and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"),

DOES HEREBY CERTIFY:

FIRST: That at a meeting of the Board of Directors of the Corporation held on June 25, 1996, resolutions were duly adopted setting forth a proposed Restated Certificate of Incorporation of the Corporation, declaring said restatement to be advisable and directing that the proposed restatement be submitted for consideration at the next meeting of the stockholders of the Corporation. The resolutions setting forth the proposed restatement are attached hereto as Exhibit A.

SECOND: That thereafter, pursuant to resolution of the Corporation's Board of Directors, a special meeting of the stockholders of the Corporation was duly called and held on November 8, 1996, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, at which meeting a majority of the outstanding stock entitled to vote thereon was voted in favor of the Restated Certificate of Incorporation as proposed by the Corporation's Board of Directors.

THIRD: That said Restated Certificate of Incorporation was duly adopted in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this certificate to be executed by P. Alan Bulliner, its Vice President - Corporate Secretary and Counsel, and attested by Jane F. Ludlow, its Assistant Secretary, this 14th day of August, 1997.

BELL ATLANTIC CORPORATION

By P. Al Bulliner
P. Alan Bulliner
Vice President - Corporate Secretary
and Counsel

Attest:

By Jane F. Ludlow
Jane F. Ludlow
Assistant Secretary

EXHIBIT A

RESOLVED, that, consistent with the Revised Merger Agreement, this Board deems it advisable for the Certificate of Incorporation of the Corporation to be amended and restated, effective only upon effectiveness of the Merger, as follows (the "Amended Certificate"):

RESTATED
CERTIFICATE OF INCORPORATION
OF
BELL ATLANTIC CORPORATION

1. Corporate Name. The name of the corporation is Bell Atlantic Corporation (the "Corporation").

2. Registered Office. The address of the registered office of the Corporation is 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of the registered agent of the Corporation at such address is The Corporation Trust Company.

3. Corporate Purpose. The nature of the business of the Corporation or the purposes of the Corporation to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware, as amended from time to time (the "GCL").

4. Capital Stock.

A. Authorized Shares. The total number of shares of all classes of stock which the Corporation shall have the authority to issue is 2,500,000,000 shares, of which 2,250,000,000 shares are Common Stock, $.10 par value per share, and 250,000,000 shares are Series Preferred Stock, $.10 par value.

B. Authority of Board to Fix Terms of Series Preferred Stock. The Board of Directors of the Corporation is hereby expressly authorized at any time and from time to time to provide for the issuance of all or any shares of the Series Preferred Stock in one or more classes or series, and to fix for each such class or series such voting powers, full or limited, or no voting powers, and such distinctive designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such class or series and to the fullest extent as may now or hereafter be permitted by the GCL, including, without limiting the generality of the foregoing, the authority to provide that any such class or series may be (i) subject to redemption at such time or times and at such price or prices; (ii) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (iii) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; or (iv) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock, or other securities or property, of the Corporation at such price or prices or at such rates of exchange and with such adjustments; all as may be stated in such resolution or resolutions. Unless otherwise provided in such resolution or resolutions, shares of Series Preferred Stock of such class or series which shall be issued and thereafter acquired by the Corporation through purchase, redemption, exchange, conversion or otherwise shall return to the status of authorized but unissued Series Preferred Stock.

5. Board of Directors of the Corporation.

A. Responsibilities. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors.

B. Number. Subject to the right of the Board of Directors to increase or decrease the number of directors pursuant to this Article 5.B., the Board of Directors shall consist of 22 directors. The Board of Directors may increase or decrease the number of directors by the affirmative vote of (a) three-quarters of the entire Board of Directors if the effective date of such increase or decrease is prior to the date on which Raymond W. Smith ceases to be Chairman of the Corporation (hereinafter referred to as the "Retirement Date"), and (b) a majority of the entire Board of Directors if the effective date of the increase or decrease is on or after the Retirement Date.

C. Elections of Directors. Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

D. Nominations for Directors. Except as otherwise permitted in Article 5.E., only persons who are nominated in accordance with the procedures established in the Bylaws shall be eligible for election as directors.

E. Vacancies. Vacancies and newly created directorships may be filled by the Board of Directors, provided that on or prior to the Retirement Date, such action shall be in accordance with the method for the selection of directors set forth in Section 4.16 of the Bylaws.

6. Bylaws. The Board of Directors is expressly authorized from time to time to make, alter or repeal the Bylaws of the Corporation in the manner set forth in the Bylaws from time to time.

7. Indemnification.

A. Indemnification of Authorized Representatives in Third Party Proceedings.--The Corporation shall indemnify any person who was or is an authorized representative of the Corporation, and who was or is a party, or is threatened to be made a party to any third party proceeding, by reason of the fact that such person was or is an authorized representative of the Corporation, against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such third party proceeding if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal third party proceeding, had no reasonable cause to believe such conduct was unlawful. The termination of any third party proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the authorized representative did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to, the best interests of the Corporation, or, with respect to any criminal third party proceeding, had reasonable cause to believe that such conduct was unlawful.

B. Indemnification of Authorized Representatives in Corporate Proceedings.--The Corporation shall indemnify any person who was or is an authorized representative of the Corporation and who was or is a party or is threatened to be made a party to any corporate proceeding, by reason of the fact that such person was or is an authorized representative of the Corporation, against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such corporate proceeding if such person acted in good faith and in a manner reasonably believed to be in, or not opposed to, the best interests of the Corporation; provided, however, that, except as provided in this Article 7 with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such person in connection with an action, suit or proceeding (or part thereof) initiated by such person only if the initiation of such action, suit or proceeding (or part thereof) was authorized by the Board of Directors; provided further, however, that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such corporate proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such authorized representative is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

C. Mandatory Indemnification of Authorized Representatives.--To the extent that an authorized representative or other employee or agent of the Corporation has been successful on the merits or otherwise in defense of any third party or corporate proceeding or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses actually and reasonably incurred by such person in connection therewith.

D. Determination of Entitlement to Indemnification.--Any indemnification under section 7(A), (B) or (C) of this Article (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the authorized representative or other employee or agent is proper in the circumstances because such person has either met the applicable standard of conduct set forth in section 7(A) or (B) of this Article or has been successful on the merits or otherwise as set forth in section 7(C) of this Article and that the amount requested has been actually and reasonably incurred. Such determination shall be made:

(1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such third party or corporate proceeding; or

(2) if such a quorum is not obtainable, or even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion; or

(3) by the stockholders.

E. Advancing Expenses.--Expenses actually and reasonably incurred in defending a third party or corporate proceeding shall be paid on behalf of an authorized representative by the Corporation in advance of the final disposition of such third party or corporate proceeding and within 30 days of receipt by the secretary of the Corporation of (i) an application from such authorized representative setting forth the basis for such indemnification, and (ii) if required by law at the time such application is made, an undertaking by or on behalf of the authorized representative to repay such amount if it shall ultimately be determined that the authorized representative is not entitled to be indemnified by the Corporation as authorized in this Article. The financial ability of any authorized representative to make a repayment contemplated by this section shall not be a prerequisite to the making of an advance. Expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

F. Definitions.--For purposes of this Article:

(1) "authorized representative" shall mean any and all directors and officers of the Corporation and any person designated as an authorized representative by the Board of Directors of the Corporation or any officer of the Corporation to whom the Board has delegated the authority to make such designations (which "authorized representative" may, but need not, include any person serving at the request of the Corporation as a director, officer, employee, trustee or agent of another corporation, partnership, joint venture, trust or other enterprise);

(2) "Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued;

(3) "corporate proceeding" shall mean any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor and any investigative proceeding by the Corporation;

(4) "criminal third party proceeding" shall include any action or investigation which could or does lead to a criminal third party proceeding;

(5) "expenses" shall include attorneys' fees and disbursements;

(6) "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan;

(7) actions "not opposed to the best interests of the Corporation" shall include without limitation actions taken in good faith and in a manner the authorized representative reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan;

(8) "other enterprises" shall include employee benefit plans;

(9) "party" shall include the giving of testimony or similar involvement;

(10) "serving at the request of the Corporation" shall include without limitation any service as a director, officer or employee of the Corporation which imposes duties on, or involves services by, such director, officer or employee with respect to an employee benefit plan, its participants, or beneficiaries; and

(11) "third party proceeding" shall mean any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative, other than an action by or in the right of the Corporation.

G. Insurance.--The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against the person and incurred by the person in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power or the obligation to indemnify such person against such liability under the provisions of this Article.

H. Scope of Article.--The indemnification of authorized representatives and advancement of expenses, as authorized by the preceding provisions of this Article, shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any agreement, vote of stockholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office. The indemnification and advancement of expenses provided by or granted pursuant to this Article shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be an authorized representative and shall inure to the benefit of the heirs, executors and administrators of such a person.

I. Reliance on Provisions.--Each person who shall act as an authorized representative of the Corporation shall be deemed to be doing so in reliance upon rights of indemnification provided by this Article. Any repeal or modification of the provisions of this Article 7 by the stockholders of the Corporation shall not adversely affect any right or benefit of a director existing at the time of such repeal or modification.

J. Severability.--If this Article 7 or any portion thereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each authorized representative of the Corporation as to expenses, judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including, without limitation, a grand jury proceeding and an action, suit or proceeding by or in the right of the Corporation, to the fullest extent permitted by any applicable portion of this Article 7 that shall not have been invalidated, by the GCL or by any other applicable law.

8. Duty of Care. A director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law, (iii) under Section 174 of the GCL, or (iv) for any transaction from which the director derived an improper personal benefit. If the GCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the GCL, as so amended. Any repeal or modification of the provisions of this Article 8 by the stockholders of the Corporation shall not adversely affect any right or benefit of a director of the Corporation existing at the time of such repeal or modification.

9. Board Consideration of All Relevant Factors. The Board of Directors of the Corporation, when evaluating any offer of another party to (a) make a tender or exchange offer for any equity security of the Corporation, (b) merge or consolidate the Corporation with another corporation, or (c) purchase or otherwise acquire all or substantially all of the properties and assets of the Corporation, may, in connection with the exercise of its judgment in determining what is in the best interests of the Corporation and its stockholders, give due consideration to (i) all relevant factors, including without limitation the social, legal, environmental and economic effects on employees, customers, suppliers and other affected persons, firms and corporations and on the communities and geographical areas in which the Corporation and its subsidiaries operate or are located and on any of the businesses and properties of the Corporation or any of its subsidiaries, as well as such other factors as the directors deem relevant, and (ii) the consideration being offered, not only in relation to the then current market price for the Corporation's outstanding shares of capital stock, but also in relation to the then current value of the Corporation in a freely negotiated transaction and in relation to the Board of Directors' estimate of the future value of the Corporation (including the unrealized value of its properties and assets) as an independent going concern.

10. Unanimous Consent of Stockholders in Lieu of Meeting. Any action required to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of all of the outstanding stock entitled to vote to take such action at any annual or special meeting of stockholders of the Corporation and shall be delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business, or an officer or agent of

the Corporation having custody of the books in which proceedings or meetings of stockholders are recorded. Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to unless, within 60 days of the earliest dated consent delivered in the manner required in this section to the Corporation, written consents signed by the holders of all of the outstanding stock entitled to vote to take such action are delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the books in which proceedings of meetings of stockholders are recorded. Delivery made to a Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested.

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

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BELL ATLANTIC CORPORATION

Secretary's Certificate

The undersigned certifies that he is the Secretary of Bell Atlantic Corporation, a Delaware corporation (the "Corporation"), and that, as such, he is authorized to execute this certification on behalf of the Corporation, and further certifies that:

(1) Attached hereto is a complete and correct copy of the resolutions duly adopted by the Board of Directors of the Corporation at a Special Meeting held on July 27, 1998 at 1095 Avenue of the Americas, Borough of Manhattan, The City of New York, N.Y., at which a quorum was present and acting throughout; and

(2) Said resolutions have not been rescinded or amended and are in full force and effect on the date hereof.

WITNESS the seal of the Corporation and the signature of the undersigned this 14th day of September, 1998.

[Seal]

P. Alan Bulliner
Secretary

Bell Atlantic Corporation
Board of Directors
July 27, 1998

[Proposed Bell Atlantic Corporation and GTE Corporation Merger]

WHEREAS, it is proposed that the Corporation enter into an Agreement and Plan of Merger (the "Merger Agreement"), by and among the Corporation; Beta Gamma Corporation, a wholly-owned subsidiary of the Corporation ("Sub"); and GTE Corporation, a New York corporation ("Gamma"), pursuant to which, among other things, (i) Sub will merge with and into Gamma, with Gamma surviving as a wholly-owned subsidiary of the Corporation (the "Merger"), (ii) the Corporation will amend and restate its Restated Certificate of Incorporation (the "Certificate Amendment") and amend its Bylaws (the "Bylaws Amendment") and (iii) the Corporation and Gamma will execute a Stock Option Agreement granting an option to Gamma (the "Corporation Stock Option Agreement") and a Stock Option Agreement granting an option to the Corporation (the "Gamma Stock Option Agreement" and, together with the Corporation Stock Option Agreement, the "Stock Option Agreements");

NOW, THEREFORE, BE IT

RESOLVED, that, after taking into consideration the presentation and recommendation of management, the presentation and opinions of Bear, Stearns & Co. Inc. and Merrill, Lynch, Pierce, Fenner & Smith Incorporated, financial advisors to the Corporation, and such other factors as the Board has deemed relevant, this Board concludes that the Merger is fair to and in the best interests of the Corporation and its shareowners; and

RESOLVED FURTHER, that the Merger Agreement be, and it hereby is, approved and adopted in substantially the form presented to this meeting, and that the consummation by the Corporation of the transactions contemplated by the Merger Agreement, including without limitation the Merger and the issuance of shares (the "Stock Issuance") of the Corporation's common stock, par value $0.10 per share ("Common Stock") (including shares issuable under Options (as defined below), the "Merger Shares"), be, and they hereby are, approved and authorized in all respects, and that the Chairman and the Vice Chairman, President and Chief Executive Officer (the "Authorized Officers") be, and each of them hereby is, authorized to execute and deliver the Merger Agreement with such changes therein as such officer executing the same shall determine to be appropriate, such determination to be conclusively established by his execution thereof, and that the Secretary or any Assistant Secretary of the Corporation be, and hereby is, authorized to attest to the execution of such Merger Agreement; and

RESOLVED FURTHER, that the Board unanimously recommends that the shareowners of the Corporation vote in favor of the Stock Issuance in accordance with the rules of the New York Stock Exchange; and

RESOLVED FURTHER, that the proposed amendment to the Restated Certificate of Incorporation of the Corporation to increase the number of shares of all classes of stock which the Corporation has authority to issue from 2,500,000,000 to 4,250,000,000 be, and it hereby is, approved and adopted substantially in the form presented to this meeting, and that, upon the terms and subject to the conditions set forth in the Merger Agreement, including shareowner approval of the Certificate Amendment, the appropriate officers be, and each of them hereby is, authorized to execute and file such amended and restated Certificate of Incorporation with the Secretary of State of the State of Delaware, with such changes therein as such officer or officers executing the same shall determine to be appropriate, such determination to be conclusively established by his execution thereof, such that the Certificate Amendment shall be effective at the Effective Time (as defined in the Merger Agreement), and that the Secretary or any Assistant Secretary of the Corporation be, and hereby is, authorized to attest to the adoption of the Certificate Amendment; and

RESOLVED FURTHER, that, the Board unanimously recommends that the shareowners of the Corporation vote in favor of the Certificate Amendment; and

RESOLVED FURTHER, that, pursuant to Section 7.06 of the Corporation's existing Bylaws, the proposed amendments to the Bylaws of the Corporation be, and they hereby are, approved and adopted substantially in the form attached to these resolutions as Exhibit A, to be effective as of the Effective Time, and that, upon the terms and subject to the conditions set forth in the Merger Agreement, including shareowner approval of the Certificate Amendment, the Bylaws shall be amended and restated to incorporate such amendments effective as of the Effective Time, and that at such time the Secretary and any Assistant Secretary be, and each of them hereby is, authorized and directed to place such amended and restated Bylaws in minute books of the Corporation, with such changes therein as such officer or officers executing the same shall determine to be appropriate, such determination to be conclusively established by execution thereof, and that the Secretary or any Assistant Secretary of the Corporation be, and hereby is, authorized to attest to the adoption of the Bylaws Amendment; and

RESOLVED FURTHER, that each of the Stock Option Agreements be, and each hereby is, approved and adopted in substantially the form presented to this meeting, and that the consummation by the Corporation of the transactions contemplated by the Stock Option Agreements, including without limitation the issuance of shares of Common Stock and the making of cash payments pursuant to the Corporation Stock Option Agreement, be, and they hereby are, approved and authorized, in all respects, and that the Authorized Officers be, and each of them hereby is, authorized to execute and deliver the Stock Option Agreements with such changes therein as such officer or officers executing the same shall determine to be appropriate, such determination to be conclusively established by his execution thereof, and that the Secretary or any Assistant Secretary of the Corporation be, and hereby is, authorized to attest to the execution of the Stock Option Agreements; and

RESOLVED FURTHER, that the appropriate officers and employees be, and each of them hereby is, authorized in the name and on behalf of the Corporation to prepare and file with the Securities and Exchange Commission such documents as are necessary or desirable in connection with the Merger, the Stock Issuance and the Certificate Amendment and to register the Merger Shares under the Securities Act of 1933, as amended, including a Registration Statement on Form S-4 (including a proxy statement-prospectus) relating to the Merger, the Stock Issuance, the Certificate Amendment and the Merger Shares, as such may be amended and supplemented, such registration statements on Form S-8 as may be required in connection with the Options, and, if required, a Registration Statement on Form S-3 in connection with the Stock Option Agreements; and to take any action deemed necessary or advisable in order to register or qualify for offer and sale the Merger Shares under the securities or "blue sky" laws of any of the United States, the District of Columbia or any foreign country or territory, and in connection therewith to execute, acknowledge, verify, deliver, file and publish all such applications, reports, resolutions and other papers and instruments as may be necessary or appropriate under such laws; and

RESOLVED FURTHER, that the Corporation hereby authorizes the substitution, as of the Effective Time, of Common Stock for Gamma Common Stock under employee stock options and warrants to purchase Gamma Common Stock (collectively, the "Options") and the assumption of the other obligations required of the Corporation in connection therewith, all as set forth in the Merger Agreement; and

RESOLVED FURTHER, that the appropriate officers be, and each of them hereby is, authorized in the name and on behalf of the Corporation to reserve for issuance and to issue the Merger Shares (and such Merger Shares, upon issuance, shall be duly authorized, validly issued, fully paid and non-assessable); to execute the necessary stock certificates; to make application to the New York Stock Exchange ("NYSE") and any one or more other domestic or foreign stock exchanges to list the Merger Shares, and in connection therewith to execute, acknowledge, verify, deliver and file all such applications, statements, certificates, agreements, and other papers and instruments as may be required or necessary to accomplish such listing; and to appoint an exchange agent for the Merger; and

RESOLVED FURTHER, that the appropriate officers and employees be, and each of them hereby is, authorized to prepare, execute and file, and to cooperate with Gamma in the preparation, execution and filing of, any reports, statements, applications and information which may be required to be filed by the Corporation or Gamma or any of their respective subsidiaries (including, without limitation, Sub) in connection with the Merger and the Merger Agreement pursuant to the statutes, rules and regulations of the Federal government or any state or pursuant to the requirements of any applicable state, local or foreign authority or regulatory body (including, but not limited to, the requirements of the NYSE; the requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended; and the requirements of the Federal Communications Commission);

RESOLVED FURTHER, that the appropriate officers be, and each of them hereby is, authorized, in the name and on behalf of the Corporation, to take or cause to be taken any other actions which such officers deem necessary, appropriate or advisable in connection with the preparation, execution and filing of any reports, statements, applications and information which may be required to be filed by the Corporation in connection with the Merger and the Merger Agreement; and

RESOLVED FURTHER, that the engagement of Bear, Stearns & Co. Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated as financial advisors, substantially on the terms described to the Board, is hereby ratified, confirmed and approved in all respects; and

RESOLVED FURTHER, that all actions previously taken by any officer or employee of the Corporation in connection with the Merger or any other transaction contemplated by the foregoing resolutions, including without limitation the organization of Sub, are hereby adopted, ratified, confirmed and approved in all respects as the acts and deeds of the Corporation as fully as if such actions had been presented to this Board for its approval prior to such actions being taken; and

RESOLVED FURTHER, that the appropriate officers and employees be, and each of them hereby is, authorized to take or cause to be taken any and all such further actions and to execute and deliver or cause to be executed and delivered all such further agreements, documents, certificates and undertakings in the name and on behalf of the Corporation as such officer or employee shall determine to be necessary, proper or desirable to carry into effect the Merger and the other transactions contemplated by the foregoing resolutions and the intent and purpose of any and all of the foregoing resolutions.

Bell Atlantic

1998 Annual Report

BELL ATLANTIC

www.BellAtlantic.com

Bell Atlantic is at the forefront of the new communications and information industry. With more than 42 million telephone access lines and 8.6 million wireless customers worldwide, the company is a premier provider of advanced wireline voice and data services, a market leader in wireless services and the world's largest publisher of directory information. Bell Atlantic is also one of the world's largest investors in high-growth global communications markets, with operations and investments in 23 countries.

Vision Statement

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

Table of Contents

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

To receive a copy of the 1998 Bell Atlantic Annual Report on Form 10-K, which is filed with the Securities and Exchange Commission, contact Investor Relations:

Bell Atlantic Corporation
Investor Relations
1095 Avenue of the Americas
36th Floor
New York, New York 10036

Voice Mailbox	212 395–1525
Fax	212 921–2917
Fax-on-demand	212 329–7310
Shareowner newsline	800 BEL–5595

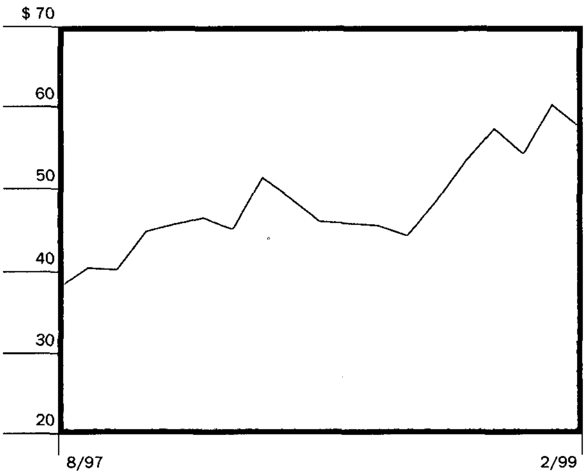
ABOUT THE COVER

As communications markets become more and more competitive, Bell Atlantic has a distinct advantage–direct connections to customers. As a market leader in domestic telecom, global wireless, and directory, we touch our customers in millions of ways every day–at home, at work, and on the go–in cities and neighborhoods across our region and around the globe.

The 1998 Annual Report, printed on non-glossy, recycled paper, reflects our continuing commitment to provide concise and cost-effective reporting of financial performance to our shareowners.

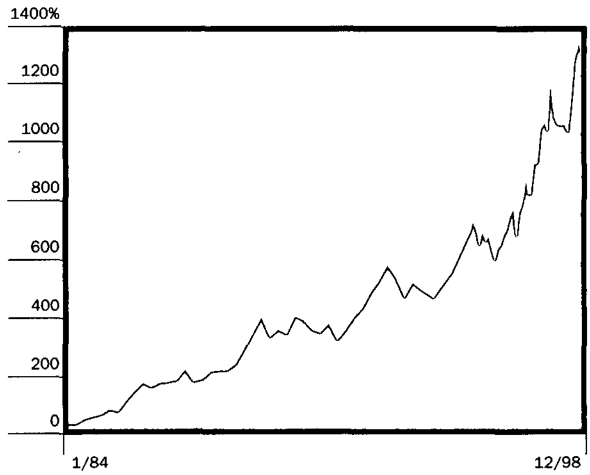
Bell Atlantic is focused on participating in the emerging growth opportunities in communications, while delivering sustainable financial performance. Our merger with NYNEX was key to this transformation. Merging with GTE will strengthen this position even further by extending our national and global reach and creating a higher-growth investment opportunity for shareowners.

Stock Price Performance



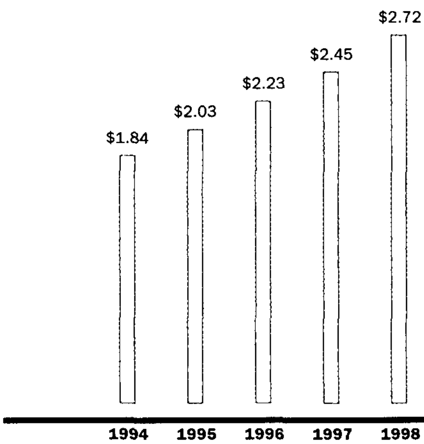
Since the closing of the merger, the stock price has increased 52%

Cumulative Total Return



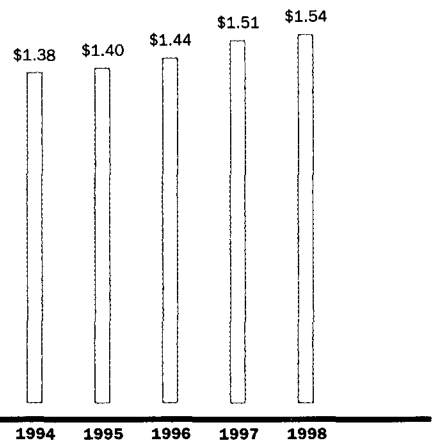
$100 invested in Bell Atlantic stock on 1/1/84, grew to $1,344 as of 12/31/98, assuming dividend reinvestment

Earnings per Share*

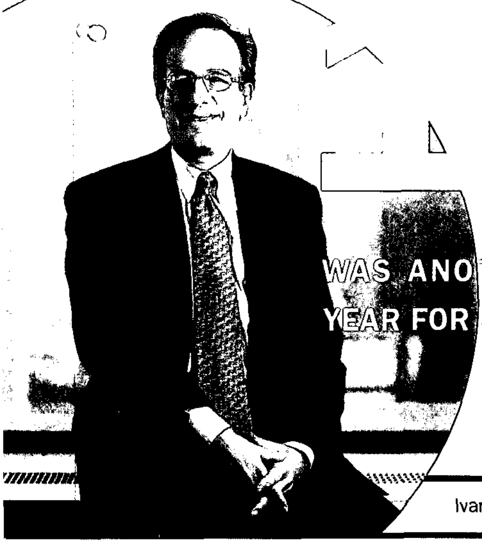


* Diluted basis, before special items
Reflects 2-for-1 stock split declared and paid in second quarter of 1998

Dividends per Share



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



WAS ANOTHER EXCELLENT YEAR FOR BELL ATLANTIC

Ivan G. Seidenberg

FELLOW SHAREOWNERS:

With adjusted earnings per share growth of 11 percent, we extended our track record for double-digit earnings growth to a fourth consecutive year. This strong performance was fueled by robust demand for voice and data services in our wireline and wireless businesses. Despite these solid results, our stock performance trailed that of the broader market, increasing 18.7 percent for the year. This reflects investor concerns about the timing of both approval of our pending merger with GTE and our entry into the long distance market.

At Bell Atlantic, we're focused on improving the return we deliver to shareowners. To do that, we are intent on removing the geographic and regulatory barriers that have kept us from participating in the overall growth of the communications marketplace by becoming a top-tier national and global communications company. And, as we've shown in our first full year of operations since the merger of Bell Atlantic and NYNEX, we are well on our way to creating both a new business model and a new investment profile:

- We delivered $450 million in expense synergies in 1998 and are on target to meet our stated goal of achieving $1.1 billion by 2000.
- We used the merger cost savings to absorb the transitional costs of opening our network to competition in accordance with the Telecommunications Act of 1996, giving us a critical head-start in getting into new growth markets like long distance and data.
- We successfully integrated our two companies, using "best practices" to accelerate revenue growth and a unified brand to improve the effectiveness of our marketing.
- And we created value for shareowners, as well: Bell Atlantic's stock appreciated 52 percent since we closed the merger in August of 1997 through February 1999.

This is a record of promises made and promises kept. Now, we are prepared to sustain this momentum–in fact, to accelerate it–through our merger with GTE Corporation. The merger with GTE will strengthen our market leadership across the board, extend our national and global reach, and secure our position as one of the world's premier communications companies.

As we prepare to take the next step in the transformation of Bell Atlantic, we are confident that we can quickly deliver on our promise to create value for shareowners and customers.

ooo

The Bell Atlantic approach to value creation begins with having a great foundation for growth.

The merger of Bell Atlantic and NYNEX gives us an anchor position in the largest, most demographically rich domestic marketplace in North America.

In the wireline business, the merger united our territories and strengthened the Bell Atlantic brand, creating a marketplace with one-third of the country's Fortune 500 companies, a computer-literate population, one-third of the national data market, and a $20 billion long distance opportunity.

On the wireless side, we have put together the top-performing cellular carrier in the industry, with coverage in demographically rich markets from Maine to the Carolinas and a presence in other national, high-growth markets through our PrimeCo PCS partnership.

In addition to having achieved great market position in key North American markets, we cover this territory with the industry's best wireline and wireless networks.

We invested early and aggressively in digital technologies to meet the service and capacity requirements of a rapidly expanding marketplace. Our investment in fiber-optic, Internet-compatible technologies allows us to provide high-speed, high-bandwidth services. Similarly, on the wireless side, we now have digital coverage of 90% of our footprint and are rapidly shifting customers onto this lower-cost, higher quality platform.

Once you have the right assets in the right markets, you still need to drive operating performance in your core business. That's why we are pleased with the continued strong volume growth we are experiencing in both wireline and wireless.

This strong operating performance is due, in part, to our having the right structure to address market requirements. In 1998, we restructured around key customer segments–consumer, general business, enterprise business, network services, directory, and wireless.

So we've built the right network and the right organization in the most critical marketplace in the world; we're generating solid financial and operational results; and we're now prepared to direct investment into markets and technologies that will change our growth profile.

ooo

Value Creation Model

1. **Establish foundation for growth by assembling the right assets in the right markets**
2. **Drive operating performance by offering customers the best combination of value, service, and product innovation**
3. **Invest for growth by focusing on three key areas**
   - **– Local broadband**
   - **– Global data and long distance**
   - **– Global wireless**

Now that we've established scale and scope in our operating territory, we're investing for growth in three key areas:

1. High-speed connectivity to the mass market

Today, we serve residential customers' needs for data transport primarily through the sale of additional phone lines. We also are rapidly deploying high-speed digital lines using a technology called ADSL, which we believe will expand our share of this growing market and better meet explosive consumer demand for instant information. We hope to further drive consumer acceptance and market penetration for ADSL through a unique marketing arrangement with America OnLine, which will package our high-speed transport with the popular AOL portal.

2. Global data connectivity and long distance

Providing global, high-speed, end-to-end connectivity to business customers is a huge market opportunity: $18 billion in our region alone, growing at 25 percent a year or better. To increase our share of this market, we formed a Data Solutions Group and we're investing in a leading-edge, high-speed network to provide voice, data, video and Internet services. Entry into long distance–which we expect soon in several of our states–will dramatically improve our ability to compete for a much larger share of the market for national and global data services.

3. Global wireless

Our domestic wireless business continues to generate high subscriber, revenue, and margin growth despite increased competition. Now, we're preparing for the next wave of growth in wireless through early, aggressive investment in a digital platform, innovative packaging and distribution, and highly successful new pricing plans.

Our new SingleRate℠ digital price plans have had a dramatic impact on our subscriber base. We've doubled the number of digital customers since introducing the new plans, and now have more than one million digital subscribers. This is key because digital users have three times the usage and generate twice the average revenue per user of analog customers.

In addition to our domestic franchise, we have a strong, six-country portfolio of international wireless investments that accounts for a growing share of the wireless contribution to earnings growth.

°°°

Our 1999 business priorities continue our focus on growth and performance.

First, we'll build on our strong record of execution through aggressive pursuit of vertical growth opportunities, continuing productivity gains, and ambitious customer service targets.

Second, we are accelerating our move into growth areas such as long distance, data, and wireless.

Third, we will maintain our earnings momentum by accelerating revenue growth to the 5-6 percent range and by meeting our expense synergy target of $750 million.

Fourth, we are on track with our major strategic initiatives, most notably long distance and the GTE merger. We continue to be optimistic that we will be the first of our peers to enter long distance, with market entry in New York expected in the third quarter of 1999, and other major markets to follow shortly.

The GTE merger fits perfectly with our strategic view of the future. Together we will become one of the industry's top-tier companies, with the scale, capabilities, market presence, and products to address the full range of customer needs.

We are becoming a very different kind of company–with a new growth profile, product mix, and organization. And we've engineered this transformation without missing a beat, registering double-digit growth in earnings in each of the last four years.

Bell Atlantic is a future story–with strong fundamentals, a global platform, expanding markets, and a disciplined approach to value-creation. As we execute our value-creation model, we're making tremendous progress toward our vision of the future.

°°°

I'd like to close this letter on a note of thanks.

First, I'd like to say thank you to the nearly 140,000 employees of Bell Atlantic, who have lived through another year of extraordinary change with grace and dedication to our customers. As markets become more and more competitive, we are very lucky to have the most irreplaceable asset of all: a highly-trained, highly-skilled workforce with the accumulated wisdom and service ethic that only comes from handling millions of customer contacts every year. They are an invaluable competitive resource, and a critical part of our growth strategy for the future.

Second, a word about Ray Smith, who retired as chairman of Bell Atlantic on December 31, 1998.

In a tenure lasting nearly a decade, Ray Smith led this corporation through an extraordinary period of growth and change. Under his leadership, Bell Atlantic grew from a regional telephone operator into a global corporation–simultaneously increasing shareowner value and positioning itself in the expanding markets of the future.

I feel confident that Bell Atlantic will continue to build on the legacy Ray Smith established, and I look forward to a dynamic new era of growth and shareowner value.

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

March 1999

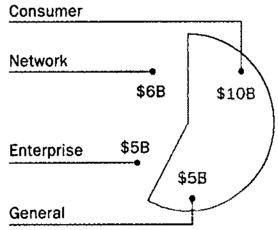
Domestic Telecom

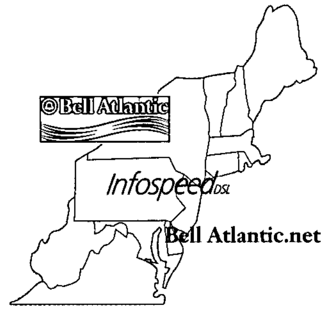
Premier provider of advanced voice and data services from Maine to Virginia – the world's most information-intensive marketplace.

Our business is organized around the following major markets:

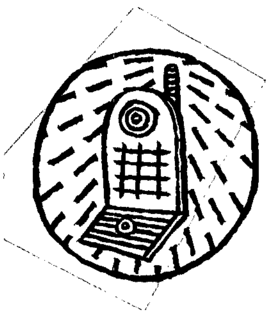
- Consumer
- General Business
- Enterprise Business
- Network Services

Revenues of $26 billion





- **22 million households**
- **34% of Fortune 500 companies and Federal Government**



Global Wireless

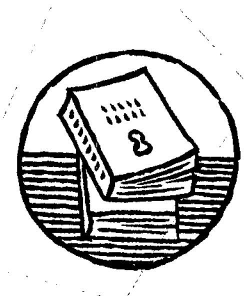
One of the world's largest and most successful wireless companies, with domestic operations in 24 states and international investments in Latin America, Europe and the Pacific Rim.

The portfolio includes the following companies:

	Ownership %
Bell Atlantic Mobile	100.0
PrimeCo Personal Communications	50.0
Grupo Iusacell (Mexico)	47.1
Omnitel Pronto Italia (Italy)	19.7
EuroTel Praha (Czech Republic)	24.5
EuroTel Bratislava (Slovakia)	24.5
STET Hellas (Greece)	20.0
Excelcomindo (Indonesia)	23.1

Bell Atlantic Mobile · PrimeCo · Iusacell · omnitel · EuroTel · EuroTel · STET

- **Proportionate revenues of $4.6 billion**
- **180 million proportionate POPs**



Directory

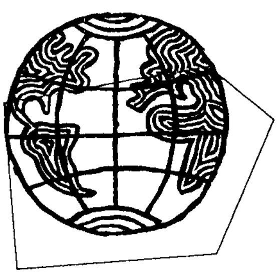
A global leader in publishing directories and in providing Internet-based shopping guides, website creation and hosting, and other electronic commerce services.

We have operations in the following countries:

United States	Greece
China	Poland
Czech Republic	Slovakia
Gibraltar	

Bell Atlantic Yellow Pages White Pages · BigYellow · Υπεροδηγός · Zlaté stránky · Polskie Książki Telefoniczne

- **Revenues of $2.3 billion**
- **Worldwide circulation of 83 million**



International

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

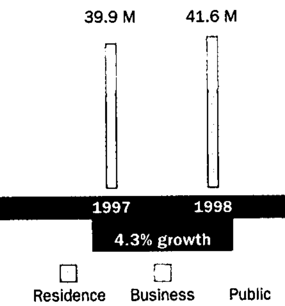
The portfolio consists principally of the following investments:

	Ownership %
Telecom Corporation of New Zealand	24.9
Cable & Wireless Communications	18.5
FLAG	37.7
TelecomAsia	18.2
BayanTel	20.0

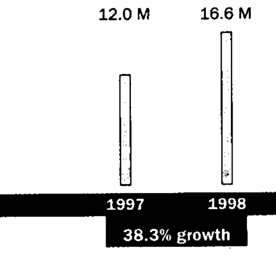
Cable & Wireless · FLAG Telecom · BayanTel · TelecomAsia · Telecom New Zealand

- **Proportionate revenues of $1.4 billion**
- **Market value in excess of $4 billion**

Access Lines in Service

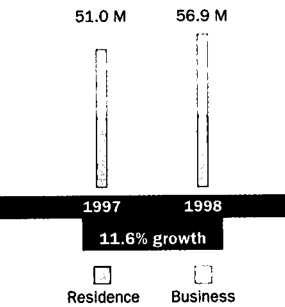


DSO Equivalents



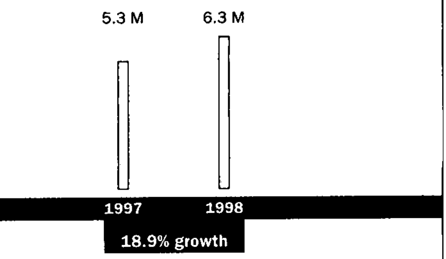
DSO or "digital signal" equivalents represent the conversion of high-bandwidth digital-based services to a common measure of bandwidth, which equals the capacity of one voice signal.

Voice Grade Equivalents

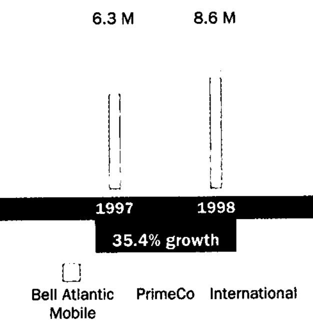


Voice Grade Equivalents represent the combination of switched access lines and DSO equivalents.

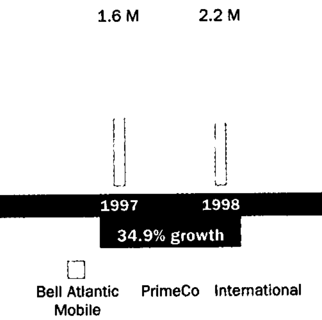
Caller ID Subscribers



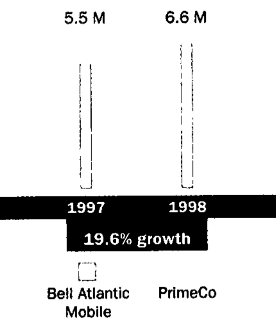
Proportionate Subscribers



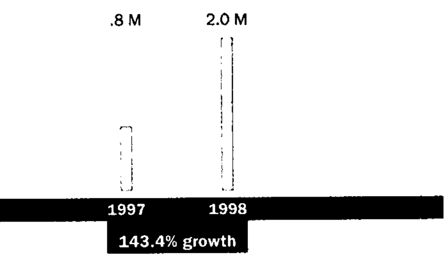
Subscriber Net Adds



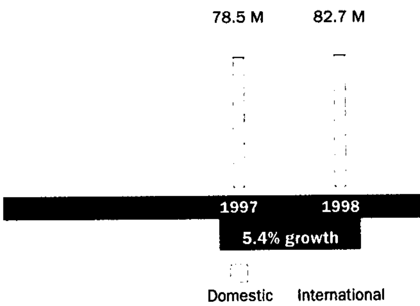
Domestic Subscribers



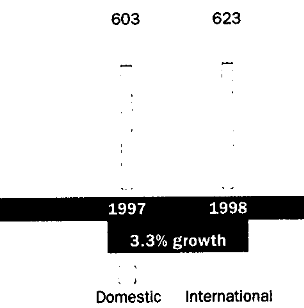
International Subscribers



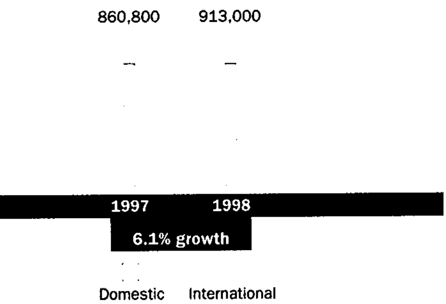
Circulation



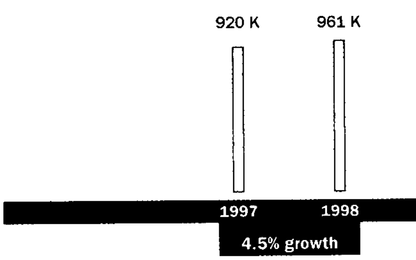
Titles



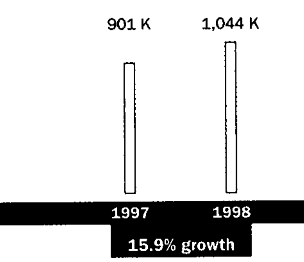
Advertising Customers



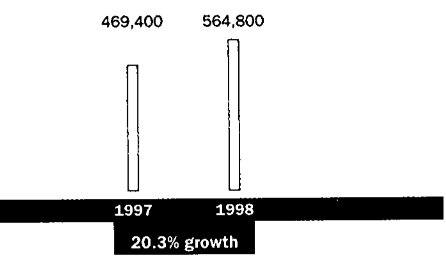
Proportionate Access Lines



CWC Residential Telephony Lines



TCNZ Cellular Connections



Overview

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

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

(DOLLARS IN MILLIONS)

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

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

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

(DOLLARS IN MILLIONS)

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

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

Merger-related Costs

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

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

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

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

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

(DOLLARS IN MILLIONS)

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

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

Retirement Incentive Costs

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

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

(DOLLARS IN MILLIONS)

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

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

Other Charges and Special Items

YEAR 1998

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

ASIAN INVESTMENTS

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

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

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

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

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

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

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

VIDEO-RELATED CHARGES

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

WRITE-DOWN OF ASSETS AND OTHER ITEMS

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

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

YEAR 1997

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

VIDEO-RELATED CHARGES

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

WRITE-DOWN OF ASSETS AND REAL ESTATE CONSOLIDATION

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

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

REGULATORY, TAX AND LEGAL CONTINGENCIES AND OTHER SPECIAL ITEMS

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

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

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

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

YEAR 1996

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

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

Segmental Results of Operations

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

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

(DOLLARS IN MILLIONS)

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

Reconciling items consist of corporate operations and intersegment eliminations.

Domestic Telecom

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

YEARS ENDED DECEMBER 31 (DOLLARS IN MILLIONS)

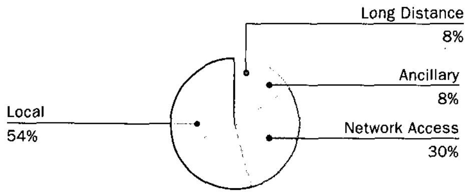
Results of Operations–Adjusted Basis	1998	1997	1996
Operating Revenues			
Local services	$ 13,882	$ 13,256	$ 12,627
Network access services	7,656	7,340	7,247
Long distance services	1,929	2,190	2,374
Ancillary services	2,090	2,023	1,888
	25,557	24,809	24,136
Operating Expenses			
Employee costs	7,298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

OPERATING REVENUES

LOCAL SERVICES

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

1998 Domestic Telecom Revenue Components



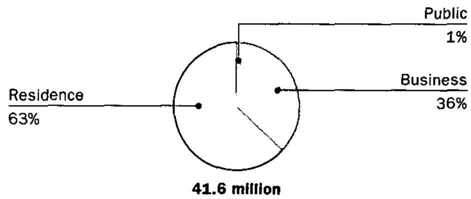
Growth in local services revenues of $626 million or 4.7% in 1998 and $629 million or 5.0% in 1997 was primarily due to higher usage of our network facilities. This growth was generated, in part, by an increase in access lines in service of 4.3% in 1998 and 3.7% in 1997. Access line growth primarily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

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

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

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

Access Lines by Category

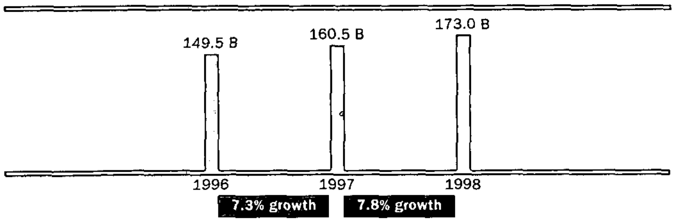


NETWORK ACCESS SERVICES

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

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

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.

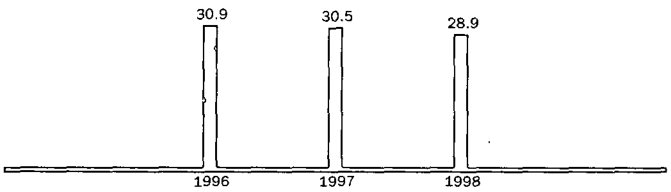
OPERATING EXPENSES

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.

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

Employees per 10,000 Access Lines



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

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

DEPRECIATION AND AMORTIZATION

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

OTHER OPERATING EXPENSES

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

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

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

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

INCOME (LOSS) FROM UNCONSOLIDATED BUSINESSES

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

Global Wireless

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

YEARS ENDED DECEMBER 31 (DOLLARS IN MILLIONS)

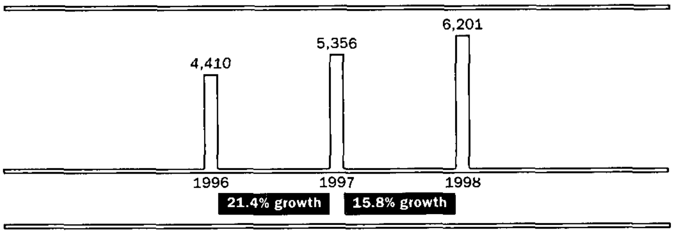
Results of Operations–Adjusted Basis	1998	1997	1996
Operating Revenues			
Wireless services revenues	$ 3,798	$ 3,347	$ 2,684
Operating Expenses			
Employee costs	548	490	395
Depreciation and amortization	592	481	303
Other operating expenses	1,942	1,742	1,465
	3,082	2,713	2,163
Operating Income	$ 716	$ 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.

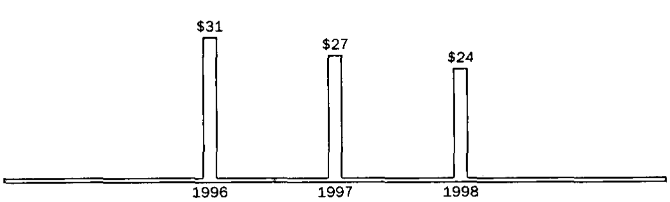
DEPRECIATION AND AMORTIZATION

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.

Directory

Our Directory segment consists of our domestic and international publishing businesses including print directories and Internet-based shopping guides, as well as website creation and hosting and other electronic commerce services. This segment has operations principally in the United States and Central Europe.

YEARS ENDED DECEMBER 31 (DOLLARS IN MILLIONS)

Results of Operations–Adjusted Basis	1998	1997	1996
Operating Revenues			
Directory services revenues	$ 2,264	$ 2,215	$ 2,159
Operating Expenses			
Employee costs	326	215	212
Depreciation and amortization	37	39	34
Other operating expenses	777	886	910
	1,140	1,140	1,156
Operating Income	$ 1,124	$ 1,075	$ 1,003
Income (Loss) From Unconsolidated Businesses	$ 29	$ 23	$ (1)
Adjusted Net Income	$ 684	$ 657	$ 585

OPERATING REVENUES

Operating revenues from our Directory segment improved by $49 million or 2.2% in 1998 and $56 million or 2.6% in 1997 principally as a result of increased pricing for certain directory services in both years. Higher business volumes including revenue from new Internet-based shopping directory and electronic commerce services also contributed to revenue growth in both years, but to a lesser extent.

OPERATING EXPENSES

In 1998, the increase in employee costs and the reduction in other operating expenses were largely due to a change in classification of certain costs from other operating expenses to employee costs. For comparability purposes, similar costs in 1997 and 1996 were approximately $95 million and $94 million, respectively. If prior year amounts had been classified similar to 1998, employee costs would have increased by approximately $16 million or 5.2% in 1998 and by $4 million or 1.3% in 1997. These increases were largely due to salary and wage increases. After adjusting other operating expenses in prior years, these expenses would have declined by approximately $14 million or 1.8 % in 1998 and by $25 million or 3.1% in 1997. Cost reductions in both years were principally due to lower general and administrative costs of service.

INCOME (LOSS) FROM UNCONSOLIDATED BUSINESSES

Higher income from unconsolidated businesses in 1998 and 1997 was due to the recognition of gains on the sale of portions of our ownership interests in certain global directory businesses.

Other Businesses

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

YEARS ENDED DECEMBER 31 (DOLLARS IN MILLIONS)

Results of Operations–Adjusted Basis	1998	1997	1996
Operating Revenues			
Other services revenues	$ 124	$ 278	$ 456
Operating Expenses			
Employee costs	14	58	136
Depreciation and amortization	3	48	103
Other operating expenses	105	210	332
	122	316	571
Operating Income (Loss)	$ 2	$ (38)	$ (115)
Income From Unconsolidated Businesses	$ 86	$ 78	$ 107
Adjusted Net Income	$ 135	$ 48	$ 12

In the second quarter of 1997, we transferred our interests in cable television and telecommunications operations in the United Kingdom to CWC in exchange for an 18.5% ownership interest in CWC. This transaction was accounted for as a nonmonetary exchange of similar productive assets and, as a result no gain or loss was recorded. We now account for our investment in CWC under the equity method. Prior to this transfer, we included the accounts of these operations in our consolidated financial statements. You can find more information about CWC in Note 3 to the consolidated financial statements.

OPERATING RESULTS

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

The improvement in operating income between 1997 and 1996 reflects the effects of the CWC transaction and the sale of our real estate properties business in the second quarter of 1997.

Income from unconsolidated businesses decreased in 1997 primarily as a result of higher equity losses from our international telecommunications investments. These decreases were partially offset by the effect of the change in accounting for CWC under the equity method and improved operating results from our investment in FLAG Ltd. (FLAG). FLAG owns and operates an undersea fiberoptic cable system, providing digital communications links between Europe and Asia.

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.

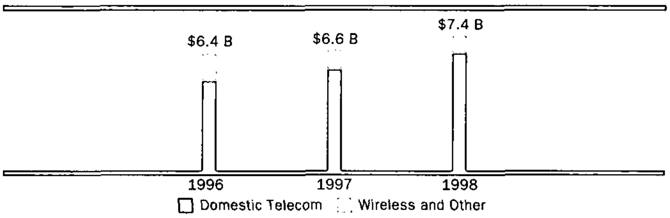
Cash Flows From Operating Activities

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.

Cash Flows Used In Investing Activities

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

Capital Expenditures



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

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

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

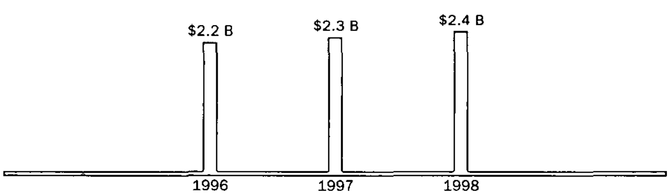
During 1997, we received cash proceeds of $153 million from the TCNZ share repurchase plan, which was completed in December 1997.

Cash Flows Used In Financing Activities

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

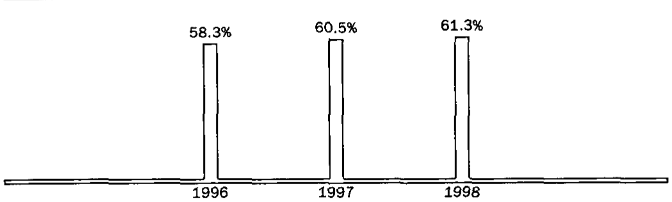
We increased our total debt (including capital lease obligations) by $1,026 million from December 31, 1997 to fund the increase in our Domestic Telecom capital investment program, for higher purchases of shares to fund employee stock option exercises, and for continued investments in PrimeCo and Omnitel.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

Dividends



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

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.

Exchangeable Notes

In 1998, we issued the TCNZ and CWC exchangeable notes as described earlier, and in Note 8 to the consolidated financial statements. These financial instruments expose us to market risk, including foreign exchange rate risk, interest rate risk and equity price risk, which could affect the fair values of the notes and our future earnings.

Market risk that could affect the fair values of the exchangeable notes includes:

- Equity price movements because the notes are exchangeable into shares that are traded on the open market and routinely fluctuate in value.
- Foreign exchange rate movements because the notes are exchangeable into shares that are denominated in a foreign currency. The fair value of the TCNZ exchangeable notes is affected by changes in the U.S. dollar/ New Zealand dollar exchange rate, and the fair value of the CWC exchangeable notes is affected by changes in the U.S. dollar/ British pound exchange rate.
- Interest rate movements because the notes carry fixed interest rates.

Market risk that could affect our future earnings includes:

- Equity price and/or foreign exchange rate movements because these movements may result in our TCNZ shares rising to a level greater than 120% of the share price at the pricing date of the offering. Similar movements may cause the price of our CWC shares to rise to a level greater than 128% of the share price at the pricing date of the offering. If either event should occur, we are required to mark-to-market the applicable exchangeable note liability by the amount of the increase in share price over the exchange price. This mark-to-market transaction would reduce income by the amount of the increase in the exchangeable note liability. If the share price subsequently declines, the liability would be reduced (but not less than its amortized carrying value) and income would be increased. At December 31, 1998, the fair value of neither the underlying TCNZ shares, nor the underlying CWC shares, exceeded the recorded value of the debt liability and, therefore, no mark-to-market adjustments were recorded to our financial statements.
- Interest rate movements will not impact earnings because the exchangeable notes carry a fixed interest rate and there is no requirement to mark-to-market the notes based on changes in interest rates.

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

- At December 31, 1998, the exchange price for the TCNZ shares (expressed as American Depositary Receipts) was $44.93 and the exchange price for the CWC shares (expressed as American Depositary Shares) was $57.47.
- For each $1.00 increase or decrease in value of the TCNZ shares above the exchange price, our earnings would be reduced or increased by approximately $55 million. For each $1.00 increase or decrease in value of the CWC shares above the exchange price, our earnings would be reduced or increased by approximately $56 million.
- Our earnings would not be affected when the TCNZ and CWC share prices are at or below their exchange prices.
- Our cash flows would not be affected by ongoing mark-to-market activity relating to the exchangeable notes.
- If we decide to deliver shares in exchange for the notes, the exchangeable note liability (including any mark-to-market adjustments) will be eliminated and the investment will be reduced by the book value of the related number of shares delivered. Upon settlement, the excess of the liability over the book value of the related shares delivered will be recorded as a gain. We also have the option to settle these liabilities with cash upon exchange.

Interest Rate Risk

The table that follows summarizes the fair values of our long-term debt, interest rate derivatives and exchangeable notes as of December 31, 1998 and 1997. The table also provides a sensitivity analysis of the estimated fair values of these financial instruments assuming 100-basis-point upward and downward parallel shifts in the yield curve. Our sensitivity analysis did not include the fair values of our commercial paper and bank loans because they are not significantly affected by changes in market interest rates.

(DOLLARS IN MILLIONS)

AT DECEMBER 31, 1998	Fair Value	Fair Value assuming +100 basis point shift	Fair Value assuming –100 basis point shift
Long-term debt and interest rate derivatives	$ 14,243	$ 13,414	$ 15,098
Exchangeable notes	5,818	5,618	6,018
Total	$ 20,061	$ 19,032	$ 21,116
AT DECEMBER 31, 1997			
Long-term debt and interest rate derivatives	$ 14,420	$ 13,608	$ 15,209
Exchangeable notes	–	–	–
Total	$ 14,420	$ 13,608	$ 15,209

Foreign Exchange Risk

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

The table that follows summarizes the fair values of our foreign currency derivatives, cost investments, and the exchangeable notes as of December 31, 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			
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

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

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

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

Telecommunications Industry Changes

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

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

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

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

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

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

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

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

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

Recent Developments-FCC

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

ACCESS CHARGES

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

PRICE CAPS

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

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

UNIVERSAL SERVICE

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

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

Competition

INTRALATA TOLL SERVICES

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

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

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

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

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

LOCAL EXCHANGE SERVICES

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

Other Matters

Euro Common Currency

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

Recent Accounting Pronouncements

COSTS OF COMPUTER SOFTWARE

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

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

COSTS OF START-UP ACTIVITIES

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

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

DERIVATIVES AND HEDGING ACTIVITIES

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement requires that all derivatives be measured at fair value and recognized as either assets or liabilities in our balance sheet. Changes in the fair values of the derivative instruments will be recognized in either earnings or comprehensive income, depending on the designated use and effectiveness of the instruments. Bell Atlantic must adopt SFAS No. 133 no later than January 1, 2000. We are currently evaluating the provisions of SFAS No. 133 and have not yet determined what the impact of adopting this statement will be on our future results of operations or financial condition.

Year "2000" Update

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

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

STATE OF READINESS

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

- *NETWORK ELEMENTS*

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

- *APPLICATIONS AND SUPPORT SYSTEMS*

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

- *INFORMATION TECHNOLOGY INFRASTRUCTURE*

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

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

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

THIRD PARTY ISSUES

- *VENDORS*

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

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

- *CUSTOMERS*

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

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

COSTS

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

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

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

RISKS

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

CONTINGENCY PLANS

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

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

Cautionary Statement Concerning Forward-Looking Statements

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

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

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

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

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

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

Significant events affecting our historical earnings trends include the following:

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

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

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

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

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

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN MILLIONS)

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

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 Description of Business and Summary of Significant Accounting Policies

DESCRIPTION OF BUSINESS

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

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

CONSOLIDATION

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

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

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

UNITED KINGDOM OPERATIONS

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

COMMON STOCK SPLIT

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

USE OF ESTIMATES

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

REVENUE RECOGNITION

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

MAINTENANCE AND REPAIRS

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

EARNINGS PER COMMON SHARE

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

CASH AND CASH EQUIVALENTS

We consider all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents, except cash equivalents held as short-term investments. Cash equivalents are stated at cost, which approximates market value.

SHORT-TERM INVESTMENTS

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

INVENTORIES

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

PLANT AND DEPRECIATION

We state plant, property and equipment at cost. Our operating telephone subsidiaries' depreciation expense is principally based on the composite group remaining life method and straight-line composite rates. This method provides for the recognition of the cost of the remaining net investment in telephone plant, less anticipated net salvage value, over the remaining asset lives. This method requires the periodic revision of depreciation rates.

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

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

NOTE 1 CONTINUED

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

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

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

COMPUTER SOFTWARE COSTS

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

CAPITALIZATION OF INTEREST COSTS

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

GOODWILL AND OTHER INTANGIBLES

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

FOREIGN CURRENCY TRANSLATION

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

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

DERIVATIVE INSTRUMENTS

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

FAIR VALUE METHOD

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

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

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

NOTE 1 CONTINUED

ACCRUAL METHOD

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

SALE OF STOCK BY SUBSIDIARY

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

INCOME TAXES

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

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

ADVERTISING COSTS

We expense advertising costs as they are incurred.

STOCK-BASED COMPENSATION

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

CHANGE IN ACCOUNTING PRINCIPLE – DIRECTORY PUBLISHING

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

ADOPTION OF NEW ACCOUNTING STANDARDS

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

RECENT ACCOUNTING PRONOUNCEMENTS

COSTS OF COMPUTER SOFTWARE

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

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

COSTS OF START-UP ACTIVITIES

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

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

DERIVATIVES AND HEDGING ACTIVITIES

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement requires that all derivatives be measured at fair value and recognized as either assets or liabilities in our balance sheet. Changes in the fair values of the derivative instruments will be recognized in either earnings or comprehensive income, depending on the designated use and effectiveness of the instruments. Bell Atlantic must adopt SFAS No. 133 no later than January 1, 2000. We are currently evaluating the provisions of SFAS No. 133 and have not yet determined what the impact of adopting this statement will be on our future results of operations or financial condition.

2 Bell Atlantic - NYNEX Merger

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

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

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

(DOLLARS IN MILLIONS)

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

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

MERGER-RELATED COSTS

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

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

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

OTHER INITIATIVES

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

VIDEO-RELATED CHARGES

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

WRITE-DOWN OF ASSETS AND REAL ESTATE CONSOLIDATION

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

NOTE 2 CONTINUED

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

REGULATORY, TAX AND LEGAL CONTINGENCIES AND OTHER SPECIAL ITEMS

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

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

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

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

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

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

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

(DOLLARS IN MILLIONS)

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

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

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

3 Investments in Unconsolidated Businesses

Our investments in unconsolidated businesses are comprised of the following:

(DOLLARS IN MILLIONS)

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

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

PRIMECO PERSONAL COMMUNICATIONS, L.P.

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

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

CABLE & WIRELESS COMMUNICATIONS plc

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

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

OMNITEL PRONTO ITALIA S.p.A.

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

TELECOM CORPORATION OF NEW ZEALAND LIMITED

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

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

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

FLAG Ltd.

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

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

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

NOTE 3 CONTINUED

OTHER EQUITY INVESTEES

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

SUMMARIZED FINANCIAL INFORMATION

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

(DOLLARS IN MILLIONS)

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

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

COST INVESTEES

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

VIACOM INC.

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

OTHER COST INVESTMENTS

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

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

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

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

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

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

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

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

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

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

PUT OPTIONS

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

5 Plant, Property and Equipment

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

(DOLLARS IN MILLIONS)

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

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

6 Leasing Arrangements

AS LESSOR

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

NOTE 6 CONTINUED

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

(DOLLARS IN MILLIONS)

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

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

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

(DOLLARS IN MILLIONS)

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

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

(DOLLARS IN MILLIONS)

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

AS LESSEE

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

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

(DOLLARS IN MILLIONS)

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

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

(DOLLARS IN MILLIONS)

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

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

7 Commitments and Contingencies

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

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

8 Debt

DEBT MATURING WITHIN ONE YEAR

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

(DOLLARS IN MILLIONS)

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

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

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

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

LONG-TERM DEBT

This table shows our outstanding long-term debt obligations:

(DOLLARS IN MILLIONS)

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

NOTE 8 CONTINUED

TELEPHONE SUBSIDIARIES' DEBT

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

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

EXCHANGEABLE NOTES

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

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

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

SUPPORT AGREEMENTS

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

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

MATURITIES OF LONG-TERM DEBT

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

EARLY EXTINGUISHMENT OF DEBT

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

9 Financial Instruments

DERIVATIVES

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

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

INTEREST RATE RISK MANAGEMENT

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

(DOLLARS IN MILLIONS)

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

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

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

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

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

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

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

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

NOTE 9 CONTINUED

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

CONCENTRATIONS OF CREDIT RISK

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

FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(DOLLARS IN MILLIONS)

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

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

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

10 Minority Interest

(DOLLARS IN MILLIONS)

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

VIACOM TRANSACTIONS

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

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.

13. Earnings Per Share

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

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

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

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

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

14. Stock Incentive Plans

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

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

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

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

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

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

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

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

FIXED STOCK OPTION PLANS

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

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

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

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

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

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

NOTE 14 CONTINUED

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

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

PERFORMANCE-BASED SHARE PLANS

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

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

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

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

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

15 Employee Benefits

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

We maintain noncontributory defined benefit pension plans for substantially all management and associate employees, as well as postretirement healthcare and life insurance plans for our retirees and their dependents. We also sponsor savings plans to provide opportunities for eligible employees to save for retirement on a tax-deferred basis and to encourage employees to acquire and maintain an equity interest in our company.

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

PENSION AND OTHER POSTRETIREMENT BENEFITS

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

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

NOTE 15 CONTINUED

BENEFIT COST

(DOLLARS IN MILLIONS)

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

* See "Retirement Incentives" section for additional information

ASSUMPTIONS

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

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

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

(DOLLARS IN MILLIONS)

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

NOTE 15 CONTINUED

(DOLLARS IN MILLIONS)

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

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

RETIREMENT INCENTIVES

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

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

(DOLLARS IN MILLIONS)

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

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

NOTE 15 CONTINUED

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

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

(DOLLARS IN MILLIONS)

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

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

(DOLLARS IN MILLIONS)

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

SAVINGS PLANS AND EMPLOYEE STOCK OWNERSHIP PLANS

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

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

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

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

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

ESOP cost and trust activity consist of the following:

(DOLLARS IN MILLIONS)

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

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

16 Income Taxes

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

(DOLLARS IN MILLIONS)

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

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

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

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

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

(DOLLARS IN MILLIONS)

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

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

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

17 Segment Information

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

We have four reportable segments, which we operate and manage as strategic business units and we organize by products and services. We measure and evaluate our reportable segments based on adjusted net income, which excludes undistributed corporate expenses and special items arising during each period. Special items are transactions that management has excluded from the business units' results, but 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

OPERATING SEGMENT FINANCIAL INFORMATION

(DOLLARS IN MILLIONS)

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

RECONCILIATION TO CONSOLIDATED FINANCIAL INFORMATION

(DOLLARS IN MILLIONS)

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

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

NOTE 17 CONTINUED

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

(DOLLARS IN MILLIONS)

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

18 Proposed Bell Atlantic – GTE Merger

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

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

19 Additional Financial Information

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

INCOME STATEMENT INFORMATION

(DOLLARS IN MILLIONS)

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

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

BALANCE SHEET INFORMATION

(DOLLARS IN MILLIONS)

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

CASH FLOW INFORMATION

(DOLLARS IN MILLIONS)

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

20 Comprehensive Income

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

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

(DOLLARS IN MILLIONS)

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

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

(DOLLARS IN MILLIONS)

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

21 Quarterly Financial Information (Unaudited)

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

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

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

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

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

Report of Management

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

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

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

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

Ivan Seidenberg

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

Frederic V. Salerno

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

Doreen A. Toben

Doreen A. Toben
Vice President – Controller

Report of Independent Accountants

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, changes in shareowners' investment, and cash flows present fairly, in all material respects, the financial position of Bell Atlantic Corporation and its subsidiaries at December 31, 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. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with 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

BOARD OF DIRECTORS

Lawrence T. Babbio, Jr.
President and Chief Operating Officer
Bell Atlantic Corporation

Richard L. Carrion
Chairman, President and Chief Executive Officer
Popular, Inc.

James G. Cullen
President and Chief Operating Officer
Bell Atlantic Corporation

Lodewijk J.R. de Vink
President and Chief Operating Officer [1]
Warner-Lambert Company

James H. Gilliam, Jr.
Attorney and Consultant
Former Executive Vice President and General Counsel
Beneficial Corporation

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Chairman of the Board
CVS Corporation

Helene L. Kaplan
Of Counsel
Skadden, Arps, Slate, Meagher & Flom

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Former Governor of New Jersey

Elizabeth T. Kennan
President Emeritus
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John F. Maypole
Managing Partner
Peach State Real Estate Holding Company

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ARAMARK Corporation

Thomas H. O'Brien
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PNC Bank Corp.

Eckhard Pfeiffer
President and Chief Executive Officer
Compaq Computer Corporation

Hugh B. Price
President and Chief Executive Officer
National Urban League

Rozanne L. Ridgway
Former Assistant Secretary of State for Europe and Canada

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

Ivan G. Seidenberg
Chairman and Chief Executive Officer
Bell Atlantic Corporation

Walter V. Shipley
Chairman and Chief Executive Officer
The Chase Manhattan Corporation

John R. Stafford
Chairman, President and Chief Executive Officer
American Home Products Corporation

Morrison DeS. Webb
Executive Vice President – External Affairs and Corporate Communications
Bell Atlantic Corporation

Shirley Young
Vice President, China Strategic Development
General Motors Corporation

[1] *Elected Chairman and Chief Executive Officer, effective May 1, 1999*

EXECUTIVE OFFICERS*

Jacquelyn B. Gates
Vice President – Ethics and Corporate Compliance

Alexander H. Good
Executive Vice President – Strategy and Corporate Development

Patrick F.X. Mulhearn
Vice President – Corporate Communications

Donald J. Sacco
Executive Vice President – Human Resources

Thomas J. Tauke
Senior Vice President – Government Relations

Doreen A. Toben
Vice President and Controller

Chester N. Watson
Vice President – Internal Auditing

Ellen C. Wolf
Vice President – Treasurer

James R. Young
Executive Vice President – General Counsel

* *In addition to the five executive officers who also serve on the Board of Directors*

GROUP PRESIDENTS

Frederick D. D'Alessio
Group President– Consumer

Bruce S. Gordon
Group President– Enterprise Business

Paul A. Lacouture
Group President– Network Services

Regina H. Novotny
Group President– General Business

Matthew J. Stover
Group President– Directory

Dennis F. Strigl
Group President– Wireless

SHAREOWNER SERVICES

Questions about stock-related matters including account changes, stock transfers and other requests for assistance with regard to your stock ownership should be directed to our transfer agent, Boston EquiServe:

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

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

Persons using a telecommunications device for the deaf (TDD) may call: 800 829-8259

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

SHAREOWNER NEWS

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

BELL ATLANTIC DIRECT INVEST

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

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

ON-LINE ACCOUNT ACCESS

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

DIVIDEND DIRECT DEPOSIT SERVICE

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

For more information, contact EquiServe.

STOCK MARKET INFORMATION

Shareowners of record at December 31, 1998: 1,102,900

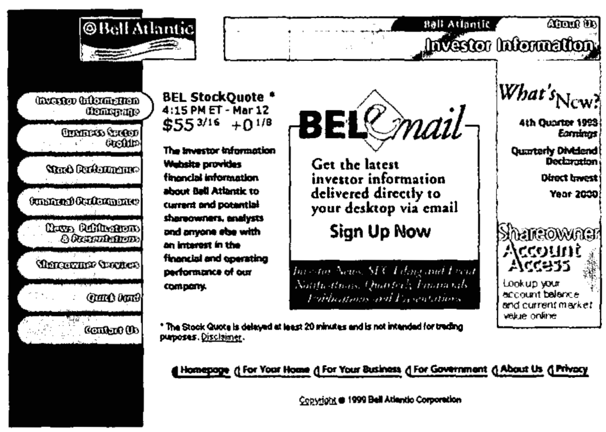
Bell Atlantic is listed on the New York Stock Exchange (ticker symbol: BEL)

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

COMMON STOCK PRICE AND DIVIDEND INFORMATION

	Market Price		Cash Dividend
	High	Low	Declared
1998			
First Quarter	$ 53	$ 42 3/8	$ .385
Second Quarter	51 5/8	44 11/16	.385
Third Quarter	50 7/16	40 7/16	.385
Fourth Quarter	61 3/16	47 3/4	.385
1997			
First Quarter	$ 35 11/16	$ 29 5/8	$ .37
Second Quarter	39 1/8	28 3/8	.37
Third Quarter	40 7/8	34	.385
Fourth Quarter	45 7/8	37 3/8	.385

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



EQUAL OPPORTUNITY POLICY

The Company has over 140,000 employees and maintains a long-standing commitment to equal opportunity and valuing the diversity of its employees, suppliers, and customers. The Company strives to create a working environment free of discrimination with respect to age, color, disability, gender, national origin, race, religion, citizenship status, marital status, sexual orientation, disabled veteran and veteran of the Vietnam era status.

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

Design: Allemann Almquist & Jones, Philadelphia

Bell Atlantic Corporation
1095 Avenue of the Americas
New York, New York 10036
212 395-2121
World Wide Web: www.BellAtlantic.com

Bell Atlantic

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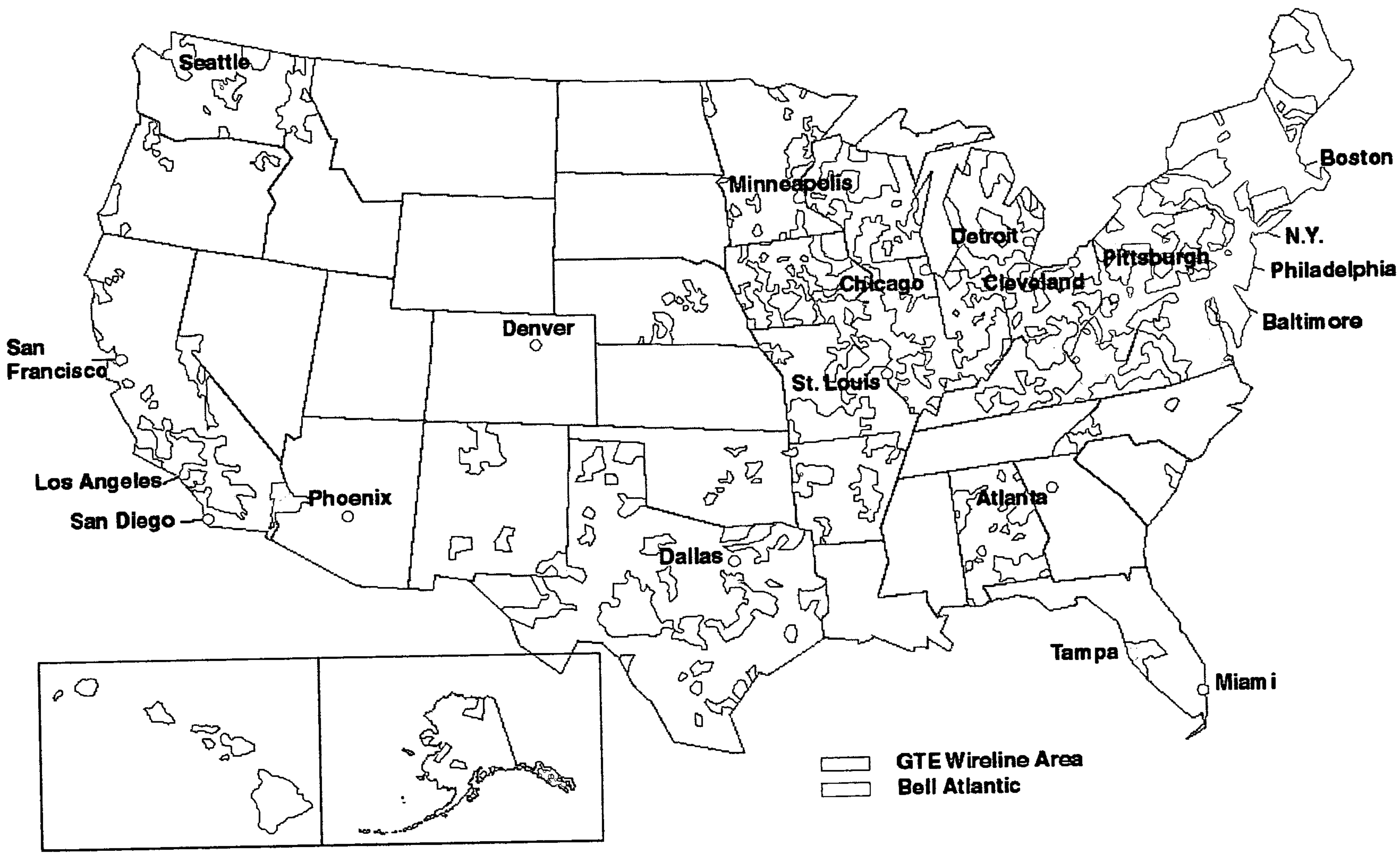
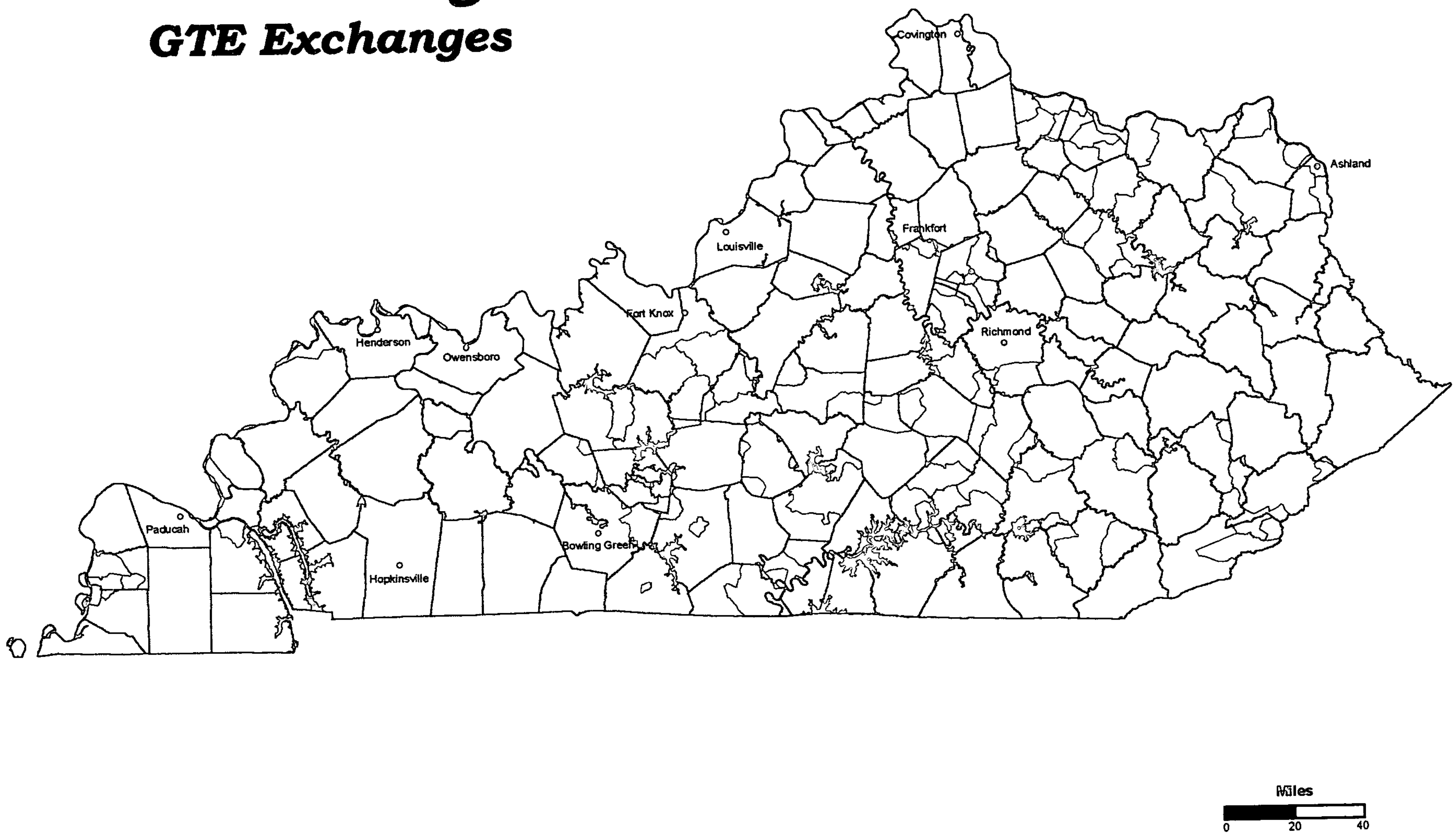
Wireline Operations



Kentucky
GTE Exchanges



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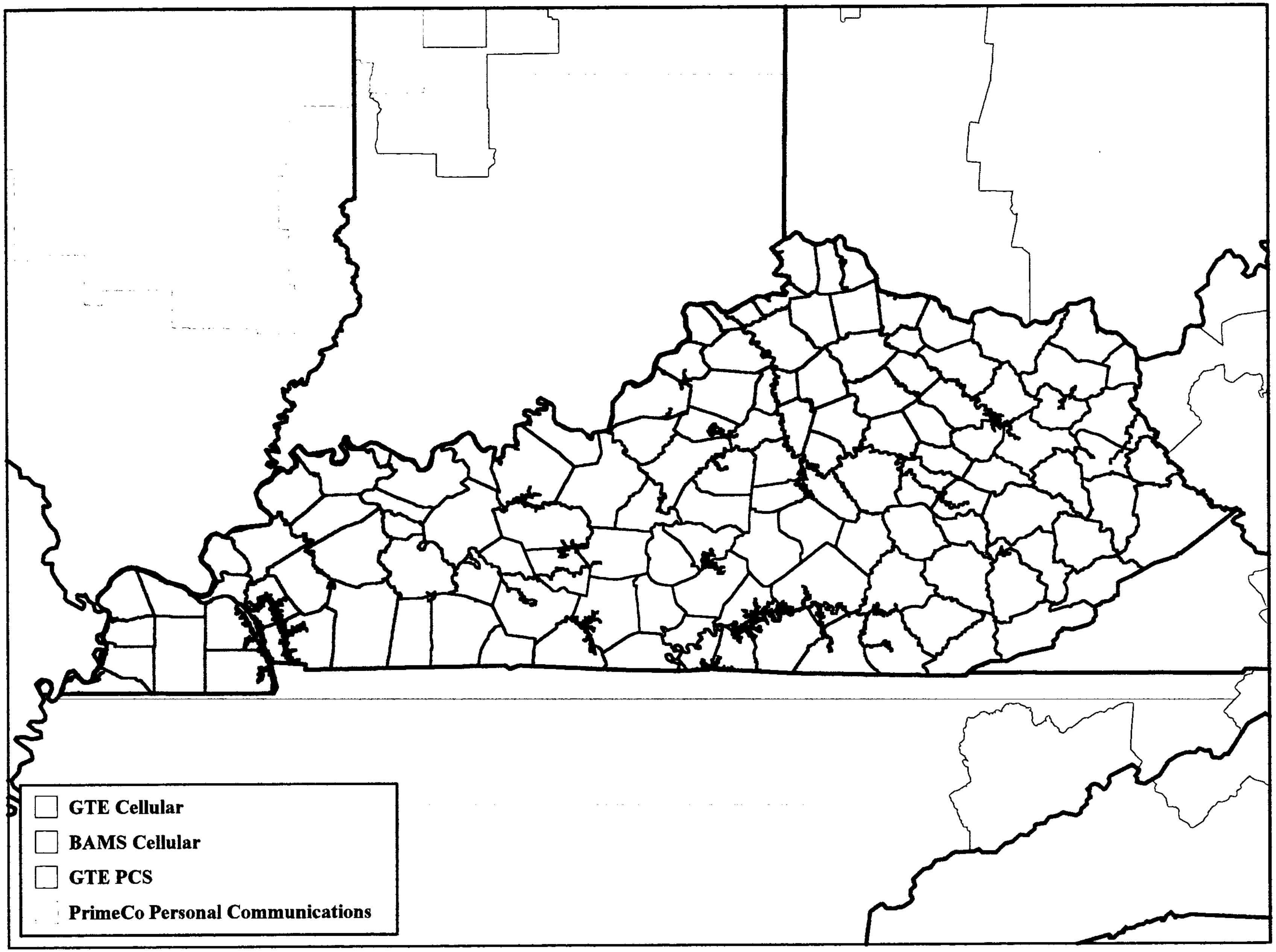
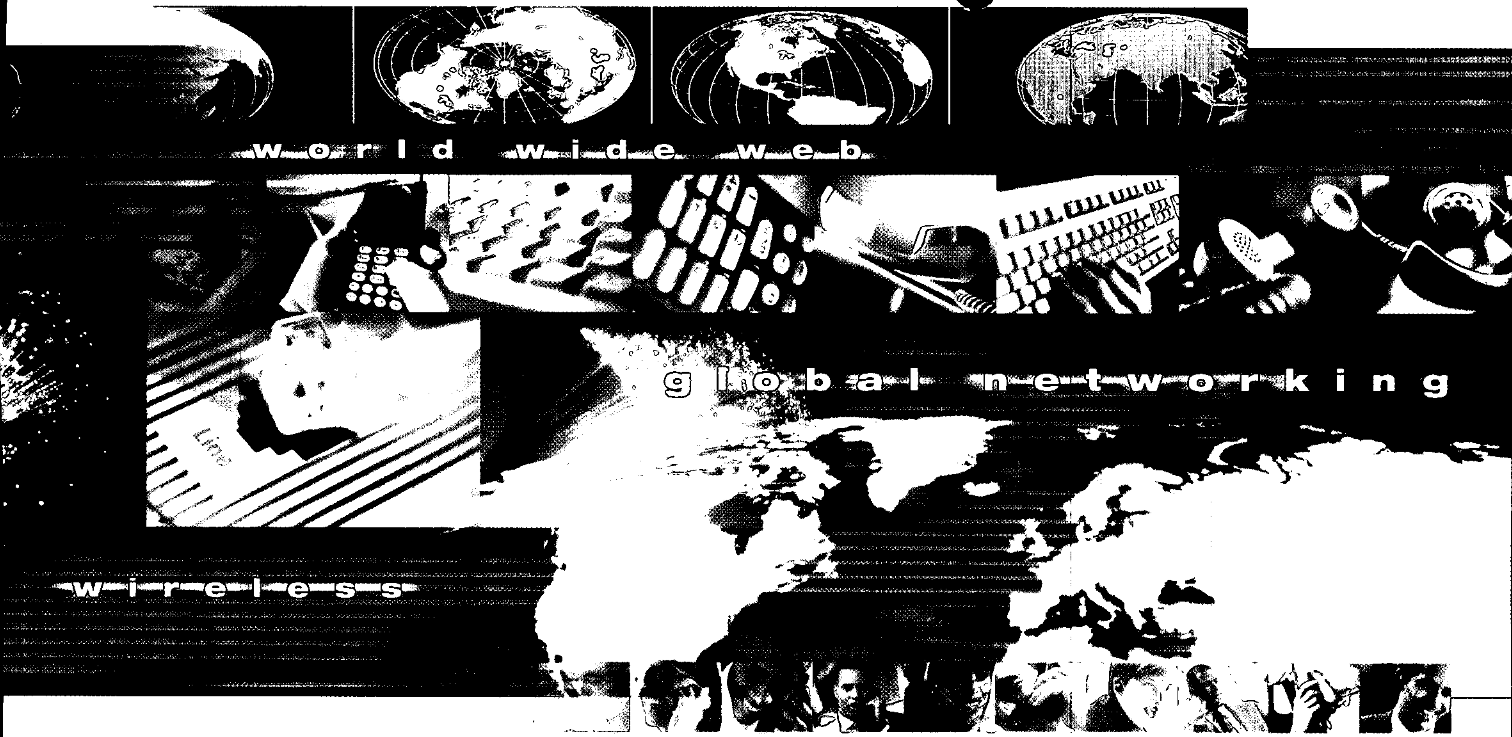
Wireless Operations

Kentucky Wireless Operations





JOINT PROXY STATEMENT
for
1999 ANNUAL MEETINGS OF SHAREHOLDERS
and
PROSPECTUS

Vote NOW

GTE

Bell Atlantic

YOUR VOTE ON OUR PROPOSED MERGER IS VERY IMPORTANT!

To the Shareholders of GTE and Bell Atlantic:

GTE and Bell Atlantic have agreed to combine in a merger of equals. This merger will create a strong competitor in the rapidly changing telecommunications industry. In order to complete the merger, we must obtain the approval of our shareholders. We believe that this merger will benefit the shareholders of both companies and we ask for your support in voting for the merger proposals at our annual meetings.

GTE's and Bell Atlantic's assets, markets, operations and strengths are highly complementary. By combining, we will create a competitive national communications provider with a full product line that can meet changing customer requirements for additional capacity to access the Internet and other data services, greater mobility and national or even global reach. The combined company will be able to grow more quickly and achieve greater success than either of us could on our own.

When the merger is completed, GTE shareholders will receive 1.22 shares of common stock of the combined company for each GTE share they own. We anticipate that approximately 1.3 billion shares will be issued to GTE shareholders in or as a result of the merger, representing approximately 43% of the outstanding shares of the combined company. Bell Atlantic shareholders will own the same number of shares that they now hold and those shares will represent shares of stock of the combined company. Bell Atlantic shares are listed on the New York Stock Exchange under the symbol "BEL".

Information about the merger and the other items to be voted on at your company's annual meeting is contained in this joint proxy statement and prospectus. We urge you to read this material, including the section describing risk factors relating to the merger that begins on page I-15.

The boards of directors of both GTE and Bell Atlantic have approved the merger and recommend that their respective shareholders vote FOR the merger proposal as described in the attached materials.

GTE shareholders will vote at GTE's annual meeting on May 18, 1999, at 10:30 a.m., EDT, at the Crowne Plaza Ravinia, in Atlanta, Georgia. Bell Atlantic shareholders will vote at Bell Atlantic's annual meeting on May 19, 1999, at 10:30 a.m., EDT, at the Crowne Plaza Ravinia, in Atlanta, Georgia.

Your vote is important, regardless of the number of shares you own. **Please vote as soon as possible to make sure that your shares are represented at the meeting. To grant your proxy to vote your shares, you may complete and return the enclosed proxy card or grant your proxy by telephone or the Internet. You may also cast your vote in person at the annual meeting.** If you do not vote, it will have the same effect, in most cases, as voting against the merger.

As a shareholder in the combined company, you will own a stake in the future of telecommunications and the exciting growth opportunities it presents. We thank you for your support and interest.

Very truly yours,

Charles R. Lee
Chairman and Chief Executive Officer

GTE CORPORATION

Ivan Seidenberg
Chairman and Chief Executive Officer

BELL ATLANTIC CORPORATION

Neither the Securities and Exchange Commission nor any state securities commission has approved the common stock to be issued under this prospectus or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

This joint proxy statement and prospectus is dated April 13, 1999, and is first being mailed to shareholders on or about April 14, 1999.

1255 CORPORATE DRIVE, IRVING, TEXAS 75038

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

MAY 18, 1999

Irving, Texas
April 13, 1999

The 1999 GTE annual meeting is being held at the Crowne Plaza Ravinia, 4355 Ashford-Dunwoody Road, Atlanta, Georgia, on May 18, 1999, at 10:30 a.m., EDT:

1. to elect four Class I directors to the Board of Directors;
2. to consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of July 27, 1998, among GTE Corporation, Bell Atlantic Corporation and a wholly-owned subsidiary of Bell Atlantic that was created to complete the merger, and to approve the merger and other transactions described in the merger agreement;
3. to ratify the appointment of auditors;
4. to consider and act upon the shareholder proposal which seeks to establish a policy of reporting on GTE's foreign military sales;
5. to consider and act upon the shareholder proposal which seeks to require shareholder approval of bonuses to executive officers and limit bonuses to 10% of the annual salaries of the executive officers; and
6. to act upon any other matters properly coming before the annual meeting and any adjournment or postponement of the meeting.

Only shareholders of record at the close of business on March 29, 1999 will be entitled to vote at the annual meeting. To grant your proxy to vote your shares, you may complete and return the enclosed proxy card or grant your proxy by telephone or the Internet. You may also cast your vote in person at the annual meeting. Please vote promptly whether or not you expect to attend the annual meeting.

You will need a ticket if you plan to attend the annual meeting. If your shares are registered in your name and not in the name of a bank, broker or other third party, you will receive a ticket attached to your proxy card. Please detach and save the ticket. You will need to present it in order to be admitted to the annual meeting.

If your shares are not registered in your own name, please advise the bank, broker or other institution that holds your shares that you plan to attend the annual meeting. That firm must provide you with documentation showing that you owned your GTE shares as of the record date, March 29, 1999. This documentation may be either a copy of an account statement that shows you owned GTE common stock on the record date or a letter from the firm that confirms you owned GTE common stock on that date. Please bring that documentation to the annual meeting in order to receive an admission ticket.

By order of the Board of Directors,
MARIANNE DROST
Secretary

PLEASE VOTE YOUR SHARES PROMPTLY. YOU CAN FIND INSTRUCTIONS FOR VOTING ON THE ENCLOSED PROXY CARD.

Bell Atlantic

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Date: May 19, 1999
Time: 10:30 a.m., EDT
Place: Crowne Plaza Ravinia
4355 Ashford-Dunwoody Road
Atlanta, Georgia

April 13, 1999

The purposes of the Bell Atlantic annual meeting are:

1. To elect directors;

2. To vote upon a proposal to approve the issuance of Bell Atlantic shares under an Agreement and Plan of Merger, dated as of July 27, 1998, with GTE Corporation, and related transactions, including the amendment and restatement of Bell Atlantic's certificate of incorporation;

3. To ratify the appointment of independent accountants;

4. To vote upon an amendment to the Bell Atlantic Incentive Stock Option Plan; and

5. To act upon such other matters, including five shareholder proposals, as may properly come before the meeting.

By Order of the Board of Directors,
P. ALAN BULLINER
Associate General Counsel
and Corporate Secretary

Admittance to the Bell Atlantic annual meeting will be limited to shareholders eligible to vote and authorized representatives. An admission ticket is attached to the proxy card for this purpose. Beneficial owners holding shares through an intermediary, such as a bank or broker, will be admitted upon proof of ownership.

The Crowne Plaza Ravinia is accessible to all shareholders. A sign language interpreter will be provided if requested; requests should be directed to the Corporate Secretary, Bell Atlantic Corporation, 1095 Avenue of the Americas, 38th Floor, New York, NY 10036, and received no later than May 3, 1999.

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INTRODUCTION

CHAPTER I—THE MERGER

INTRODUCTION

This joint proxy statement and prospectus is being mailed to shareholders of GTE Corporation and Bell Atlantic Corporation in connection with each company's annual meeting of shareholders. The document is organized into five chapters.

Chapter I—''The Merger'' provides summary and detailed information about GTE's and Bell Atlantic's proposed merger of equals on which the shareholders of each company will vote at their annual meetings.

Chapter II—''Information About the Annual Meetings and Voting'' provides information about GTE's and Bell Atlantic's annual meetings, how shareholders may vote or grant a proxy and the vote required to adopt each proposal.

Chapter III—''Other GTE Annual Meeting Proposals'' provides information about the other matters that GTE shareholders will vote on at the GTE annual meeting, including election of directors, ratification of auditors and two shareholder proposals. Bell Atlantic shareholders will not vote on these matters.

Chapter IV—''Other Bell Atlantic Annual Meeting Proposals'' provides information about the other matters that Bell Atlantic's shareholders will vote on at the Bell Atlantic annual meeting, including election of directors, ratification of independent accountants, amending the Bell Atlantic Incentive Stock Option Plan and five shareholder proposals. GTE shareholders will not vote on these matters.

Chapter V—''Where You Can Find More Information'' explains where shareholders of GTE and Bell Atlantic can find more information about each of the companies.

You should read this joint proxy statement and prospectus carefully before you vote your shares.

CHAPTER I—THE MERGER

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q. Why are the companies proposing the merger?

A. The telecommunications industry continues to change dramatically as a result of developments in technology, regulation, consumer needs and the range of product offerings made possible by these changes. In this new environment, a select group of national and international companies that offer a full range of local and long distance, voice and data services will be the most effective competitors in the telecommunications industry. We believe our proposed merger will create a powerful competitor in this dynamic, emerging market. When the merger is completed, you will have a stake in a company that will be one of America's most competitive communications providers—one of the largest local exchange carriers and wireless providers, as well as an extremely well-positioned long distance provider.

Q. What will a shareholder receive when the merger occurs?

A. ***GTE Shareholders***

A GTE shareholder will receive 1.22 shares of combined company common stock in exchange for each share of GTE common stock owned. He or she will receive cash instead of any resulting fraction of a share, in an amount reflecting the market value of the fraction of a share. However, if a GTE shareholder participates in the GTE Shareholder Systematic Investment Plan and is entitled to receive a fraction of a share, that fraction of a share will be credited to his or her plan account.

Example: If a GTE shareholder currently owns 10 shares of GTE common stock, after the merger he or she will be entitled to receive 12 shares of combined company common stock and a check for the market value of two-tenths of a share.

Bell Atlantic Shareholders

After the merger, a Bell Atlantic shareholder will continue to hold the shares he or she now owns. Those shares will represent the same number of shares in the combined company. However, they will represent a smaller proportion of the outstanding shares of the combined company.

Q. What will the dividend be on the combined company common stock?

A. Bell Atlantic currently pays dividends at a rate of $1.54 per share each year, and GTE currently pays dividends at a rate of $1.88 per share each year. The combined company board of directors will determine the dividend policy following the merger. We expect that the initial annualized dividend rate will be at least $1.54 per share. Given the exchange ratio of 1.22 shares of combined company common stock for each share of GTE common stock, the combined company's dividend is expected to be nearly identical to the dividend that GTE shareholders now receive.

Q. What are the federal income tax consequences of the merger?

A. In general, GTE shareholders will not be required to pay any federal income tax as a result of the merger, except for taxes on cash they receive instead of fractions of a share. The merger will be tax-free to GTE, Bell Atlantic and Bell Atlantic shareholders for federal income tax purposes.

Q. Do shareholders have appraisal rights?

A. No. Under applicable law, neither GTE shareholders nor Bell Atlantic shareholders have the right to receive an appraisal of the value of their shares in connection with the merger.

Q. What do I need to do now?

A. **Please vote your shares as soon as possible so that your shares will be represented at the annual meeting.** You may grant your proxy by signing your proxy card and mailing it in the enclosed return envelope, by telephone or by the Internet, or you may vote in person at the shareholder meeting.

Q. Should I send in my stock certificates now?

A. No. Soon after the merger is completed, we will mail GTE shareholders written instructions explaining how to exchange their GTE certificates. Bell Atlantic shareholders will not be required to exchange their stock certificates.

Q. Whom should I call if I have questions?

A. ***GTE shareholders*** who have questions about the merger or the GTE merger proposal may call (800) 859-8509.

Bell Atlantic shareholders who have questions about the merger or the Bell Atlantic merger proposal may call (800) 645-2380.

MERGER INFORMATION SUMMARY

This section summarizes selected information about the merger from this joint proxy statement and prospectus. To understand the merger fully, we strongly encourage you to read carefully this entire joint proxy statement and prospectus and the documents which we have filed with the Securities and Exchange Commission. We have included a copy of the merger agreement in this joint proxy statement and prospectus as Appendix A. For information on how to obtain the documents that we have filed with the Securities and Exchange Commission, see ''Where You Can Find More Information'' in Chapter V.

Throughout this joint proxy statement and prospectus when we refer to the ''merger,'' we mean the merger of a wholly-owned subsidiary of Bell Atlantic Corporation with and into GTE Corporation as described in the merger agreement. When we refer to the ''combined company,'' we mean the company in which you will own shares following the combination of GTE and Bell Atlantic.

The Companies
(See Page I-18)

GTE Corporation
1255 Corporate Drive
Irving, Texas 75038
(972) 507-5000

GTE is a leading telecommunications provider with one of the industry's broadest arrays of products and services. It is one of the world's largest telecommunications companies, with 1998 revenues of more than $25 billion. GTE's domestic and international operations serve approximately 30 million telephone access lines through subsidiaries in the United States, Canada and the Dominican Republic, and an affiliate in Venezuela. GTE is a leading wireless operator in the United States, with more than 4.8 million wireless customers and the opportunity to serve 61.4 million potential wireless customers. When we refer to ''potential wireless customers'' in this joint proxy statement and prospectus, we mean the number of people living in the relevant area served by our wireless operations, adjusted to reflect our ownership interests in those wireless operations.

On April 5, 1999, GTE announced an agreement to buy cellular properties from Ameritech Corporation for $3.27 billion. The properties, located in Chicago, St. Louis and central Illinois, currently serve approximately 1.7 million subscribers. GTE will have a 93% equity interest in these properties and Georgetown Partners, a private investment firm, will hold the remaining 7%. These properties will provide GTE with more than 11 million additional potential wireless customers. Under the terms of the definitive agreement, GTE expects to finalize the acquisition when Ameritech and SBC Corporation complete their merger later in 1999.

Outside the United States, GTE operates wireless networks serving approximately 2.8 million customers with 23.4 million potential wireless customers through subsidiaries in Canada, the Dominican Republic and Argentina, and affiliates in Venezuela and Taiwan. GTE also participates in a venture which operates a paging network in China.

GTE provides data services, including dial-up Internet access for residential and small business consumers, and Web-based applications for Fortune 500 companies. GTE is also a leader in government and defense communications systems and equipment, directories and telecommunications-based information services and systems.

For additional information about GTE and its business, see ''The Companies—GTE Corporation'' in this Chapter I and ''Where You Can Find More Information'' in Chapter V.

Bell Atlantic Corporation
1095 Avenue of the Americas
New York, New York 10036
(212) 395-2121

Bell Atlantic, with 1998 revenues of more than $31 billion, is at the forefront of the new communications and information industry. With more than 42 million telephone access lines, 7.9 million wireless customers and the opportunity to serve 180 million potential wireless customers worldwide, Bell Atlantic companies are premier providers of advanced wireline voice and data services, market leaders in wireless services and the world's largest publishers of directory information. Bell Atlantic companies are also among the world's largest investors in high-growth global communications markets, with operations and investments in 23 countries.

For additional information about Bell Atlantic and its business, see "The Companies—Bell Atlantic Corporation" in this Chapter I and "Where You Can Find More Information" in Chapter V.

Vote Required to Approve the Merger
(See Pages II-2 and II-6)

GTE Shareholders

GTE shareholders will vote on a proposal to adopt the merger agreement and approve the merger and other transactions described in the merger agreement. We refer to this proposal as the "GTE merger proposal." Approval of the GTE merger proposal requires the affirmative vote of at least two-thirds of the shares of GTE common stock that are outstanding and entitled to vote at the GTE annual meeting. GTE directors and executive officers as a group own less than one-half of 1% of the outstanding shares. **In most cases, if a GTE shareholder does not vote at the GTE annual meeting, either in person or by proxy, it will have the same effect as a vote against the GTE merger proposal.**

Bell Atlantic Shareholders

Bell Atlantic shareholders will vote on a proposal to approve the issuance of shares of Bell Atlantic common stock in the merger and related transactions, including the amendment and restatement of Bell Atlantic's certificate of incorporation. We refer to this proposal as the "Bell Atlantic merger proposal." Approval of the Bell Atlantic merger proposal requires the affirmative vote of a majority of the outstanding shares of Bell Atlantic common stock entitled to vote at the Bell Atlantic annual meeting. Bell Atlantic directors and executive officers as a group own less than 1% of the outstanding shares. **In most cases, if a Bell Atlantic shareholder does not vote at the Bell Atlantic annual meeting, either in person or by proxy, it will have the same effect as a vote against the Bell Atlantic merger proposal.**

The Merger
(See Page I-19)

The merger agreement provides for the combination of GTE and Bell Atlantic in a merger of equals. As a result of the merger, each share of GTE common stock will be converted into the right to receive 1.22 shares of combined company common stock. We refer to this ratio as the "exchange ratio." GTE will merge with a subsidiary of Bell Atlantic and become a subsidiary of the combined company. We suggest that you read the merger agreement carefully because it is the legal document that governs the merger.

We are working diligently to complete the merger by the end of 1999. However, we must obtain the approval of a variety of state and federal regulatory agencies and, accordingly, the merger may close in the first half of 2000.

Our Reasons for the Merger
(See Page I-23)

We believe that combining our resources will enable us to be a stronger competitor in the rapidly consolidating telecommunications industry. This combination will create significant opportunities to enhance shareholder value. We believe the merger will:

- provide us with the scale and scope to compete as one of the industry's top-tier companies, forming America's largest local exchange carrier and one of the world's premier wireless communications companies;
- bring together a complementary blend of assets and capabilities and enhance our presence in growth markets, including high-speed data, Internet access and long distance; and
- generate significant revenue, expense and capital synergies. When we use the term "synergies," we mean the revenue increases and the reductions in expenses and capital spending that we expect to achieve as a result of the merger.

Our Recommendations to Shareholders
(See Pages I-25 and I-27)

To GTE Shareholders

The GTE Board of Directors believes that the GTE merger proposal is in your best interest and unanimously recommends that you vote FOR the GTE merger proposal.

To Bell Atlantic Shareholders

The Bell Atlantic Board of Directors believes that the Bell Atlantic merger proposal is in your best interest and unanimously recommends that you vote FOR the Bell Atlantic merger proposal.

Opinions of Financial Advisors
(See Pages I-29 and I-45)

In deciding to approve the merger, each of our boards of directors considered opinions from our respective financial advisors.

GTE received separate opinions from each of its financial advisors, Goldman, Sachs & Co. and Salomon Smith Barney, to the effect that, as of the date of such opinions, the exchange ratio was fair to holders of GTE common stock from a financial point of view. We have included these opinions in this joint proxy statement and prospectus as Appendices F and G. **GTE urges its shareholders to read the opinions of Goldman Sachs and Salomon Smith Barney in their entirety.**

Bell Atlantic received separate opinions from each of its financial advisors, Bear, Stearns & Co. Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, to the effect that, as of the date of such opinions, the exchange ratio was fair from a financial point of view to Bell Atlantic and, accordingly, to the holders (other than GTE and its affiliates) of Bell Atlantic common stock. We have included these opinions in this joint proxy statement and prospectus as Appendices H and I. **Bell Atlantic urges its shareholders to read the opinions of Bear Stearns and Merrill Lynch in their entirety.**

Ownership of the Combined Company Following the Merger
(See Page I-90)

We anticipate that the combined company will issue approximately 1.3 billion shares of common stock to GTE shareholders in or as a result of the merger. We estimate that these shares will represent approximately 43% of the outstanding common stock of the combined company. The aggregate market value of these shares is approximately $71 billion, based upon the closing price of Bell Atlantic common stock on April 9, 1999.

Board of Directors and Management Following the Merger
(See Page I-89)

We have agreed that, initially, half of the directors of the combined company will be selected by Bell Atlantic and half will be selected by GTE. The combined company bylaws will contain provisions maintaining equal membership until July 1, 2002.

When the merger is completed, Charles R. Lee, the Chairman and Chief Executive Officer of GTE, and Ivan G. Seidenberg, the Chairman and Chief Executive Officer of Bell Atlantic, will share responsibility for the management of the combined company. Mr. Lee will serve as Chairman and Co-Chief Executive Officer and Mr. Seidenberg will serve as President and Co-Chief Executive Officer. Both Mr. Lee and Mr. Seidenberg will be members of the combined company board of directors.

On June 30, 2002, Mr. Seidenberg will become the sole Chief Executive Officer and Mr. Lee will retire. Mr. Lee will continue as Chairman until June 30, 2004, when he will be succeeded by Mr. Seidenberg.

Additional Compensation for Executive Officers as a Result of the Merger
(See Page I-68)

A number of executive officers of GTE and Bell Atlantic, including some executive officers who are also directors, are entitled to benefits as a result of the merger. These benefits are payable under employment agreements, retention incentives or their company's employee benefit plans. Each of these executive officers will receive significant compensation if the merger is completed. In addition, Mr. Lee and Mr. Seidenberg have each entered into employment agreements in connection with the merger. Because these executive officers will be entitled to financial benefits if the merger is completed, their interests in the merger may be different from yours.

The total value of additional compensation which will be received by GTE executive officers as a result of the merger is currently estimated to be approximately $31.2 million. GTE officers will also receive other compensation earlier than it was originally scheduled to be paid when GTE shareholders approve the GTE merger proposal. Any GTE executive officer whose employment is terminated following completion of the merger could receive a substantial severance payment.

The total value of additional compensation which will be received by Bell Atlantic executive officers as a result of completion of the merger is currently estimated to be approximately $16.7 million. In addition, any Bell Atlantic executive officer whose employment is terminated following completion of the merger could receive a substantial termination payment.

Conditions to the Merger
(See Page I-80)

Completion of the merger requires:

- approval of the GTE merger proposal by GTE shareholders;
- approval of the Bell Atlantic merger proposal by Bell Atlantic shareholders;
- absence of any law or injunction preventing the merger or causing a Material Adverse Effect on either company or the combined company;
- approvals from government regulators without requirements which have a Material Adverse Effect on either of us or the combined company;
- receipt of letters from each of our independent accountants stating that the merger will qualify for "pooling of interests" accounting treatment, unless steps we take to resolve conflicts created by overlaps of our wireless operations would prevent such treatment;
- receipt of legal opinions from counsel stating that the merger will qualify as a tax-free reorganization; and
- absence of events which have or are reasonably likely to have a Material Adverse Effect on either company.

Other than the conditions pertaining to shareholder approvals and the legality of the transaction, either of us could elect to waive conditions to our own performance and complete the merger. However, we will not waive the receipt of the tax opinions from counsel. If we waive any other condition, we may be required to request new shareholder approvals.

When we refer to "Material Adverse Effect," we mean any effect on the business that is materially adverse to the business, operations, properties, condition, assets, liabilities or regulatory status of the company. The term, however, does not include changes that are generally applicable in the telecommunications industry, or the United States economy or securities markets, if the effect on GTE or Bell Atlantic is not materially disproportionate relative to the effect on the other.

Restrictions on Alternative Transactions
(See Page I-83)

The merger agreement generally limits the ability of each of our boards of directors to solicit or participate in discussions with any third party about transactions alternative to the merger. In addition, the merger agreement requires each company to seek the shareholder approvals required to complete the merger even if its board of directors were to change its recommendation of the merger.

Termination of the Merger Agreement
(See Page I-85)

We may agree to terminate the merger agreement at any time. In addition, either company may terminate the merger agreement if specified events do or do not occur. These include:

- if the merger is not completed by July 26, 1999. This deadline will be extended to March 31, 2000, and may be extended to June 30, 2000, if the completion of the merger is delayed only because one or more expected governmental approvals have not yet been received;

- if a court or government regulator permanently prohibits the merger;
- if the other company does not comply in any material respect with any of its representations, warranties or obligations under the merger agreement;
- if a condition to a company's obligation to consummate the merger cannot be satisfied;
- if the board of directors of the other company withdraws or adversely changes its approval or recommendation in favor of the merger, or if that board of directors recommends an alternative transaction with a third party; or
- if the required shareholder approvals are not obtained.

Termination Fees
(See Page I-86)

The merger agreement requires Bell Atlantic or GTE to pay to the other a termination fee of $1.8 billion if the merger agreement terminates and specified events occur. For example, this fee is payable by a company if:

- it materially breaches specified significant obligations;
- its board of directors withdraws its approval of this transaction; or
- (1) it receives an offer to enter into an alternative transaction with a third party, (2) the merger agreement is terminated because its shareholders do not approve the GTE merger proposal or the Bell Atlantic merger proposal, as applicable, and (3) within 12 months after the termination of the merger agreement, it agrees to enter into an alternative transaction with a third party.

Reciprocal Stock Option Agreements Between the Companies
(See Page I-87)

We have entered into reciprocal stock option agreements. GTE has an option to purchase from Bell Atlantic up to 10% of the outstanding shares of Bell Atlantic common stock at a price of $45.00 per share. Bell Atlantic has an option to purchase from GTE up to 10% of the outstanding shares of GTE common stock at a price of $55.75 per share. Each company may exercise its stock option agreement if the other company completes an alternative transaction before the stock option agreement is terminated. The exercise prices are equal to the respective closing prices of shares of GTE common stock and Bell Atlantic common stock, as reported on the New York Stock Exchange Composite Transactions Tape on the date the merger agreement and the stock option agreements were signed. These agreements limit the total amount of profit either company may receive from payment of the termination fee and from exercise of rights under the stock option agreements to $2.2 billion. We have included copies of the stock option agreements in this joint proxy statement and prospectus as Appendix B and Appendix C.

The stock option agreements reflect our mutual commitment to complete the merger and would provide compensation in the event one of us enters into an alternative transaction. These agreements could also make it more difficult or expensive for either of us to enter into an alternative transaction.

Regulatory Approvals
(See Page I-54)

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, we cannot complete the merger until we have furnished certain information and materials to the Antitrust Division of the Department of Justice and the Federal Trade Commission and a required waiting period has ended. In December 1998, we substantially complied with a request by the Department of Justice for additional information, and in January 1999, the waiting period ended. The Department of Justice is continuing to evaluate the merger.

As with any merger in the United States, the Department of Justice has the authority to challenge the merger on antitrust grounds before or after the merger is completed. Some of the states where we provide telephone service may also seek to review the merger under state antitrust law.

We have jointly filed applications with the Federal Communications Commission for approval to transfer control of specified licenses and authorizations. Approval depends on the Federal

Communications Commission's evaluation as to whether Bell Atlantic is qualified to control the licenses and authorizations and whether the transfer is consistent with the public interest, convenience and necessity. We strongly believe that the merger complies with this standard.

The Telecommunications Act of 1996 currently limits Bell Atlantic's ability to provide long distance services originating in its telephone company jurisdictions. GTE, which is not subject to the long distance provisions of the Telecommunications Act of 1996, currently provides long distance services throughout the United States, including long distance services that originate in Bell Atlantic's telephone company jurisdictions. Upon completion of the merger, GTE will be considered an affiliate of Bell Atlantic. Accordingly, we cannot complete the merger until we receive the appropriate Federal Communications Commission approvals or waivers, unless we are able to design a satisfactory interim structure consistent with Federal Communications Commission requirements or obtain other relief. We cannot be certain whether the Federal Communications Commission will grant any approval or waiver.

We have made joint regulatory filings seeking approval from state public utilities commissions, primarily in those states where GTE provides local telephone service. The commissions will generally consider whether the merger will be in the public interest and may look at the impact of the merger on competition and on the customers and employees of the local telephone companies. We have also made informational filings with the public utilities commissions in all other states.

In addition, we have successfully completed the appropriate regulatory processes in Poland and Canada. In March 1999 we made a filing with the Federal Competition Commission in Mexico, and we expect that it will approve the merger. We believe that no other international approvals are required.

It is possible that some of these governmental authorities may impose conditions for granting approval. We cannot be certain that we will obtain required regulatory approvals, or obtain them within the time frame contemplated in the merger agreement. A delay in obtaining the required regulatory approvals will delay the completion of the merger. We cannot complete the merger until we receive the appropriate approvals or waivers, unless we are able to design a satisfactory interim structure consistent with the applicable requirements or obtain other relief.

Expected Accounting Treatment
(See Page I-52)

We expect the merger to qualify for pooling of interests accounting treatment. This means that, for accounting and financial reporting purposes, we will treat our companies as if they had always been combined.

GTE Shareholder Lawsuits Challenging the Merger
(See Page I-58)

Plaintiffs have filed fourteen lawsuits in New York state court on behalf of GTE shareholders. The lawsuits have been consolidated into a single class action which alleges that GTE and the GTE Board of Directors breached their fiduciary duties to GTE shareholders in approving the merger, and that GTE shareholders will not receive adequate compensation for their shares of GTE common stock pursuant to the merger agreement. Plaintiffs seek to enjoin or rescind the merger, or to recover compensatory damages if the merger is closed and not rescinded. The consolidated complaint names Bell Atlantic as a defendant and alleges that Bell Atlantic aided and abetted the alleged breaches of fiduciary duties by GTE and the GTE Board of Directors. We have filed a motion to dismiss the complaint based on our position that the complaint does not state a legal claim and GTE's position that the actions taken by GTE's Board of Directors in connection with the merger did not breach any fiduciary duty owed to GTE's shareholders. We intend to defend the lawsuit vigorously.

Comparative Per Share Market Price Information
(See Page I-59)

GTE common stock is listed on the New York Stock Exchange under the symbol "GTE". Bell Atlantic common stock is listed on the New York

Stock Exchange under the symbol "BEL". On July 27, 1998, the last full trading day on the New York Stock Exchange before the public announcement of the proposed merger, the closing price of GTE common stock was $55.75 per share and the closing price of Bell Atlantic common stock was $45.00 per share. Based on the exchange ratio, the pro forma equivalent per share value of GTE common stock on July 27, 1998 was equal to approximately $54.90 per share.

On April 9, 1999, the closing price of GTE common stock was $64.31 per share and the closing price of Bell Atlantic common stock was $55.88 per share. All prices are as reported on the New York Stock Exchange Composite Transactions Tape.

Listing of Common Stock on the New York Stock Exchange
(See Page I-98)

We have agreed that the combined company common stock will be listed on the New York Stock Exchange.

Amendments to Certificate of Incorporation and Bylaws to Increase Authorized Capital Stock and Provide for Governance Arrangements
(See Page I-90)

As part of the merger agreement, Bell Atlantic agreed to amend and restate the Bell Atlantic certificate of incorporation and bylaws to, among other things:

- increase its authorized capital stock; and
- provide for the governance arrangements concerning composition of the board of directors and management succession as discussed under "Directors and Management Following the Merger" in this Chapter I.

The amended Bell Atlantic certificate of incorporation and the amended Bell Atlantic bylaws will be the combined company certificate of incorporation and bylaws, respectively. We have included the form of the proposed changes in this joint proxy statement and prospectus as Appendices D and E.

A Bell Atlantic shareholder who votes in favor of the Bell Atlantic merger proposal is also voting to approve the proposed changes to the Bell Atlantic certificate of incorporation increasing the number of authorized shares. Bell Atlantic currently does not have enough unissued shares to complete the merger. The Bell Atlantic Board of Directors has adopted the proposed changes to the Bell Atlantic bylaws, subject to completion of the merger. The changes to the Bell Atlantic certificate of incorporation and bylaws will not be effective unless the merger is completed.

Summary of Selected Historical and Unaudited Pro Forma Combined Condensed Financial Information

We are providing the following selected historical financial information to aid you in your analysis of the financial aspects of the merger. This information is only a summary and you should read it in conjunction with GTE's and Bell Atlantic's historical financial statements (and related notes) contained in the reports that have been filed with the Securities and Exchange Commission. See "Where You Can Find More Information" in Chapter V.

GTE's financial information was derived from audited financial statements.

Bell Atlantic's financial information reflects the restatement of its historical results for the merger of Bell Atlantic and NYNEX completed on August 14, 1997, which was accounted for as a pooling of interests. Bell Atlantic's financial information was derived from audited income statements for the years ended December 31, 1995, 1996, 1997 and 1998 and audited balance sheets at December 31, 1996, 1997 and 1998. All other Bell Atlantic financial information was derived from unaudited financial statements.

GTE—Selected Historical Financial Information

	At or for the Years Ended December 31,				
	1998	1997	1996	1995	1994
	(Dollars in Millions, Except for Per Share Amounts)				
Operating revenues	$25,473	$23,260	$21,339	$19,957	$19,528
Income from continuing operations	2,492	2,794	2,798	2,538	2,441
Income from continuing operations per common share					
—Basic	2.59	2.92	2.89	2.62	2.55
—Diluted	2.57	2.90	2.88	2.61	2.54
Cash dividends declared per common share	1.88	1.88	1.88	1.88	1.88
Book value per common share	9.06	8.39	7.62	7.05	10.85
Total assets	43,615	42,142	38,422	37,019	42,500
Long-term debt	15,418	14,494	13,210	12,744	12,163
Shareowners' investment	8,766	8,038	7,336	6,871	10,483

Significant events affecting GTE's historical earnings trends included the following:

- In response to legislation and the increasingly competitive environment, GTE discontinued the use of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" in its domestic telephone subsidiaries in 1995 and in its Canadian telephone operations in 1998. As a result, non-cash, after-tax extraordinary charges of $4.6 billion and $300 million were recorded in 1995 and 1998, respectively.
- Income from continuing operations and per share amounts for 1998 include charges of approximately $482 million after-tax, or $.50 per diluted share, in connection with asset impairments and other special items arising during the year.

Bell Atlantic—Selected Historical Financial Information

	At or for the Years Ended December 31,				
	1998	1997	1996	1995	1994
	(Dollars in Millions, Except for Per Share Amounts)				
Operating revenues	$31,566	$30,194	$29,155	$27,927	$27,098
Income from continuing operations	2,991	2,455	3,129	2,826	2,225
Income from continuing operations per common share					
—Basic	1.90	1.58	2.02	1.85	1.47
—Diluted	1.87	1.56	2.00	1.84	1.46
Cash dividends declared per common share	1.54	1.51	1.44	1.40	1.38
Book value per common share	8.39	8.23	8.36	7.28	8.58
Total assets	55,144	53,964	53,361	50,623	54,020
Long-term debt	17,646	13,265	15,286	15,744	14,590
Shareowners' investment	13,025	12,789	12,976	11,214	13,064

Significant events affecting Bell Atlantic's historical earnings trends included the following:

- Income from continuing operations and per share amounts for 1998 include charges of approximately $1.4 billion after-tax, or $.86 per diluted share, in connection with the completion of a retirement incentive program, the write-down of certain international investments, Bell Atlantic/NYNEX merger-related costs and other special items arising during the year.
- Income from continuing operations and per share amounts for 1997 include Bell Atlantic/NYNEX merger-related costs of approximately $381 million after-tax, or $.24 per diluted share, and costs of approximately $686 million after-tax, or $.44 per diluted share, in connection with consolidating operations and combining organizations and for other special items arising during the year.
- After-tax charges associated with a retirement incentive program were approximately $325 million ($.21 per diluted share) in 1997, $147 million ($.09 per diluted share) in 1996, $327 million ($.21 per diluted share) in 1995, and $453 million ($.30 per diluted share) in 1994.
- Bell Atlantic's per share amounts have been adjusted to reflect a two-for-one stock split on June 1, 1998.

Unaudited Pro Forma Combined Condensed Financial Information

We have presented the following unaudited pro forma combined condensed financial information for the combined company that reflects the pooling of interests method of accounting and is intended to give you a better picture of what our businesses might have looked like had they always been combined. We prepared the pro forma income statements and balance sheet by adding or combining the historical amounts of each company. We then adjusted the combined amounts for significant differences in accounting methods used by the companies. We anticipate that the combined company will record a charge of approximately $375 million for direct incremental merger-related costs in the quarter in which the merger is completed. The direct incremental merger-related costs have been reflected as an increase to other current liabilities and the after-tax cost of this anticipated charge (approximately $310 million) has been reflected as a reduction in reinvested earnings in the unaudited pro forma combined condensed balance sheet as of December 31, 1998.

Transition costs of $1.2 billion to $1.6 billion to be incurred in connection with integrating the operations of GTE and Bell Atlantic over the three years following the completion of the merger are not reflected in the unaudited pro forma financial information. The unaudited pro forma financial data also does not include: (a) any of the anticipated revenue increases, or expense or capital savings resulting from the integration of the operations of GTE and Bell Atlantic; (b) any costs incurred, consideration received, or dispositions made in connection with actions that may be taken regarding certain overlapping wireless properties as a result of regulatory or contractual issues associated with the merger; or (c) any dispositions required as a result of regulatory or contractual requirements.

On January 31, 1999, BC TELECOM Inc., a majority-owned subsidiary of GTE, merged with TELUS Corporation to create a growth-oriented telecommunications company. The merged company is called BCT.TELUS Communications Inc. Under the terms of the merger agreement, GTE's ownership interest in the merged company is approximately 27%. Accordingly, during the first quarter of 1999, GTE will deconsolidate BC TELECOM and account for its investment in BCT.TELUS under the equity method of accounting. The pro forma financial information that follows has not been adjusted to reflect this transaction, which would not have a material effect on the net income of the combined company. As a result of the transaction, GTE expects to record a one-time, after-tax gain of approximately $300 million during the first quarter of 1999. This gain will be partially offset by charges related to cost-cutting initiatives within GTE's national operations unrelated to the merger and the early retirement of long-term debt. GTE expects that these charges as currently estimated will be approximately $150 million to $225 million after-tax and will include $100 million to $150 million after-tax related to the separation of 2,500 to 3,500 GTE employees and associated facilities costs. The cost of these actions is not included in the transition costs described above.

Additionally, during 1998 GTE committed to a plan to sell some of its business operations, including GTE Government Systems, a supplier of government and defense communications systems; GTE Airfone, a provider of aircraft-passenger telecommunications; and approximately 1.6 million non-strategic telephone access lines in thirteen states. In 1998, GTE Government Systems and GTE Airfone generated revenues of approximately $1.6 billion and operating income of approximately $160 million. Due to the centralized manner in which GTE's local telephone companies are managed and the fact that the lines to be sold represent portions of states rather than entire operating companies, revenues and operating income applicable to the lines to be sold are not readily determinable. The 1.6 million telephone access lines held for sale represent approximately 7% of the average domestic lines that GTE had in service during 1998. GTE's goal is to complete these asset sales during 1999 and 2000. The pro forma financial information that follows has not been adjusted to reflect these potential transactions.

On April 5, 1999, GTE announced that it would acquire Ameritech's wireless properties in Chicago, St. Louis and central Illinois. GTE will pay $3.27 billion in cash for the properties, which include 1.7 million subscribers and more than 11 million potential wireless customers. These properties will be 93% owned by

GTE and 7% owned by Davenport Cellular Communications LLC, a company wholly-owned by Georgetown Partners. This transaction is expected to be slightly dilutive to GTE's earnings per share in the first year and the dilution for the combined company on a pro forma basis would be insignificant. On a pro forma basis, the annual revenues and operating income for the properties to be acquired represent approximately 3% and 2% of 1998 consolidated revenues and operating income for GTE and the combined company, respectively. The pro forma information that follows has not been adjusted to reflect this transaction. This purchase will initially be financed with debt, but GTE plans to pay down this debt with the more than $3 billion that GTE expects to generate from the previously announced sale of non-strategic assets.

You should not rely on the pro forma financial information as indicating the historical results that we would have achieved or predicting the future results that we will experience after the merger. See "Unaudited Pro Forma Combined Condensed Financial Statements" in this Chapter I.

	At or for the Years Ended December 31,		
	1998	1997	1996
	(Dollars in Millions, Except for Per Share Amounts)		
Operating revenues	$57,039	$53,454	$50,494
Income from continuing operations	5,354	5,180	5,936
Income from continuing operations per common share			
—Basic	1.95	1.90	2.18
—Diluted	1.93	1.89	2.16
Cash dividends declared per common share	1.54	1.51	1.44
Book value per common share	7.81	—	—
Total assets	98,622	—	—
Long-term debt	33,064	—	—
Shareowners' investment	21,356	—	—

The unaudited pro forma combined cash dividends declared per share of combined company common stock are assumed to be the same as cash dividends declared by Bell Atlantic on a historical basis as adjusted to reflect a two-for-one stock split on June 1, 1998.

Comparative Per Share Information

We have summarized below the per share information for our respective companies on a historical, pro forma combined and equivalent basis. Bell Atlantic's historical per share amounts at or for the years ended December 31, 1997 and 1996 have been adjusted to reflect a two-for-one stock split on June 1, 1998. The GTE per share equivalents are calculated by multiplying the unaudited pro forma combined per share amounts by the exchange ratio of 1.22.

	At or for the Years Ended December 31,		
	1998	1997	1996
UNAUDITED PRO FORMA COMBINED			
Income from continuing operations per common share			
—Basic	$1.95	$1.90	$2.18
—Diluted	1.93	1.89	2.16
Cash dividends declared per common share	1.54	1.51	1.44
Book value per common share	7.81	—	—
GTE PER SHARE EQUIVALENTS			
Income from continuing operations per common share			
—Basic	$2.38	$2.32	$2.66
—Diluted	2.35	2.31	2.64
Cash dividends declared per common share	1.88	1.84	1.76
Book value per common share	9.53	—	—
BELL ATLANTIC—HISTORICAL			
Income from continuing operations per common share			
—Basic	$1.90	$1.58	$2.02
—Diluted	1.87	1.56	2.00
Cash dividends declared per common share	1.54	1.51	1.44
Book value per common share	8.39	8.23	8.36
GTE—HISTORICAL			
Income from continuing operations per common share			
—Basic	$2.59	$2.92	$2.89
—Diluted	2.57	2.90	2.88
Cash dividends declared per common share	1.88	1.88	1.88
Book value per common share	9.06	8.39	7.62

RISK FACTORS RELATING TO THE MERGER

Shareholders Will Not Know the Market Price of the Stock They Will Receive in the Merger When They Vote on the Merger

As a result of the merger, each share of GTE common stock will be converted into the right to receive 1.22 shares of combined company common stock. The exchange ratio of 1.22 is fixed. The number of combined company shares GTE shareholders will receive in the merger will not change, even if the market price of Bell Atlantic common stock changes. GTE does not have a right to terminate the merger agreement based upon a significant decline in Bell Atlantic's stock price. From January 1, 1998 through April 9, 1999, the New York Stock Exchange market price per share of Bell Atlantic common stock, adjusted to reflect a two-for-one stock split on June 1, 1998, ranged from $40.44 to $61.19 and closed at $55.88 on April 9, 1999. The merger will not be completed for some time after the shareholder meetings. Accordingly, when you vote on the merger, you will not know what the market price of the combined company common stock will be when the merger is completed.

Regulatory Agencies Must Approve the Merger and Could Delay or Refuse to Approve the Merger or Impose Conditions that Could Adversely Affect Our Business or Financial Condition

To complete the merger, we must obtain approvals or consents from various state regulatory commissions and other domestic and foreign government agencies.

The Federal Communications Commission must approve the transfer of control to Bell Atlantic of GTE's subsidiaries holding various Federal Communications Commission licenses.

In addition, the Telecommunications Act of 1996 currently limits Bell Atlantic's ability to provide long distance services originating in its telephone company jurisdictions. GTE, which is not subject to that limitation, provides long distance services throughout the United States, including long distance services that originate in Bell Atlantic's telephone company jurisdictions. Upon completion of the merger, GTE will be considered an affiliate of Bell Atlantic. Accordingly, we cannot complete the merger until we receive the appropriate Federal Communications Commission approvals or waivers under the Telecommunications Act of 1996, unless we are able to design a satisfactory interim structure consistent with the applicable requirements or obtain other relief.

California and Illinois laws require that the regulatory commissions in those states determine whether a portion of the net savings resulting from the merger should be passed through to customers. California law requires that California customers receive at least half of the merger's forecasted net savings relating to services in California. The California Public Utilities Commission can require substantial refunds or rate adjustments, or it can rely on competition to assure that the net savings flow to consumers. The Illinois Commerce Commission must decide whether a portion of the net savings resulting from the merger should be passed through to customers in Illinois. Until those commissions make a final decision, we do not know the amount of any savings that might be passed through to customers or how any allocation would be made.

Regulatory agencies may seek to impose conditions on us before giving their approval or consent, and those conditions could have an adverse effect on our business or financial condition. If those regulatory conditions would cause a Material Adverse Effect, either of us could choose to terminate the merger agreement.

In addition, a delay in obtaining the requisite regulatory approvals will delay the completion of the merger. We cannot be certain that we will obtain required regulatory approvals, or obtain them within the time frame contemplated in the merger agreement. For additional information on the required regulatory approvals, see "The Merger Transaction—Regulatory Approvals" in this Chapter I.

Termination Fees and Reciprocal Stock Option Agreements Could Make an Alternative Transaction More Difficult or Expensive

Bell Atlantic or GTE must pay to the other a termination fee of $1.8 billion if the merger agreement terminates under specified circumstances. For example, Bell Atlantic or GTE must pay the termination fee if its board of directors withdraws, or adversely modifies, its approval of the merger, or approves an alternative transaction with another company. In addition, Bell Atlantic or GTE must pay the termination fee if its shareholders do not approve the transaction, and within 12 months it enters into an alternative transaction, but only if another company had proposed an alternative transaction prior to its shareholder meeting. We have also entered into reciprocal stock option agreements which provide each of us with the right to acquire up to 10% of the other's outstanding common stock under specified conditions. The termination fees and the stock option agreements could deter either of us from entering into an alternative transaction by making it more difficult or expensive. For a further discussion of these matters, see ''Summary of the Merger Agreement—Termination Fees'' and ''Summary of Stock Option Agreements'' in this Chapter I.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

In this joint proxy statement and prospectus (and in documents that are incorporated by reference), we have made forward-looking statements. These statements are based on our estimates and assumptions and are subject to a number of risks and uncertainties. Forward-looking statements include the information concerning possible or assumed future results of operations of each of our companies and the combined company (see the following captions: ''Merger Information Summary,'' ''The Merger Transaction—Reasons for the Merger; Recommendations of the Boards,'' ''Opinions of GTE's Financial Advisors'' and ''Opinions of Bell Atlantic's Financial Advisors'' in this Chapter I). Forward-looking statements also include those preceded or followed by the words ''anticipates,'' ''believes,'' ''estimates,'' ''expects,'' ''hopes,'' ''targets'' or similar expressions. For each of these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

The future results of the combined company, GTE and Bell Atlantic could be affected by subsequent events and could differ materially from those expressed in the forward-looking statements. If further events and actual performance differ from our assumptions, our actual results could vary significantly from the performance projected in the forward-looking statements.

The following important factors, along with those discussed elsewhere in this joint proxy statement and prospectus and in the documents which we incorporate by reference, could affect the future results of the combined company, GTE and Bell Atlantic, 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 our companies or by companies in which we have substantial investments;
- material changes in available technology;
- the final resolution of federal, state and local regulatory initiatives and proceedings, including arbitration proceedings, and judicial review of those initiatives and proceedings, pertaining to, among other matters, the terms of interconnection, access charges, universal service, 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 success and expense of our remediation efforts and those of our suppliers, customers, joint ventures, non-controlled investments and interconnecting carriers in achieving year 2000 compliance; and
- the timing of, and regulatory and other conditions associated with, the completion of the merger and the ability of the combined company to combine operations and obtain revenue enhancements and cost savings following the merger.

The timing and profitability of Bell Atlantic's entry into the long distance market also could affect the future results of Bell Atlantic and the combined company and could cause those results to differ materially from those expressed in the forward-looking statements.

GTE has embarked on a major initiative to expand its service capability in the data communication, long distance and enhanced services segments of the telecommunications marketplace and to provide a bundle of products and services both in and outside of its traditional service territories. Whether GTE realizes the benefits of these initiatives depends on GTE's ability to successfully develop the network facilities and systems required to provide these enhanced services, the success of its marketing initiatives, the levels of demand that are created for these services, and the level of competition GTE faces as it seeks to penetrate new markets and emerging markets for new products and services. While GTE's management believes that GTE will be successful in implementing these new initiatives, there are uncertainties associated with its ability to increase revenue and income growth rates to the levels targeted through these initiatives and its ability to do so within the planned timeframes or investment levels.

THE MERGER TRANSACTION

The Companies

GTE Corporation

GTE is a leading telecommunications provider with one of the broadest arrays of products and services in the industry. It is one of the world's largest telecommunications companies, with 1998 revenues of more than $25 billion. GTE's domestic and international wireline operations serve approximately 30 million telephone access lines through subsidiaries in the United States, Canada and the Dominican Republic, and an affiliate in Venezuela. GTE is a leading wireless operator in the United States. Wireless services include traditional cellular services provided at 800 megahertz and personal communications services provided at 1.8 gigahertz. GTE has more than 4.8 million wireless customers and the opportunity to serve 61.4 million potential wireless customers.

On April 5, 1999, GTE announced an agreement to buy cellular properties from Ameritech Corporation for $3.27 billion. The properties, located in Chicago, St. Louis and central Illinois, currently serve approximately 1.7 million subscribers. GTE will have a 93% equity interest in these properties and Georgetown Partners, a private investment firm, will hold the remaining 7%. These properties will provide GTE with more than 11 million additional potential wireless customers. Under the terms of the definitive agreement, GTE expects to finalize the acquisition when Ameritech and SBC Corporation complete their merger later in 1999. This transaction is expected to result in dilution of less than 1% for the combined company in the year 2000. After the first two years, the acquisition should add to the combined company's earnings.

Outside the United States, GTE operates wireless networks serving approximately 2.8 million customers with 23.4 million potential wireless customers through subsidiaries in Canada, the Dominican Republic and Argentina, and affiliates in Venezuela and Taiwan. GTE also participates in a venture which operates a paging network in China.

GTE provides data services, including dial-up Internet access for residential and small business consumers, and Web-based applications for Fortune 500 companies. GTE is also a leader in government and defense communications systems and equipment, directories and telecommunications-based information services and systems.

GTE has its principal executive offices at 1255 Corporate Drive, Irving, Texas 75038 (telephone number (972) 507-5000).

For additional information about GTE and its business, see the documents identified in ''Where You Can Find More Information'' in Chapter V.

Bell Atlantic Corporation

Bell Atlantic is a leader in the domestic communications and information industry as well as one of the world's largest investors in high-growth global communications markets. Bell Atlantic was one of the seven original Regional Bell Holding Companies formed in connection with the court-approved divestiture in 1984 of specified assets of American Telephone and Telegraph Company. In August 1997, Bell Atlantic's business was combined with that of NYNEX Corporation, another original Regional Bell Holding Company. Bell Atlantic has four business segments.

Bell Atlantic's Domestic Telecom Group provides domestic telecommunications services principally through nine operating telephone companies having approximately 41.3 million telephone access lines in a densely populated region stretching from Maine to Virginia, which is home to the headquarters of approximately one-third of the Fortune 500 companies and the federal government. These services consist principally of advanced wireline voice and data services. Bell Atlantic is also pursuing new opportunities within its region including long distance, data connectivity and Internet access services.

Bell Atlantic's Global Wireless Group is a market leader in wireless services (including cellular and personal communications services) covering 180 million worldwide potential wireless customers in 25 states in the United States and, via investments, in seven countries in Latin America, Europe and the Pacific Rim, with a total subscriber base of 7.9 million.

Bell Atlantic's Directory Services Group is the world's largest publisher of directory information in both domestic and international markets. Directory Services produces more than 600 domestic and international directories annually and distributes nearly 80 million copies worldwide each year. It serves advertisers, primarily small-to-medium sized businesses looking for effective local and regional advertising and marketing services, and consumers who use the directories for either listing information or as a comprehensive and easy-to-use purchasing guide.

Bell Atlantic's Other Business Group principally holds a multi-billion dollar investment portfolio in wireline partnerships and joint ventures in Europe and Asia, including substantial interests in Telecom Corporation of New Zealand Limited, Cable and Wireless Communications in the United Kingdom and FLAG (Fiberoptic Link Around the Globe). These investments represent a mix of mature and start-up businesses where, in conjunction with local partners and management, Bell Atlantic seeks to leverage its core competencies and to enhance shareholder returns.

Bell Atlantic has its principal executive offices at 1095 Avenue of the Americas, New York, New York 10036 (telephone number (212) 395-2121).

For additional information about Bell Atlantic and its business, see the documents identified in "Where You Can Find More Information" in Chapter V.

Beta Gamma Corporation—Bell Atlantic's Merger Subsidiary

Beta Gamma Corporation is a direct, wholly-owned subsidiary of Bell Atlantic which was incorporated in New York for the sole purpose of effecting the merger by merging with and into GTE. It engages in no other business. Its principal executive offices are at 1095 Avenue of the Americas, New York, New York 10036 (telephone number (212) 395-2121).

Background of the Merger

GTE

In recent years, GTE has focused its business and strategy on telecommunications services. GTE's goal has been to concentrate on profitable growth opportunities in this sector, while repositioning assets that did not meet GTE's growth objectives or that were not related to telecommunications.

After the passage of the Telecommunications Act of 1996, GTE intensified its consideration of strategic alternatives. The telecommunications industry has experienced a significant increase in consolidations and acquisitions, including consolidations among the Regional Bell Holding Companies and acquisitions of and by start-up companies and companies with emerging technologies. These transactions appear to confirm that the most effective competitors in telecommunications will be those companies offering the most complete package of products and services on a broad scale.

In the last several years, GTE's management has considered alternative strategies, including those based upon remaining independent and developing new business opportunities utilizing GTE's existing resources and assets, as well as alternatives based upon a combination with one or more telecommunications or data companies. In evaluating potential business combinations and acquisitions, GTE considered its strategic fit with potential targets and partners based on their lines of business, their management and employee cultures, their areas of operation, the breadth of their businesses and the regulatory approval process. These alternatives were periodically discussed with the GTE Board of Directors, and were the subject of discussions at the annual two-day strategic planning review held for the GTE Board of Directors each March.

In the fall of 1997, GTE pursued the acquisition of MCI Communications Corporation. The GTE Board of Directors determined that the proposed transaction would accelerate GTE's ability to achieve its strategic objectives. GTE's Board of Directors and management ultimately decided to abandon their efforts to acquire MCI when they determined that the likely acquisition price was higher than GTE considered appropriate. Since that time, GTE has held exploratory discussions with other potential partners, but it elected not to pursue any of those discussions further due to strategic, financial, and/or regulatory considerations.

Bell Atlantic

Since the completion of the Bell Atlantic-NYNEX merger in 1997, Raymond W. Smith, the former Chairman and Chief Executive Officer of Bell Atlantic; Ivan G. Seidenberg, the current Chairman and Chief Executive Officer of Bell Atlantic; and the Bell Atlantic Board of Directors have considered various strategic opportunities to sustain the momentum of that merger and increase Bell Atlantic's growth rate, which has continued to be adversely affected by competition, regulation and the lower demographic growth within its region relative to other regions in the United States. During that time, Bell Atlantic explored various alternatives, and engaged in preliminary discussions with several telecommunications companies.

The Transaction

On June 8, 1998, Charles R. Lee, Chairman and Chief Executive Officer of GTE, and Mr. Smith met and discussed industry-related matters. At that time, Mr. Lee indicated that he would like to call Mr. Seidenberg, Bell Atlantic's new Chief Executive Officer, to discuss the companies' perspectives on developments in the telecommunications industry, and Mr. Smith encouraged him to do so.

At a meeting of the Bell Atlantic Board of Directors on June 23, 1998, Mr. Seidenberg discussed with the Bell Atlantic Board of Directors strategic options and possible combinations that Bell Atlantic's management was exploring in order to improve the company's future earnings potential. In materials provided to the Bell Atlantic Board of Directors, GTE was identified as one of a number of attractive potential strategic business partners.

On June 30, 1998, Mr. Lee and Mr. Seidenberg met and discussed the rapid pace of industry developments, the potential effects on their two companies, and their long-term strategic objectives. By the conclusion of that meeting, they decided to explore the possibility of a business combination between GTE and Bell Atlantic.

After the meeting, Mr. Lee reviewed his discussion with Mr. Seidenberg with a limited number of the most senior officers of GTE.

A special Bell Atlantic Board of Directors meeting was held on July 1, 1998, to continue the strategic discussion from the previous meeting. The Bell Atlantic Board of Directors discussed transactions that might be available and the status of management's investigation of those possibilities.

Over the next several weeks, Mr. Lee and other senior GTE officers continued the discussions with Mr. Seidenberg and other senior officers of Bell Atlantic. GTE and Bell Atlantic senior management each independently began their internal analyses of the potential transaction, including an analysis of the synergies created by the combination and the impact of the potential transaction on their financial results, as well as their shareholders, employees, customers and other constituencies.

On July 10, 1998, Mr. Lee and Mr. Seidenberg met and further discussed a possible combination, noting the complementary strengths of the businesses of the two companies and developing trends in the telecommunications industry. Each emphasized that the company he represented was not for sale. They agreed that, in light of the comparable size and compatible strengths of the companies, any combination should appropriately be a merger of equals in which they would share the management of the combined company as co-chief executive officers. They also discussed possible ratios for an exchange of stock. They agreed to meet again and continue their discussions.

On July 14, 1998, Mr. Lee and Mr. Seidenberg met to discuss the proposed transaction and key elements of a merger.

On July 16, 1998, Mr. Lee and Michael T. Masin, Vice Chairman and President—International of GTE, met with Mr. Seidenberg and Frederic V. Salerno, Senior Executive Vice President and Chief Financial Officer/Strategy and Business Development of Bell Atlantic. Following a series of discussions, the parties reached an agreement in principle that day on many of the fundamental terms: a merger of equals; the methodology for determining the exchange ratio and a narrow exchange ratio range based on the trading history of each company's stock with a final fixed ratio yet to be determined; equal Board representation; management succession, including a co-CEO leadership structure until June 30, 2002; headquarters in New York; and a corporate name to be agreed upon by the closing of the merger. They also confirmed that a premium would not be appropriate in a merger of equals transaction, so that neither company's shareholders would receive an additional financial benefit. They agreed that their internal financial staffs and their financial advisors would review the exchange ratio methodology and range.

On July 19, 1998, GTE representatives, including Mr. Masin; James A. Attwood, Executive Vice President—Strategic Development and Planning; William P. Barr, Executive Vice President—Government and Regulatory Advocacy and General Counsel; and Daniel P. O'Brien, Executive Vice President and Chief Financial Officer; met with representatives of Bell Atlantic, including Mr. Salerno; Alexander H. Good, Executive Vice President—Strategy and Corporate Development; Morrison DeS. Webb, Executive Vice President—External Affairs and Corporate Communications; and James R. Young, Executive Vice President—General Counsel. They discussed various management and legal aspects of the proposed combination, executed a nondisclosure agreement, and established working groups to conduct due diligence and final negotiations. During the following week GTE and Bell Atlantic representatives and their outside advisors met on a generally continuous basis, exchanging financial and legal due diligence materials, conducting further due diligence and negotiating definitive documentation. During that week, the parties also determined that the transaction would be structured so that a wholly-owned subsidiary of Bell Atlantic would merge with and into GTE, that GTE would become a wholly-owned subsidiary of the combined company and that GTE shareholders would become shareholders of the combined company at the completion of the merger.

On July 21, 1998, GTE mailed selected public information to the GTE Board of Directors describing Bell Atlantic's business and management. On July 23, GTE mailed additional materials to its directors including materials prepared by its financial advisors, a draft of the merger agreement and a summary of the key terms of that agreement.

At a July 22, 1998, meeting of the Bell Atlantic Board of Directors, Mr. Seidenberg reported that the proposed merger of equals with GTE was Bell Atlantic management's preferred strategic option. He advised the Bell Atlantic Board of Directors that there was an agreement with GTE management on major elements of the proposed combination. Mr. Seidenberg and other members of senior management reviewed the proposed transaction in detail. There was extensive discussion concerning various matters including management succession, structure of the board of directors, regulatory and operational issues, overlaps between the two companies' wireless businesses, accounting treatment and termination fees. Peter A. Atkins of Skadden, Arps, Slate, Meagher & Flom LLP, special counsel to Bell Atlantic, also attended and participated in the meeting.

On July 26, 1998, the GTE Board of Directors met to discuss the transaction. At the meeting, GTE's senior management reviewed the discussions with Bell Atlantic and the proposed structure of the transaction. In addition to the directors (including Mr. Lee; Kent B. Foster, President of GTE; and Mr. Masin), several officers of GTE who were directing GTE's merger negotiation and evaluation teams were present at the meeting. These individuals included Mr. O'Brien, Mr. Barr, Mr. Attwood and J. Randall MacDonald, Executive Vice President—Human Resources and Administration. Representatives of GTE's financial advisors, including Robert Hurst, Joseph Zimmel and Cody Smith of Goldman, Sachs & Co. and Eduardo Mestre and Thomas King of Salomon Brothers Inc and Smith Barney Inc., (collectively doing business as Salomon Smith Barney, the predecessor to Salomon Smith Barney Inc.), also attended a portion of the meeting. Goldman Sachs and Salomon Smith Barney are together referred to in this joint proxy statement and prospectus as the "GTE financial advisors." In addition, Jeffrey J. Rosen of O'Melveny & Myers LLP, special counsel to GTE, attended a portion of the meeting.

Mr. Lee reviewed GTE's strategic plans and alternatives and summarized other discussions with potential partners over the course of the last few years. Following additional remarks by Messrs. Lee, Foster and Masin, Mr. Attwood described the transaction and discussed the benefits of the transaction to GTE. He discussed the increasing consolidation in the telecommunications industry and its impact on GTE. He reviewed potential strategic partners and likely combinations in the industry. He also discussed GTE's ability to meet its strategic goals with and without the transaction. Mr. O'Brien discussed the historical and projected financial performance of GTE and the historical and projected performance of Bell Atlantic. He also discussed the projected financial results of the proposed transaction, including the potential pro forma impact of the merger (taking into account possible expense savings and operating efficiencies that might be generated by such a transaction) and the anticipated impact of the transaction on the shareholders of both companies. GTE's management also reviewed the proposed governance arrangements for the combined company through shared management and the proposed equal representation of both companies on the combined company board of directors. In addition, Mr. Barr and Mr. Rosen discussed the terms of the proposed transaction, including the provisions of the merger agreement and the stock option agreements relating to potential third party efforts to intervene in the transaction. Mr. Barr also discussed regulatory requirements, the anticipated time frame for obtaining regulatory approvals and the possible conditions that regulatory agencies could seek to impose in granting the requisite approvals. Mr. Barr and Mr. Rosen also discussed the fiduciary obligations of directors in evaluating and entering into a merger of equals. Mr. MacDonald reviewed human resources considerations in connection with the proposed combination. The GTE financial advisors each reviewed their analysis of the proposed range of the exchange ratio and indicated that, assuming a final exchange ratio within the proposed range, they each would be prepared to deliver an opinion that the final exchange ratio was fair to GTE's shareholders from a financial point of view. After an extensive discussion, the GTE Board of Directors indicated strong preliminary support for the transaction. The directors indicated that they would continue to evaluate the transaction prior to considering the matter at the GTE Board of Directors meeting scheduled for the next day.

The Bell Atlantic Board of Directors also met on July 26, 1998, and management provided an update on the progress of discussions with GTE. Due to growing market rumors about a possible transaction involving the parties and an anticipated newspaper report the following day, the Bell Atlantic Board of Directors decided to advance its regularly scheduled meeting by one day to the following day.

In the morning of July 27, 1998, representatives of the parties met to finalize the principal terms of the merger agreement, including the exchange ratio. The parties reviewed the relative performance of the two stocks over multiple time frames to arrive at the exchange ratio. GTE shares traded at closing prices that ranged between 1.16 and 1.28 times those of Bell Atlantic during the period beginning on the date of the June 8, 1998 meeting between Mr. Lee and Mr. Smith to the last trading day prior to the July 27 meeting of the parties. During the preceding 12-month period which ended July 24, 1998, the ratio averaged 1.19. For the 30 trading days which ended July 24, 1998, the ratio averaged 1.22. This was the exchange ratio agreed to by the GTE Board of Directors and the Bell Atlantic Board of Directors.

Later that day, the GTE Board of Directors held a telephonic meeting at which all directors were present. In addition, several executives of GTE were present at the meeting, including Messrs. Attwood, Barr, MacDonald and O'Brien. Mr. Rosen of O'Melveny & Myers LLP, Mr. King of Salomon Smith Barney and Messrs. Zimmel and Smith of Goldman Sachs were also present. During the meeting, Mr. Lee again reviewed the transaction with the directors. Mr. Attwood and Mr. Barr also discussed certain key aspects of the transaction. Mr. King and Mr. Zimmel indicated that they were each delivering the opinion of their respective firms that the final exchange ratio was fair to GTE's shareholders from a financial point of view, which opinions were subsequently confirmed by delivery of separate written opinions dated as of July 27, 1998. The directors asked a number of questions and further discussed the transaction. At the conclusion of the meeting, the GTE Board of Directors unanimously determined that the proposed merger and related transactions were in the best interests of, and fair to, GTE's shareholders, and voted unanimously to approve the transaction and to recommend to GTE shareholders that they vote to approve the GTE merger proposal.

At the Bell Atlantic Board of Directors meeting held the same day, Mr. Seidenberg reviewed the strategic rationale for the proposed merger, and members of senior management presented further details. Mr. Young reviewed the principal provisions of the merger agreement, a draft and summary of which had been provided to the directors prior to the meeting along with a legal memorandum on directors' duties and considerations. Mr. Good presented the estimated pro forma financial results and revenue, expense and capital synergies. The Bell Atlantic Board of Directors considered in further detail the possible scenarios for resolving the overlaps in wireless operations. Howard Weiser of PricewaterhouseCoopers LLP, independent accountants, and Mr. Atkins of Skadden, Arps, Slate, Meagher & Flom LLP also attended and participated in the meeting. Representatives of Bell Atlantic's financial advisors, including Alan D. Schwartz, H. Andrew Decker and James A. Ferency of Bear, Stearns & Co. Inc. and Thomas Middleton and Kurt Simon of Merrill Lynch, Pierce, Fenner & Smith Incorporated, reviewed with the Bell Atlantic Board of Directors various financial and valuation analyses relating to the proposed merger. Merrill Lynch and Bear Stearns are together referred to in this joint proxy statement and prospectus as the "Bell Atlantic financial advisors." Bear Stearns and Merrill Lynch each delivered its oral opinion (subsequently confirmed in written opinions dated as of July 27, 1998) to the effect that the exchange ratio was fair, from a financial point of view, to Bell Atlantic and, accordingly, to the holders (other than GTE and its affiliates) of Bell Atlantic common stock. The non-employee directors met in an executive session to discuss the proposed merger. The full Bell Atlantic Board of Directors then reconvened and unanimously voted to approve the merger agreement and recommend to Bell Atlantic shareholders that they approve the Bell Atlantic merger proposal.

Following approval of the merger agreement by the respective boards of directors, the parties executed the merger agreement in New York City on July 27, 1998, and announced the merger on July 28, 1998.

Reasons for the Merger; Recommendations of the Boards

An entirely new telecommunications environment is emerging as a result of significant competitive, regulatory and technological changes over the last few years. Strong national and international players, formed through alliances and mergers, are leading the industry. These companies are competing for customers who increasingly are looking for one-stop shopping for telecommunications services. We each have begun implementing strategies to enhance our competitive positions in an expanding global marketplace. By combining, we will be able to share resources and capitalize on synergies that will speed our ability to compete effectively at the top tier of the industry. The merger will enable us to achieve our goals more quickly than either company could have achieved separately.

We believe that the merger will create a stronger competitor and will provide significant value for the shareholders of GTE and Bell Atlantic.

1. **The merger will give us the scale and scope to compete as one of the industry's top-tier companies.**

The combined company will have the scale, scope and skills to bring data services directly to business customers and an expanded product line to all consumers. Our complementary, diversified portfolio of assets will give us scale and scope in four key areas:

- *Domestic Telecommunications.* We will be the largest local telephone provider in the country. Combined, we have currently more than 60 million telephone access lines across 39 states and the District of Columbia. These assets represent a mix of urban, suburban, and rural markets and currently serve 76 of the top 100 markets in the United States. In addition, we are positioned to rapidly expand GTE's existing long distance business as Bell Atlantic gains regulatory approval to offer such services in its territory. The combined company will be able to better serve its customers by using that size and scope to reduce costs and accelerate the introduction of new services and will provide the crucial link between millions of homes and businesses and the global telecommunications network.
- *Domestic Wireless.* The combined company will be one of the nation's largest and most advanced wireless companies. Together, GTE and Bell Atlantic currently have 11.4 million domestic subscribers, with the opportunity to serve more than 130 million potential wireless customers in the United States and a presence in nine of the top ten markets. Both companies are migrating to state-of-the-art digital technology that is fully compatible, and allows customers to roam seamlessly between each company's network. Over the last several years, both companies have demonstrated the ability to successfully integrate wireless operations and to use scale and scope to drive efficiency and profitability. GTE and Bell Atlantic are each considering a number of opportunities that would expand the wireless footprint of the combined company when the merger is completed. However, we do not expect that any transaction or transactions, if they occur, would materially affect the earnings of the combined company. See "Conflicts Created by Overlaps of Domestic Wireless Properties; Potential Solutions" in this Chapter I for a discussion of other likely changes in the combined company's wireless properties.
- *International.* With a presence in more than 30 countries, the combined company will be focused on some of the world's most promising wireline and wireless opportunities. Our current international portfolios are highly complementary and will give the combined company significant global reach, extending from Canada to Argentina and from Europe to Asia. More than 35% of international traffic from the United States originates in our domestic service territories, which represents a significant opportunity for the combined company when regulatory approvals are secured. The combined company's international wireless portfolio has the opportunity to serve more than 118 million potential wireless customers in 10 countries in the Americas, Europe and Asia.
- *Directories.* The combined company will be the world's largest provider of directories, and will publish directories in 15 countries outside the United States.

2. **The merger brings together a complementary blend of assets and capabilities and gives us a significant presence in new growth markets.**

The merger enables both companies to accelerate execution of their strategies and promote vigorous competition in the traditional and emerging telecommunications markets. The combined company will be a major provider of advanced data and Internet services with access to customers in some of the most information-intensive markets in the world.

GTE has national coverage, advanced data communications capabilities and long distance experience. In addition, GTE is assembling a state-of-the-art, 17,000 mile, national high-speed data network which is partially operational and expected to be completed later this year. GTE also has made a major investment in fiber-optic long distance capacity. These assets will provide GTE with capabilities significantly exceeding the expected demand of GTE's current customer base. Bell Atlantic serves millions of the world's most information-intensive residential and business customers, including the headquarters of one-third of the Fortune 500 companies, a substantial number of other multinational companies, the nation's media, government and financial centers and residential customers whose income and personal computer usage exceeds the national average. The combined company will be able to provide long distance and data services nationwide as part of a full package of other communications services.

The merger also mitigates the risks, capital outlays and deployment times that would be required for GTE and Bell Atlantic to develop these complementary assets and capabilities independently.

3. The merger is expected to generate significant revenue, expense and capital synergies.

The management and directors of each of our companies 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 GTE, Bell Atlantic and the industry 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 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 after completion of the merger, we expect:

- annual revenue synergies of approximately $2 billion, primarily from improved market penetration for value-added services (e.g., call waiting and caller I.D.) 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 synergies 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 Bell Atlantic's 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).

In addition to direct incremental merger-related costs of approximately $375 million, we expect transition and integration charges to aggregate approximately $1.2 billion to $1.6 billion over the three years following completion of the merger. For additional information on direct incremental merger-related costs and transition and integration charges pertaining to the merger, see the ''Unaudited Pro Forma Combined Condensed Financial Statements'' in this Chapter I.

Both GTE and Bell Atlantic have proven track records in successfully and quickly integrating business operations. GTE today thrives as a highly focused, integrated company after a series of major acquisitions over the past decade, including the acquisitions of Contel Corporation in 1991 and BBN Corporation in 1997. Bell Atlantic and NYNEX formed a wireless joint venture in 1994. By 1996, the wireless joint venture achieved a market leadership position with innovative products, faster customer growth and sharply improved profitability, which were further enhanced when the two companies merged in 1997. The integration of Bell Atlantic and NYNEX is now largely complete, and the forecast efficiencies are being achieved successfully.

GTE Board of Directors' Consideration and Approval of the Merger

At meetings of the GTE Board of Directors held on July 26 and July 27, 1998, members of GTE's management and representatives of GTE's financial advisors made presentations concerning the business and prospects of GTE and the potential combination of GTE and Bell Atlantic. The GTE Board of Directors also received presentations concerning, and reviewed the terms of, the merger agreement and the stock option agreements with members of GTE's management and its legal counsel and financial advisors. At the July 27 meeting, the GTE Board of Directors unanimously determined that the terms of the merger were fair to, and in the best interests of, GTE shareholders. Accordingly, the GTE Board of Directors unanimously approved the merger agreement, the stock option agreements and the related transactions, and recommends that GTE shareholders approve the GTE merger proposal.

Information and Factors Considered by the GTE Board of Directors

In deciding whether to approve the merger, the merger agreement and the stock option agreements, the GTE Board of Directors considered a number of factors in addition to those explained in the section discussing the reasons for the merger. The following summarizes the other material information and factors that the GTE Board of Directors considered:

1. The unprecedented regulatory and technological changes that are driving consolidation within the telecommunications industry and underscoring the need to increase scale and scope in order to emerge as a top tier competitor;
2. GTE's strategy for maintaining its existence as an independent company, including the benefits of and various alternatives to that strategy, and the anticipated effect of that strategy on GTE's continued ability to compete;
3. Important considerations about GTE, Bell Atlantic and the proposed combined company including:
   - the financial condition, results of operations, cash flows and prospects of GTE, Bell Atlantic and the combined company;
   - the expectation that the combined company will produce greater shareholder returns than either GTE or Bell Atlantic could produce on its own;
   - the belief that the combined company will produce earnings growth at or above the high end of GTE's current projected range, and will increase the ability to sustain these earnings by producing significant synergies and improving GTE's access to the data-intensive customer base of Bell Atlantic;
   - the strategic fit of GTE and Bell Atlantic, including the potential synergies and the impact of those synergies on the ability of the combined company to compete in the industry; and
   - the likelihood that the transaction would receive the necessary regulatory approvals and the anticipated timing of and possible conditions that may be imposed with respect to those approvals;
4. The proposed structure of the transaction, the provisions of the merger agreement that ensure that this would be a merger of equals, and the other terms of the merger agreement including the following (see ''Summary of the Merger Agreement'' in this Chapter I):
   - the representations and warranties of the parties;
   - the covenants of the parties and the effect of those provisions on the operations of GTE and Bell Atlantic prior to the merger;
   - the provisions of the merger agreement that limit both GTE's and Bell Atlantic's ability to solicit other offers for their company while permitting each board of directors to fulfill its fiduciary duty to its shareholders in the event of an unsolicited offer; and
   - the requirement that GTE and Bell Atlantic must pay the other a termination fee of $1.8 billion if the merger agreement is terminated after the board of directors changes its recommendation and the shareholders of that company fail to approve the merger;
5. The financial presentations and the analysis of each of Goldman Sachs and Salomon Smith Barney presented in connection with delivery of their respective opinions to the GTE Board of Directors to

the effect that, as of the date of their opinions and based upon and subject to certain matters stated in those opinions, the exchange ratio was fair, from a financial point of view, to holders of GTE common stock (see ''Opinions of GTE's Financial Advisors'' in this Chapter I); and

6. The impact of the merger on GTE's shareholders, employees and customers.

In addition to these factors, the GTE Board of Directors also considered the potential adverse impact of other factors on the proposed merger. These included:

- the challenges in combining the assets and workforces of two companies of this size, particularly at a time when the telecommunications industry continued to undergo dramatic changes;
- the ability of GTE's management to continue to focus on strategic goals while working to implement the merger;
- the ability of the combined company to properly and efficiently use or realize economic benefits from all of its assets, including assets that may no longer be required to operate the business of the combined company due to overlaps and duplications;
- the challenges in obtaining regulatory approval in a reasonable time frame and upon terms and conditions that would not unduly burden the combined company; and
- the risk that the proposed merger would not be consummated.

The GTE Board of Directors did not assign particular weight or ranking to any of the factors it considered in approving the merger. Also, in making their determination, it is possible that individual directors may have assigned a different level of importance to each factor.

The GTE Board of Directors unanimously recommends that GTE shareholders vote FOR the GTE merger proposal, which is Item 2 on the GTE proxy card.

Bell Atlantic Board of Directors' Consideration and Approval of the Merger

At meetings of the Bell Atlantic Board of Directors held on July 22, 26 and 27, 1998, members of Bell Atlantic's management made presentations concerning the business and prospects of GTE and the potential combination of GTE and Bell Atlantic. At the July 27 meeting, representatives of Bell Atlantic's financial advisors made presentations concerning the fairness of the exchange ratio to Bell Atlantic's shareholders from a financial point of view. The Bell Atlantic Board of Directors also received presentations concerning, and reviewed the terms of, the merger agreement and the stock option agreements with members of Bell Atlantic's management and its legal counsel. At the July 27 meeting, the Bell Atlantic Board of Directors unanimously determined that the Bell Atlantic merger proposal, the merger agreement, the stock option agreements and the related transactions were fair to, and in the best interests of, Bell Atlantic shareholders. Accordingly, the Bell Atlantic Board of Directors unanimously approved the Bell Atlantic merger proposal, the merger agreement, the stock option agreements and the related transactions, and recommends that Bell Atlantic shareholders approve the Bell Atlantic merger proposal at the Bell Atlantic annual meeting.

In reaching its determination to approve the Bell Atlantic merger proposal, the merger agreement, the stock option agreements and the related transactions, the Bell Atlantic Board of Directors considered a number of factors in addition to those set forth above. The following summarizes the material factors that the Bell Atlantic Board of Directors considered:

1. the current conditions and trends in the telecommunications industry, including increases in competition in Bell Atlantic's main businesses and the likelihood that future mergers and acquisitions would increase the size and strength of competitors;
2. the importance of financial size and strength, and geographical scope of business operations, to Bell Atlantic's continuing ability to compete in its main businesses;
3. the impact of new and evolving technologies on Bell Atlantic's business, and the need for significant capital resources to implement these technologies;
4. the consistency of the strategies that the two companies were pursuing;

5. the dollar amount of synergies which the combined company should be able to realize, and the risks that the synergies would not all be realized;

6. the impact that the transaction would be expected to have on the combined company's balance sheet, earnings and cash flow;

7. Mr. Young's view, as general counsel of Bell Atlantic, that Bell Atlantic and GTE would be able to obtain the necessary regulatory approvals to complete the merger, and the likelihood that regulatory authorities would insist on conditions to those approvals which could substantially reduce the benefits of the merger;

8. the need to obtain regulatory approvals for long distance service or complete other satisfactory arrangements to permit the timely completion of the merger;

9. the need to resolve legal and contractual issues that arise because of overlaps in the territories where Bell Atlantic, GTE, a partnership in which Bell Atlantic has an interest, and the other partner in that partnership provide wireless services; the actions available to Bell Atlantic and GTE to resolve those issues; the difficulty of achieving acceptable resolutions; and possible adverse business and accounting consequences that could result from steps taken to achieve resolution;

10. the desirability of accounting for the transaction as a pooling of interests, the risks that pooling of interests accounting might ultimately prove to be unavailable, and the possible consequences if the transaction had to be accounted for as a purchase;

11. the impact of the transaction on the combined company's ability to maintain and enhance its reputation for delivering high quality services to customers;

12. the impact of the transaction on the combined company's ability to maintain a high-quality, highly-motivated work force;

13. the advantages and potential disadvantages of the merger of equals structure, including the sharing of board of director seats and senior management positions in the combined company between people from the two companies and the use of a co-CEO structure;

14. the other potential major transactions which might be available to Bell Atlantic either in addition to, or as alternatives to, the merger, and the effect of the merger in making it easier or harder for Bell Atlantic to pursue those transactions;

15. the termination fee provisions and stock option agreements applicable to each company, and the effect that these provisions would have on each company's ability to pursue or complete alternative transactions;

16. the difficulty of integrating the businesses of Bell Atlantic and GTE, and the possible adverse effects that could result from the need for senior management to focus significant time and effort on completing the merger and integrating the businesses; and

17. the opinions of each of Bell Atlantic's financial advisors that the exchange ratio was fair, from a financial point of view, to shareholders of Bell Atlantic.

The Bell Atlantic Board of Directors did not reach collective decisions on the individual issues listed above in reaching its overall conclusion that the merger is in the best interests of Bell Atlantic shareholders. In addition, the Bell Atlantic Board of Directors did not attempt to quantify or rank the importance of the factors it considered.

The Bell Atlantic Board of Directors unanimously authorized and approved the merger agreement, the stock option agreements and the Bell Atlantic merger proposal, including the issuance of shares of Bell Atlantic common stock and the amendment and restatement of the Bell Atlantic certificate of incorporation.

The Bell Atlantic Board of Directors unanimously recommends that Bell Atlantic's shareholders vote FOR approval of the Bell Atlantic merger proposal, which is Item 2 on the Bell Atlantic proxy card.

Opinions of GTE's Financial Advisors

GTE financial advisor	Location of their full opinion
Goldman Sachs	Appendix F
Salomon Smith Barney	Appendix G

GTE retained Goldman Sachs and Salomon Smith Barney as financial advisors based upon their qualifications, expertise and reputations as well as upon their prior investment banking relationships with GTE. GTE retained Salomon Smith Barney, pursuant to a letter agreement dated July 21, 1998, to render financial advisory and investment banking services to GTE in connection with a proposed combination with Bell Atlantic. GTE retained Goldman Sachs, pursuant to a letter agreement dated July 22, 1998, to act as financial advisor to assist GTE in its analysis and consideration of a possible merger or other business combination with, acquisition of, acquisition by, or other transaction with or involving Bell Atlantic.

On July 27, 1998, GTE's financial advisors each rendered a separate oral opinion to the GTE Board of Directors to the effect that, based upon and subject to the considerations set forth in each such opinion, respectively, as of such date, the exchange ratio was fair to the holders of GTE common stock from a financial point of view. Each of Goldman Sachs and Salomon Smith Barney subsequently confirmed their respective opinions by delivery of separate written opinions dated July 27, 1998.

GTE shareholders should consider the following when reading the discussion of the opinions of GTE's financial advisors in this joint proxy statement and prospectus:

- We urge you to read carefully the entire opinions of the financial advisors, which are contained in the appendices of this joint proxy statement and prospectus and are incorporated by reference.
- The following descriptions of the financial advisors' opinions are qualified by reference to the full opinions located in Appendices F and G to this joint proxy statement and prospectus.
- The financial advisors' advisory services and opinions were provided to the GTE Board of Directors for its information in its consideration of the merger and were directed only to the fairness of the exchange ratio from a financial point of view.
- The financial advisors' opinions do not address the merits of GTE's underlying business decision to engage in the merger.
- The financial advisors' opinions do not address the price or range of prices at which shares of GTE common stock may trade before the merger or at which the Bell Atlantic common stock may trade before or after the merger.
- The financial advisors' opinions were necessarily based upon conditions as they existed and could be evaluated on July 27, 1998 and the financial advisors assumed no responsibility to update or revise their opinions based upon circumstances or events occurring after such date.
- The opinions did not constitute a recommendation to the GTE Board of Directors in connection with the merger, and do not constitute a recommendation to any holder of GTE common stock as to how to vote on the merger or any related matter.

Although GTE's financial advisors each evaluated the fairness, from a financial point of view, of the exchange ratio to the holders of GTE common stock, the exchange ratio itself was determined by GTE and Bell Atlantic through arm's-length negotiations. GTE did not provide specific instructions to, or place any limitations on, its financial advisors with respect to the procedures to be followed or factors to be considered by these advisors in performing their analyses or providing their opinions.

Opinion and Analysis of Goldman Sachs

In connection with its opinion, Goldman Sachs reviewed, among other things, the following:

- the merger agreement;
- the annual reports to shareholders and Annual Reports on Form 10-K of GTE and Bell Atlantic for each of the five years ended December 31, 1997;
- interim reports to shareholders and Quarterly Reports on Form 10-Q of GTE and Bell Atlantic; and
- internal financial analyses and forecasts for GTE and Bell Atlantic prepared by their respective managements, including projected cost savings and revenue synergies expected to be achieved pursuant to the merger.

Goldman Sachs also held discussions with members of the senior management of GTE and Bell Atlantic regarding the strategic rationale for, and the potential benefits of, the merger and the past and current business operations, financial condition and future prospects of their respective companies and the combined company. In addition, Goldman Sachs reviewed the reported price and trading activity for GTE common stock and Bell Atlantic common stock, compared certain financial and stock market information for GTE and Bell Atlantic with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the telecommunications industry specifically and in other industries generally, and performed such other studies and analyses as it considered appropriate.

Goldman Sachs relied upon the accuracy and completeness of all of the financial and other information reviewed by it and assumed such accuracy and completeness for purposes of rendering its opinion. In that regard, Goldman Sachs assumed that the financial forecasts provided to it, including, without limitation, the projected cost savings and revenue synergies expected to be achieved pursuant to the merger, were reasonably prepared on a basis that reflected the best then-available judgments and estimates of GTE and Bell Atlantic and that such forecasts would be achieved in the amounts and at the times contemplated thereby. Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities of GTE or Bell Atlantic or any of their respective subsidiaries and Goldman Sachs was not furnished with any such evaluation or appraisal. In rendering its opinion, Goldman Sachs took into account GTE's expectation regarding the accounting treatment of the transaction. In addition, Goldman Sachs assumed that obtaining any regulatory or third party approvals for the merger would not have a materially adverse effect on GTE or Bell Atlantic or the anticipated benefits of the merger. Goldman Sachs was not asked to, and did not, solicit other proposals to acquire or merge with GTE.

Goldman Sachs, as part of its investment banking business, is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. Goldman Sachs is familiar with GTE, having provided certain investment banking and financial advisory services to GTE from time to time and for which Goldman Sachs received customary compensation, including having acted as financial advisor to GTE in connection with its acquisition of BBN Corporation in 1997; having acted as financial advisor to GTE in connection with its attempted acquisition of MCI in 1997; having acted as managing underwriter of a public offering of $2.1 billion of debentures issued by GTE on April 22, 1998; and having acted as financial advisor to GTE in connection with the merger agreement. Goldman Sachs has also provided certain investment banking services to Bell Atlantic from time to time, and may provide investment banking services to Bell Atlantic in the future. Goldman Sachs is a full service securities firm and, in the course of its normal trading activities, may from time to time effect transactions and hold positions in the securities of Bell Atlantic or GTE for its own account or the accounts of customers.

The following is a summary of the material financial analyses used by Goldman Sachs in reaching its opinion and does not purport to be a complete description of the analyses performed by Goldman Sachs. The following quantitative information, to the extent it is based on market data, is based on market data as it existed at or about July 24, 1998 and is not necessarily indicative of current market conditions. Readers should understand that the order of analyses and the results derived from these analyses described below do not represent relative importance or weight given to these analyses by Goldman Sachs. The summary of the financial analyses includes information presented in tabular format. **In order to understand fully the financial analyses used by Goldman Sachs, these tables must be read together with the text of each summary. The tables alone do not describe completely the financial analyses.**

Contribution Analysis. Goldman Sachs reviewed the relative contributions of each of GTE and Bell Atlantic to the combined company on a pro forma basis in terms of actual 1997 and estimated 1998, 1999 and 2000 revenues, earnings before interest and taxes (''EBIT''), net income, levered market capitalization (calculated as equity market capitalization plus net debt) and equity market capitalization (in each case, before taking into account any of the expected revenues, expense and capital expenditure synergies believed by GTE and Bell Atlantic to be achievable following the consummation of the merger). Goldman Sachs performed this analysis using two different sets of estimates for 1998, 1999 and 2000 revenues, EBIT and net income. In the first case, Goldman Sachs used estimates of managements of GTE and Bell Atlantic, respectively. In the second case, Goldman Sachs used median estimates of various Wall Street research analysts. The following table compares the pro forma ownership of GTE shareholders in the combined company with GTE's contribution to each element of this analysis.

	Pro Forma Ownership of GTE Shareholders in the Combined Company	
	42.9%	
	GTE Contribution to Combined Company (Management Estimates)	**GTE Contribution to Combined Company (Research Estimates)**
1997 revenues	43.3%	43.3%
1998 estimated revenues	45.2%	44.5%
1999 estimated revenues	46.0%	45.4%
2000 estimated revenues	47.4%	45.9%
1997 EBIT	43.4%	43.4%
1998 estimated EBIT	43.4%	42.5%
1999 estimated EBIT	44.6%	43.6%
2000 estimated EBIT	45.7%	45.5%
1997 net income	42.1%	42.1%
1998 estimated net income	41.3%	40.8%
1999 estimated net income	43.2%	41.6%
2000 estimated net income	43.6%	43.8%
Levered market capitalization	45.3%	45.3%
Equity market capitalization	44.2%	44.2%

The following table presents the range of implied exchange ratios indicated by this analysis, compared to the exchange ratio in the merger.

Range of Implied Exchange Ratios (Management Estimates)	Range of Implied Exchange Ratios (Research Estimates)	Merger Exchange Ratio
1.14x - 1.43x	1.10x - 1.33x	1.22x

Public Market Analysis. Goldman Sachs reviewed certain publicly available financial, operating and stock market information relating to GTE and Bell Atlantic and four other publicly-traded regional telecommunications companies: Ameritech Corporation, BellSouth Corporation, SBC Communications Inc. and

US West Inc. We will refer to these companies, collectively, as the "Regional Bell Holding Companies." The following table presents the ranges and medians indicated for the Regional Bell Holding Companies of:

(1) multiples of stock price as of July 24, 1998 to each of latest twelve months earnings per share, and estimated 1998 and 1999 earnings per share (such multiples of stock prices to earnings per share amounts, "Price/Earnings Multiples");

(2) multiples of levered value (calculated as equity market capitalization plus net debt) to each of latest twelve months revenues, latest twelve months earnings before interest, taxes, depreciation and amortization ("EBITDA") and latest twelve months EBIT;

(3) dividend yield;

(4) dividend payout;

(5) projected five year earnings per share compound annual growth rate (based on I/B/E/S International, Inc. ("IBES") estimates); and

(6) the ratio of the 1998 Price/Earnings Multiple to five year earnings per share growth.

	Regional Bell Holding Companies			
	Range	**Median**	**Bell Atlantic**	**GTE**
Multiples of Stock Price as of July 24, 1998 to:				
Latest twelve months earnings per share	21.2x-23.7x	22.4x	17.7x	20.2x
Estimated 1998 earnings per share	18.9x-21.8x	21.0x	16.6x	18.9x
Estimated 1999 earnings per share	17.3x-19.9x	18.9x	15.1x	16.7x
Multiples of Levered Value as of July 24, 1998 to:				
Latest twelve months revenues	3.0x- 4.1x	3.7x	3.0x	3.2x
Latest twelve months EBITDA	6.8x-10.1x	8.4x	7.0x	8.0x
Latest twelve months EBIT	12.4x-16.6x	14.4x	12.3x	13.5x
Dividend yield	2.1%- 4.0%	2.3%	3.4%	3.2%
Dividend payout	46.0%-84.8%	51.2%	60.4%	65.4%
Projected five-year earnings per share compound annual growth rate	6.0%-10.0%	9.0%	8.0%	9.0%
Ratio of 1998 Price/Earnings Multiple to five-year earnings per share growth	2.0x- 3.2x	2.4x	2.1x	2.1x

Projected earnings per share and compound annual growth rate were based on IBES estimates. Projected revenues, EBITDA and EBIT were based on median estimates of various Wall Street research analysts.

Telco "Strip" Analysis. Based on publicly available information, Goldman Sachs calculated the levered value (calculated as market equity value plus net debt) for the telecommunications segments of Bell Atlantic, GTE and each of the Regional Bell Holding Companies by subtracting from the levered value (based on stock prices as of July 24, 1998) of each of such companies the levered value of their respective domestic wireless, international, directory/cable and other operations. Goldman Sachs then performed various analyses based on such levered values and other publicly available information. The following table presents the levered values calculated for the telecommunications segments of Bell Atlantic and GTE and the range of such levered values for the Regional Bell Holding Companies together with the ranges and medians of the multiples of such levered value to each of latest twelve months revenues, latest twelve months EBITDA, latest twelve months EBIT and number of access lines.

	Regional Bell Holding Companies			
	Range	**Median**	**Bell Atlantic**	**GTE**
Levered value of telecommunications segment (in billions)	$31.7–$62.8	—	$56.2	$45.6
Multiples of levered value of telecommunications segment to:				
Latest twelve months revenues	3.0x–3.7x	3.3x	2.3x	3.7x
Latest twelve months EBITDA	6.8x–8.5x	7.2x	5.4x	8.0x
Estimated 1998 EBIT	12.1x–14.2x	12.6x	10.1x	12.8x
Number of access lines	$1,868–$2,185	$2,006	$1,441	$2,079

Historical Exchange Ratio Analysis. Goldman Sachs also reviewed the relationship between the daily closing prices of Bell Atlantic common stock and GTE common stock during the period from July 24, 1997 through July 24, 1998 and the implied historical exchange ratios determined by dividing the price per share of GTE common stock by the price per share of Bell Atlantic common stock over such period.

The following table compares the exchange ratio with the high, low and average of such historical exchange ratios.

High Historical Exchange Ratio	Low Historical Exchange Ratio	Average Historical Exchange Ratio	Merger Exchange Ratio
1.335x	1.053x	1.189x	1.220x

Selected Transactions Analysis. Goldman Sachs also analyzed certain publicly available financial, operating and stock market information for the merger and for three selected merger or acquisition transactions in the telecommunications industry (Bell Atlantic/NYNEX, SBC/Pacific Telesis Group and SBC/Ameritech).

In each case, the stockholders of the second-named company received stock of the first-named company in the relevant transaction. The following table compares information derived by Goldman Sachs with respect to the merger and each of these selected transactions.

	Bell Atlantic/ NYNEX	SBC/ Pacific Telesis	SBC/ Ameritech	Bell Atlantic/ GTE
Price/Earnings Multiple of second company on date immediately prior to announcement of the transaction	14.9x	11.1x	18.9x	18.9x
Multiple of implied purchase price to earnings per share at time of announcement of the transaction	14.0x	15.4x	24.3x	18.0x
Price/Earnings Multiple of first company at time of announcement of the transaction	15.5x	15.3x	20.9x	16.6x
Premium (discount) of multiple of the implied purchase price to earnings per share at the time of announcement to first company's Price/Earnings Multiple	(9.4)%	0.5%	15.9%	8.4%
Percentage of current year net income contributed by second company to the combined company	45.4 %	33.9%	40.5%	42.6%
Pro forma ownership of shareholders of second company in combined company	43.1 %	34.0%	44.1%	42.9%
Predicted exchange ratio based on contribution of second company to IBES estimates of full year net income of combined company	0.845	0.731	1.136	1.203
Premium (discount) of actual exchange ratio to predicted exchange ratio based on contribution to net income	(9.1)%	0.3%	15.8%	1.4%

Goldman Sachs also analyzed certain publicly available financial, operating and stock market information for the following twelve selected merger or acquisition transactions in the local telecommunications industry since 1993: SBC/Ameritech, SBC/Southern New England Telecommunications Corporation, Century Telephone Enterprises, Inc./Pacific Telecom, Inc., McLeodUSA Incorporated/Consolidated Communications, Inc., Bell Atlantic/NYNEX, SBC/PacTel, Citizens Utilities Company/ALLTEL Corporation (telephone operations), PacifiCorp/Pacific Telecom, Inc., PacifiCorp/US West Communications, Inc. (1994), PacifiCorp/US West Communications, Inc. (1993), Citizens Utilities Company/GTE (telephone operations) and ALLTEL Corporation/GTE (Georgia telephone properties).

The following table presents the ranges, means and medians indicated for these transactions.

	Range	Mean	Median
Ratio of levered value to latest twelve months revenues	1.7x-4.3x	2.8x	2.8x
Ratio of levered value to latest twelve months EBITDA	5.7x-9.9x	7.9x	7.6x

Pro Forma Analysis. Assuming a June 1999 closing and total pre-tax synergies of $641 million and $1.2 billion in years 2000 and 2001, respectively, as estimated by GTE and Bell Atlantic management, Goldman Sachs analyzed the effect of the merger on earnings per share from the perspective of both GTE and Bell Atlantic shareholders under different sets of assumptions. Assuming that the merger qualifies for pooling of interests accounting treatment, and based on management earnings per share projections for each of GTE and Bell Atlantic, respectively, Goldman Sachs estimated that the merger would be (a) dilutive to earnings per share for GTE shareholders by 0.4% in 2000 and accretive by 3.7% in 2001 and (b) accretive to earnings per share for Bell Atlantic shareholders by 8.1% and 9.7% in 2000 and 2001, respectively. Assuming that the merger qualifies for pooling of interests accounting treatment, and based on median earnings per share estimates of various Wall Street research analysts for each of GTE and Bell Atlantic, Goldman Sachs estimated that the merger would be (a) accretive to earnings per share for GTE shareholders by 2.3% and 1.2% in 2000 and 2001, respectively and (b) accretive to earnings per share for Bell Atlantic shareholders by 6.1% and 13.0% in 2000 and 2001, respectively.

Analysis of Present Value of Future Stock Price. Assuming the merger qualifies for pooling of interests accounting treatment and is consummated in June of 1999, Goldman Sachs compared, at discount rates of 9.0%, 10.0% and 11.0%:

(a) the present value (as of June 30, 1998) of a share of GTE common stock based on:

(1) hypothetical future stock prices as of December 31, 2001, calculated by multiplying either (x) estimated earnings per share in 2002 by assumed one-year forward Price/Earnings Multiples of 15.0x, 17.0x and 19.0x or (y) estimated EBITDA in 2002 by assumed one-year forward EBITDA multiples of 6.5x, 7.5x and 8.5x and

(2) the intervening quarterly dividends from the third quarter of 1998 to the fourth quarter of 2001 (assuming no dividend growth), with

(b) the present value (as of June 30, 1998) to GTE shareholders, adjusted to reflect the exchange ratio and to account for the assumed closing date, of a share of stock in the combined company (both with and without expected revenue, expense and capital expenditure synergies believed by GTE and Bell Atlantic to be achievable following consummation of the merger) based on:

(1) hypothetical future stock prices as of December 31, 2001, calculated by multiplying either (x) estimated earnings per share in 2002 by assumed one-year forward Price/Earnings Multiples of 15.0x, 17.0x and 19.0x or (y) estimated EBITDA in 2002 by assumed one-year forward EBITDA multiples of 6.5x, 7.5x and 8.5x and

(2) the intervening quarterly dividends from the third quarter of 1998 to the fourth quarter of 2001 (assuming annual dividend growth of 3.0% from Bell Atlantic's most recent quarterly dividend and adjusted to reflect the exchange ratio and to account for the assumed closing date).

The following table presents the ranges of present values for the GTE common stock and stock in the combined company (both with and without synergies) derived by Goldman Sachs based on described assumptions.

	Range of Values		
		Combined Company Stock	
Assumptions	**GTE Common Stock**	**Without Synergies**	**With Synergies**
Management year 2002 earnings per share estimates	\$63.22-\$83.61	\$61.88-\$81.74	\$67.18-\$88.89
Median Wall Street year 2002 earnings per share estimates	\$58.38-\$77.08	\$53.70-\$70.70	\$58.70-\$77.45
Management year 2002 EBITDA multiples	\$67.29-\$96.78	\$62.72-\$89.50	\$66.55-\$94.83
Median Wall Street year 2002 EBITDA multiples	\$56.26-\$80.98	\$56.02-\$80.01	\$59.63-\$85.04

Analysis at Various Prices. Based upon the exchange ratio and using a range of market prices per share for Bell Atlantic common stock from \$43.00 to \$48.00, Goldman Sachs derived the ranges presented in the following table and compared such ranges with the implied values for GTE in the merger based on the \$45.19 closing price per share of Bell Atlantic common stock on July 24, 1998.

	Range Assuming Bell Atlantic Prices from \$43.00-\$48.00	**Implied Value Based on \$45.19 Bell Atlantic Closing Price**
Implied purchase price per GTE share	\$52.46-\$58.56	\$55.13
Implied equity value of GTE on July 24, 1998	\$51.1-\$57.1 billion	\$53.7 billion
Implied dollar value of equity premium (discount) of aggregate merger consideration based on implied equity value	\$(5.3)-\$0.6 billion	\$(2.7) billion
Implied percentage-equity premium (discount) based on GTE closing price of \$57.94 on July 24, 1998	(9.5)%-1.1%	(4.8)%

Analysis at Various Prices—Multiple Comparison. Based on the exchange ratio and using a range of market prices per share for Bell Atlantic common stock from $43.00 to $48.00, Goldman Sachs derived ranges of multiples of the implied value of the merger consideration to actual 1997 GTE revenues, EBITDA, EBIT and estimated 1998 and 1999 GTE revenues, EBITDA, EBIT and net income. In each case, projected revenues, EBITDA, EBIT and net income were based on median estimates of various Wall Street research analysts. The following table compares such ranges with the indicated multiples based on the $45.19 per share closing price of Bell Atlantic common stock on July 24, 1998.

	Range Assuming Bell Atlantic Prices from $43.00-$48.00	Implied Value Based on $45.19 Bell Atlantic Closing Price
Multiple of Implied Value of Merger Consideration to:		
1997 actual GTE revenues	3.0x- 3.3x	3.1x
1998 estimated GTE revenues	2.8x- 3.0x	2.9x
1999 estimated GTE revenues	2.6x- 2.8x	2.7x
1997 actual GTE EBITDA	7.4x- 8.1x	7.7x
1998 estimated GTE EBITDA	7.2x- 7.8x	7.4x
1999 estimated GTE EBITDA	6.5x- 7.1x	6.8x
1997 actual GTE EBIT	12.6x-13.6x	13.0x
1998 estimated GTE EBIT	12.0x-13.1x	12.5x
1999 estimated GTE EBIT	10.7x-11.6x	11.1x
1997 actual GTE net income	18.3x-20.4x	19.2x
1998 estimated GTE net income	17.3x-19.3x	18.2x
1999 estimated GTE net income	15.3x-17.0x	16.0x

GTE Segment Analysis. Using Goldman Sachs research estimates of 1998 EBITDA and ranges of multiples for each of GTE's various business segments (domestic telecommunications operations, domestic cellular, directory/publishing and Canadian telecommunications operations), and after subtracting net debt, Goldman Sachs calculated a range of implied equity value for GTE of $54.2 billion to $64.8 billion (or $55.58 to $66.45 per share of GTE common stock based on the approximately 975 million diluted shares outstanding as of July 24, 1998). Goldman Sachs noted that this range represented a discount of 4.1% to a premium of 14.7% to the closing price of GTE common stock on July 24, 1998.

Bell Atlantic Segment Analysis. Using Goldman Sachs research estimates of 1998 EBITDA and ranges of multiples for Bell Atlantic's telecommunications operations and non-telecommunications operations segments, and after subtracting net debt, Goldman Sachs calculated a range of implied equity value for Bell Atlantic of $85.5 billion to $99.3 billion (or $54.18 to $62.90 per share of Bell Atlantic common stock based on the approximately 1,578 million diluted shares outstanding as of July 24, 1998). Goldman Sachs noted that this range represented a premium of 25.4% to 45.7% to the closing price of Bell Atlantic common stock on July 24, 1998.

The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods to the particular circumstances and, therefore, is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs' opinion. In arriving at its fairness determination, Goldman Sachs considered the results of all such analyses and did not attribute any particular weight to any factor or analysis considered by it; rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all such analyses. In addition, in performing its analyses, Goldman Sachs made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters. No company or transaction used in the above analyses as a comparison is directly comparable to Bell Atlantic or GTE or the contemplated transaction. The analyses were prepared solely for purposes of Goldman Sachs providing its opinion to the GTE Board of Directors as to the fairness of the exchange ratio and do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by such analyses. Because such analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of GTE, Bell Atlantic, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast. As described above, the opinion of Goldman Sachs to the GTE Board of Directors was among many factors taken into consideration by the GTE Board of Directors in making its determination to approve the merger agreement.

Opinion and Analysis of Salomon Smith Barney

In connection with rendering its opinion, Salomon Smith Barney reviewed and analyzed, among other things, the following:

- a draft of the merger agreement;
- certain publicly available information with respect to GTE and Bell Atlantic; and
- certain other financial information with respect to GTE and Bell Atlantic, including financial forecasts (including both companies' estimates of the synergies expected to be derived from the proposed business combination), that were provided to Salomon Smith Barney by GTE and Bell Atlantic, respectively.

Salomon Smith Barney also met with certain officers and employees of GTE and Bell Atlantic to discuss the past and current business operations and financial condition of GTE and Bell Atlantic, including matters relating to the regulatory approvals required to complete the merger. Salomon Smith Barney also considered such other information, financial studies, analyses, investigations and financial, economic and market criteria that it deemed relevant.

In its review and analysis and in arriving at its opinion, Salomon Smith Barney assumed and relied upon the accuracy and completeness of all of the financial and other information (including information relating to the regulatory approvals required to complete the merger) provided to it or publicly available and did not assume any responsibility for independent verification of any of such information. With respect to the financial forecasts of GTE and Bell Atlantic (including both companies' estimates of the synergies expected to be derived from the proposed business combination), Salomon Smith Barney assumed that they had been reasonably prepared on bases reflecting the best then-available estimates and judgments of the respective managements of GTE and Bell Atlantic as to the future financial performance of GTE and Bell Atlantic (including such synergies), respectively. Salomon Smith Barney expressed no view with respect to such forecasts or the assumptions on which they were based. Salomon Smith Barney further assumed that the merger agreement, when executed and delivered, would not contain any terms or conditions that differed materially from the draft which Salomon Smith Barney reviewed, that the merger would be completed in accordance with the terms of the merger agreement and that obtaining the necessary regulatory approvals for the merger would not have a material adverse effect on GTE or Bell Atlantic or on the anticipated benefits of the proposed business combination. Salomon Smith Barney did not assume any responsibility for making any independent evaluations or appraisals of any of the assets (including properties and facilities) or liabilities of GTE or Bell Atlantic. Salomon Smith Barney was not asked to, and did not, solicit other proposals to acquire or merge with GTE. Salomon Smith Barney assumed that the merger would qualify as a "tax free" reorganization for federal income tax purposes.

Salomon Smith Barney is an internationally recognized investment banking firm that provides financial services in connection with a wide range of business transactions. As part of its business, Salomon Smith Barney regularly engages in the valuation of companies and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, and private placements and for other purposes. In the past, Salomon Smith Barney has rendered certain investment banking and financial advisory services to each of GTE and Bell Atlantic for which Salomon Smith Barney received customary compensation. In addition, in the ordinary course of its business, Salomon Smith Barney and its current and future affiliates (including Citigroup Inc.) may actively trade the securities of GTE and Bell Atlantic for its own account and the accounts of its customers and, accordingly, may at any time hold a long or short positions in such securities. Salomon Smith Barney and its current and future affiliates (including Citigroup Inc.) may have other business relationships with GTE, Bell Atlantic and their respective affiliates.

The following is a summary of the material financial analyses used by Salomon Smith Barney in arriving at its opinion and does not purport to be a complete description of the analyses performed by Salomon Smith Barney. The following quantitative information, to the extent it is based on market data, is based on market data as it existed at or about July 24, 1998 and is not necessarily indicative of current market conditions. Readers should understand that the order of analyses, and the results derived from these analyses described below do not represent relative importance or weight given to these analyses by Salomon Smith Barney.

The summary of the financial analyses includes information presented in tabular format. **In order to understand fully the financial analyses used by Salomon Smith Barney, these tables must be read together with the text of each summary. The tables alone do not describe completely the financial analyses.**

Historical Stock Price Performance. Salomon Smith Barney reviewed the relationship between movements in the closing prices of GTE common stock and Bell Atlantic common stock with an index of the Regional Bell Holding Companies and the Standard & Poor's 400 Composite Index for the period from January 2, 1997 through July 24, 1998, the trading volume and price history of GTE common stock for the period from January 2, 1997 through July 24, 1998 and the trading volume and price history of Bell Atlantic common stock for the period from January 2, 1997 through July 24, 1998.

Historical Exchange Ratio Analysis. Salomon Smith Barney also reviewed the relationship between the daily closing prices of GTE common stock and Bell Atlantic common stock during the period from July 24, 1997 through July 24, 1998 and the implied historical exchange ratios determined by dividing the price per share of GTE common stock by the price per share of Bell Atlantic common stock over such period. The following table compares the merger exchange ratio with the high, low and average of such historical exchange ratios.

High Historical Exchange Ratio	Low Historical Exchange Ratio	Average Historical Exchange Ratio	Merger Exchange Ratio
1.335x	1.053x	1.189x	1.220x

Contribution Analysis. Salomon Smith Barney reviewed the relative contributions of each of GTE and Bell Atlantic to the combined company. The following table displays GTE's relative contribution to the combined company's actual 1997 and estimated 2000 revenues, EBITDA, and net income as well as the combined company's market equity value (using treasury method accounting and stock prices as of July 24, 1998) and the exchange ratio implied by such relative contributions. Projected revenues, EBITDA and net income were derived from Salomon Smith Barney equity research.

	GTE Contribution to Combined Company		Implied Exchange Ratio	
	1997	2000 Projected	1997	2000 Projected
Revenues	43.3%	45.1%	1.15x	1.27x
EBITDA	42.4%	43.7%	1.10x	1.18x
Net income	42.1%	44.8%	1.18x	1.32x
Market equity value at July 24, 1998	44.2%		1.28x	

The following table compares the range and median of implied exchange ratios based on this contribution analysis with the exchange ratio in the merger.

Range of Implied Exchange Ratios Based on Contribution Analysis	Median Implied Exchange Ratio Based on Contribution Analysis	Merger Exchange Ratio
1.08x - 1.32x	1.17x	1.22x

Comparative Premium Analysis. Salomon Smith Barney noted that, if the merger had closed on July 24, 1998, utilizing the Bell Atlantic closing stock price on July 24, 1998, and assuming the exchange ratio of 1.22, GTE shareholders would have received Bell Atlantic common stock having a market value representing a discount of 4.8% to the GTE common stock July 24, 1998 closing price. Salomon Smith Barney compared this implied discount to the implied premiums/discounts for similar periods prior to public announcement in the following comparable ''merger of equals'' transactions: Norwest Corporation/Wells Fargo & Co., American Home Products Corporation/Monsanto Company, NationsBank Corporation/BankAmerica Corporation, Banc One Corporation/First Chicago NBD Corporation, Travelers Group Inc./Citicorp, CUC International Inc./HFS Incorporated, CSX Corporation/Conrail Inc. and Bell Atlantic/NYNEX (in each transaction, the shareholders of the second-named company were to receive shares of the first-named company). Salomon Smith Barney considered these merger of equals transactions to be reasonably similar to the merger, but none of these precedents is identical to the merger.

The following table presents the premiums (discounts) contemplated in the merger and these other transactions (from the perspective of the shareholders of the second-named company) compared with the previous trading day closing price per share.

Precedent ''Merger of Equals'' Transactions			Implied Premium (Discount) of Merger Consideration to Closing Price of GTE Common Stock
Range of Premium (Discount) to Prior Day Closing Price	Mean Premium to Prior Day Closing Price	Median Premium to Prior Day Closing Price	
(5.8)%–29.4%	6.7%	6.2%	(4.8)%

Bell Atlantic Segmented Public Market Analysis. Salomon Smith Barney arrived at a range of values for Bell Atlantic by separately valuing its local exchange business segment, domestic cellular segment, domestic PCS business segment, and its other business segments, including its directory/publishing business and international telecommunications investments and aggregating the values determined for the various business segments. Salomon Smith Barney utilized a public market analysis in valuing these business segments. Public market analysis assesses a segment's operating performance and outlook relative to a group of publicly traded peer companies to determine an implied unaffected market trading value. No company used in the public market analyses described below is identical to the comparable business segment of Bell Atlantic. Accordingly, an examination of the results of analyses described below necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of the business segments and other facts that could affect the public trading value of the companies to which they are being compared.

1. *Bell Atlantic Local Exchange Business*

Salomon Smith Barney compared certain financial information of Bell Atlantic's local exchange business with two groups of companies that Salomon Smith Barney believed to be appropriate for comparison. The first group, which Salomon Smith Barney believed was more closely comparable to Bell Atlantic's local exchange business, was the Regional Bell Holding Companies. The second group, which Salomon Smith Barney believed was somewhat less comparable to Bell Atlantic's local exchange business, included the following independent telephone companies: Aliant Communications Inc., ALLTEL Corp., Century Telephone Enterprises, Inc., Cincinnati Bell Inc. and Southern New England Telecommunications Corporation. The financial and valuation data for the comparable companies were adjusted by Salomon Smith Barney to estimate the financial and valuation characteristics of pure ''stripped wireline'' telecommunications companies. Salomon Smith Barney reviewed the multiples of firm value to latest twelve months EBITDA represented by the trading prices of Bell Atlantic, GTE and the Regional Bell Holding Companies as of July 24, 1998, and the comparable multiples for the above-mentioned independent telephone companies. The following table presents ranges, mean and median multiples of firm value to latest twelve months EBITDA for a group comprised of GTE, Bell Atlantic and the Regional Bell Holding Companies and for the independent telephone companies.

Ratio of Firm Value to Latest Twelve Months EBITDA					
Adjusted GTE, Bell Atlantic and Regional Bell Holding Companies			Adjusted Independent Telephone Companies		
Range	Mean	Median	Range	Mean	Median
5.4x–8.5x	7.2x	7.2x	6.4x–9.0x	7.6x	7.9x

Using this information and other factors relevant in the valuation of Bell Atlantic's local exchange business, Salomon Smith Barney determined a valuation range for Bell Atlantic's local exchange business of approximately $69.6 billion to $74.9 billion.

2. *Bell Atlantic Cellular*

Salomon Smith Barney compared certain financial information of Bell Atlantic's domestic cellular segment with the following group of cellular communications companies that Salomon Smith Barney believed to be appropriate for comparison: AirTouch Communications Inc., Centennial Cellular Corp., United States Cellular Corp., Western Wireless Corporation and Vanguard Cellular Systems Inc. Salomon Smith Barney reviewed the multiples of firm value to actual 1997 EBITDA and estimated 1998 EBITDA (based on selected investment banks' equity research) represented by the trading prices of these cellular communications companies. The following table presents ranges of multiples of firm value to actual 1997 and estimated 1998 EBITDA for these cellular communications companies.

Ratio of Firm Value to Actual 1997 EBITDA for Cellular Communications Companies	Ratio of Firm Value to Estimated 1998 EBITDA for Cellular Communications Companies
10.1x–14.8x	8.5x–12.3x

Using this information and other factors relevant in the valuation of Bell Atlantic's domestic cellular segment, such as the relative penetration levels, margins and growth rates of Bell Atlantic's domestic cellular segment, Salomon Smith Barney determined a valuation range for Bell Atlantic's domestic cellular segment of approximately $10.6 billion to $11.7 billion.

3. *Bell Atlantic Personal Communications Services*

Salomon Smith Barney compared certain financial information of Bell Atlantic's domestic personal communications services business (which reflects Bell Atlantic's ownership stake in PrimeCo), including certain operating and financial data reflecting the relative stage of development of Bell Atlantic's domestic personal communications services business, with the following group of personal communications services companies that Salomon Smith Barney believed to be appropriate for comparison: Aerial Communications Inc., Omnipoint Corp., Powertel Inc., Western Wireless Corporation and Nextel Communications Inc. The following table presents the range, mean and median multiples of firm value per potential wireless customer for the selected personal communications services companies.

Multiple of Firm Value Per Potential Wireless Customer for Selected Personal Communications Services Companies		
Range	Mean (excluding Nextel)	Median (excluding Nextel)
$43.8–$70.4	$48.2	$48.0

Using this information and other factors relevant in the valuation of Bell Atlantic's domestic personal communications services business, such as the relative amount of Bell Atlantic personal communications services spectrum, Salomon Smith Barney determined a valuation range of Bell Atlantic's domestic personal communications services business of approximately $1.4 billion to $1.7 billion.

4. *Bell Atlantic Other Assets*

Salomon Smith Barney compared certain financial information with respect to Bell Atlantic's other businesses with groups of companies that Salomon Smith Barney believed were appropriate for comparison. In addition, Salomon Smith Barney valued certain domestic and international minority investments based on the current trading prices for publicly held securities, and multiples of book value, invested capital or potential wireless customers for other entities, in each case adjusted to reflect Bell Atlantic's percentage ownership. These analyses resulted in a valuation range for Bell Atlantic's other businesses of approximately $19.5 billion to $22.1 billion.

5. *Total Bell Atlantic Public Market Valuation*

By combining the stand-alone valuations for Bell Atlantic's local exchange, domestic cellular, domestic personal communications services and other businesses described above and making certain adjustments for debt, preferred securities, cash and cash equivalents, investments (other than those included in Bell Atlantic's other businesses) and option proceeds, Salomon Smith Barney derived a reference range for Bell Atlantic's aggregate equity value of approximately $83.0 billion to $92.5 billion, or approximately $51.00 to $56.50 per share based on the number of fully diluted shares of Bell Atlantic common stock. The foregoing analysis does not reflect the revenue, expense and capital expenditure synergies believed by GTE and Bell Atlantic to be achievable following consummation of the merger, which synergies have been analyzed as described below.

Discounted Cash Flow Analysis—Bell Atlantic. Salomon Smith Barney performed a five year discounted cash flow analysis, based on financial projections provided by the management of Bell Atlantic, on the stand-alone unlevered free cash flows of Bell Atlantic to establish a range of equity values per share for the Bell Atlantic common stock. The discounted cash flow was calculated for Bell Atlantic assuming, solely for purposes of this analysis, discount rates ranging from 9.0% to 11.0%. Salomon Smith Barney calculated terminal values by applying a range of estimated EBITDA multiples of 6.25x to 8.25x to the projected EBITDA of Bell Atlantic in fiscal year 2002.

The following table compares the closing stock price for the Bell Atlantic common stock on July 24, 1998 with the reference ranges of implied equity value per share of Bell Atlantic common stock derived by Salomon Smith Barney using both financial projections provided by Bell Atlantic management and median estimates provided by certain investment banks' equity research.

Range of Equity Value Per Bell Atlantic Share Based on Management Projections	Range of Equity Value Per Bell Atlantic Share Based Equity Research Estimates	Closing Price of Bell Atlantic Common Stock on July 24, 1998
$56.50–$66.50	$53.50–$63.00	$45.19

Consolidated Public Market Comparison. Salomon Smith Barney compared the ranges and medians of various financial multiples and statistics for the Regional Bell Holding Companies with comparable statistics for Bell Atlantic and GTE. The following table presents the ranges and medians indicated for the Regional Bell Holding Companies of multiples of stock price as of July 24, 1998 to latest twelve months (as of March 31, 1998) earnings per share and estimated 1998 and 1999 earnings per share (based on First Call Corporation estimates as of July 20, 1998) compared with the multiples indicated for Bell Atlantic and GTE.

	Regional Bell Holding Companies		Bell Atlantic		GTE	
	Range	Median	Value	Premium (Discount) to Median	Value	Premium (Discount) to Median
Multiple of stock price to:						
Latest twelve months earnings per share . . .	21.2x–23.7x	22.4x	17.7x	(20.8%)	20.2x	(9.9%)
1998 estimated earnings per share	18.9x–21.8x	21.0x	16.6x	(20.8%)	18.9x	(9.9%)
1999 estimated earnings per share	17.3x–19.9x	18.9x	15.1x	(20.1%)	16.7x	(11.8%)

GTE Segmented Public Market Analysis. Salomon Smith Barney arrived at a range of values for GTE by separately valuing its local exchange business segment, domestic cellular segment, long distance telephone operations segment and its other business segments, including directory/publishing, data initiatives, government systems, personal communications services and international investments and aggregating the values determined for the various business segments. Salomon Smith Barney utilized a public market analysis in valuing these business segments. No company used in the public market analyses described below is identical to the comparable business segment of GTE. Accordingly, an examination of the results of analyses described below necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of the business segments and other facts that could affect the public trading value of the companies to which they are being compared.

1. *GTE Local Exchange Business*

Salomon Smith Barney compared certain financial information of GTE's local exchange business with two groups of companies that Salomon Smith Barney believed to be appropriate for comparison. The first group, which Salomon Smith Barney believed was more closely comparable to GTE's local exchange business was the Regional Bell Holding Companies. The second group, which Salomon Smith Barney believed was somewhat less comparable to GTE's local exchange business was the same group of independent telephone companies used with respect to the valuation of Bell Atlantic's local exchange business. The financial and valuation data of the comparable companies were adjusted by Salomon Smith Barney to estimate the financial and valuation characteristics of pure ''stripped wireline'' telecommunications companies. Salomon Smith Barney reviewed the multiples of firm value to latest twelve months EBITDA represented by the trading prices of Bell Atlantic, GTE and the Regional Bell Holding Companies as of July 24, 1998 and the comparable multiples for the above-mentioned independent telephone companies. The following table presents ranges, mean and median multiples of firm value to latest twelve months EBITDA for a group comprised of GTE, Bell Atlantic and the Regional Bell Holding Companies and for the independent telephone companies.

Ratio of Firm Value to Latest Twelve Months EBITDA

Adjusted GTE, Bell Atlantic and Regional Bell Holding Companies			Adjusted Independent Telephone Companies		
Range	Mean	Median	Range	Mean	Median
5.4x - 8.5x	7.2x	7.2x	6.4x - 9.0x	7.6x	7.9x

Using this information and other factors relevant in the valuation of GTE's local exchange business, Salomon Smith Barney determined a valuation range for GTE's local exchange business of approximately $37.3 billion to $43.0 billion.

2. *GTE Cellular*

Salomon Smith Barney compared certain financial information of GTE's domestic cellular segment with the same group of cellular communications companies used with respect to the valuation of Bell Atlantic's domestic cellular segment. Salomon Smith Barney reviewed the multiples of firm value to actual 1997 EBITDA and estimated 1998 EBITDA (based on selected investment banks' equity research) represented by the trading prices of these cellular communications companies. The following table presents ranges of multiples of firm value to actual 1997 and estimated 1998 EBITDA for these cellular communications companies.

Ratio of Firm Value to Actual 1997 EBITDA for Cellular Communications Companies	Ratio of Firm Value to Estimated 1998 EBITDA for Cellular Communications Companies
10.1x - 14.8x	8.5x - 12.3x

Using this information and other factors relevant in the valuation of GTE's domestic cellular segment, such as the relative penetration levels, margins and growth rates of GTE's domestic cellular segment, Salomon Smith Barney determined a valuation range for GTE's domestic cellular segment of approximately $8.9 billion to $9.8 billion.

3. *GTE Long Distance*

Salomon Smith Barney compared certain financial information of GTE's long distance operations segment with two groups of companies that Salomon Smith Barney believed to be appropriate for comparison. The first group, which Salomon Smith Barney believed was more closely comparable to GTE's long distance operations segment, included AT&T, MCI and Sprint Corporation. The second group, which Salomon Smith Barney believed was somewhat less comparable to GTE's long distance operations segment, included Frontier Corporation, Qwest Communications International, Inc. and Tel-Save Holdings Inc. The financial and valuation data for these groups of companies were adjusted by Salomon Smith Barney to estimate the financial and valuation characteristics of pure ''stripped long distance'' telecommunications companies. Salomon Smith Barney reviewed the multiples of firm value to latest twelve months EBITDA represented by the trading prices of the first group of companies as of July 24, 1998, with the comparable multiples of the second group of companies. The following table presents ranges, mean and median multiples of firm value to latest twelve months EBITDA for both of these groups of companies.

Ratio of Firm Value to Latest Twelve Months EBITDA					
AT&T, MCI and Sprint			Other Long Distance Companies		
Range	Mean	Median	Range	Mean	Median
6.8x - 11.4x	8.4x	6.9x	21.6x - 24.4x	23.0x	23.0x

Using this information and other factors relevant in the valuation of GTE's long distance operations segment, Salomon Smith Barney determined a valuation range for GTE's long distance operations segment of approximately $727.4 million to $969.9 million.

4. *GTE Other Assets*

Salomon Smith Barney compared certain financial information of certain GTE business segments in North America, including, without limitation, its directory/publishing, data initiatives, government systems and supply segments and personal communications services operations, with groups of companies that Salomon Smith Barney believed were appropriate for comparison. In addition, Salomon Smith Barney valued certain domestic and international investments, including, without limitation, investments in CODETEL (Dominican Republic), CANTV (Venezuela), CTI (Argentina), BC TELECOM, Inc and Le Groupe QuebecTel and other international local exchange, cellular and paging assets, based on other valuation methodologies and adjusted to reflect GTE's percentage ownership. These analyses resulted in a valuation of GTE's other assets ranging from approximately $18.7 billion to $21.4 billion.

5. *Total GTE Public Market Valuation*

By combining the stand-alone valuations for GTE's local exchange business, domestic cellular segment, long distance segment and other assets described above and making certain adjustments for debt, preferred securities, cash and cash equivalents, investments (other than those included in GTE's other assets) and option proceeds, this analysis resulted in a valuation range for GTE's aggregate equity of approximately $47.9 billion to $57.6 billion, or approximately $47.50 to $57.50 per share of GTE common stock based on the number of fully diluted shares of GTE common stock. The foregoing analysis does not reflect the revenue, expense and capital expenditure synergies believed by GTE and Bell Atlantic to be achievable following consummation of the merger, which synergies have been analyzed as described below.

Discounted Cash Flow Analysis—GTE. Salomon Smith Barney performed a five year discounted cash flow analysis, based on financial projections provided by the management of GTE, on the stand-alone unlevered free cash flows of GTE to establish a range of equity value per share of GTE common stock. The discounted cash flow was calculated for GTE assuming, solely for purposes of this analysis, discount rates ranging from 9.0% to 11.0%. Salomon Smith Barney calculated terminal values by applying a range of estimated EBITDA multiples of 6.75x to 8.75x to the projected EBITDA of GTE in fiscal year 2002. The following table compares the closing stock price for the GTE common stock on July 24, 1998 with the reference ranges of implied equity value per share of GTE common stock derived by Salomon Smith Barney using both financial projections provided by GTE management and median estimates provided by certain investment bank's equity research.

Range of Equity Value Per GTE Share Based on Management Projections	**Range of Equity Value Per GTE Share Based Equity Research Estimates**	**Closing Price of GTE Common Stock on July 24, 1998**
$63.50-$76.00	$60.50-$72.50	$57.94

Synergies. Salomon Smith Barney reviewed the synergy estimates provided by the management of GTE prepared after the management of GTE held discussions and exchanged information with the management of Bell Atlantic. GTE's synergy estimates reflect only the incremental benefits expected by the management of GTE to result from the merger compared to GTE on a stand-alone basis and include revenue, expense and capital expenditure synergies. GTE's synergy estimates assumed full potential synergies would not be achieved until 2003. Salomon Smith Barney then estimated the present value of the future streams of after-tax cash flows generated by those synergies, net of implementation costs, by applying discount rates reflecting, solely for purposes of this analysis, a weighted average cost of capital ranging from 9.0% to 11.0% to such cash flows through 2004 and by adding a terminal value determined by projecting a range of nominal perpetual synergy growth rates ranging from 1.0% to 3.0%. This analysis resulted in a net present value for the synergies of approximately $17.7 billion to $23.1 billion (assuming 100% of the synergies are realized).

Pro Forma Earnings Per Share Impact to Bell Atlantic. Salomon Smith Barney reviewed certain pro forma financial effects of the merger on the estimated earnings per share of Bell Atlantic. Using both mean First Call estimates as of July 20, 1998 and management earnings per share estimates, Salomon Smith Barney compared the earnings per share of Bell Atlantic, on a stand-alone basis assuming the merger was not consummated, to the estimated earnings per share of Bell Atlantic following consummation of the merger on a pro forma basis. Salomon Smith Barney's analysis gave effect to the issuance of shares of Bell Atlantic common stock at the exchange ratio and gave effect to revenue, expense and capital expenditure synergies but excluded certain costs necessary to achieve those synergies referred to above. Based on such analysis and assuming the merger will be accounted for under the pooling of interests accounting method, Salomon Smith Barney determined that the merger would be: (a) accretive to the earnings per share of Bell Atlantic on a pro forma basis by approximately 6.2% in 2000 and approximately 13.2% in 2001 using First Call earnings per share estimates and (b) accretive to the earnings per share of Bell Atlantic on a pro forma basis by approximately 8.1% in 2000 and approximately 9.8% in 2001 using management earnings per share estimates.

The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods to the particular circumstances and, therefore, is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Salomon Smith Barney's opinion. In arriving at its fairness determination, Salomon Smith Barney considered the results of all such analyses and did not attribute any particular weight to any factor or analysis considered by it; rather, Salomon Smith Barney made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all such analyses. In addition, in performing its analyses, Salomon Smith Barney made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters. No company or transaction used in the above analyses as a comparison is directly comparable to Bell Atlantic or GTE or the contemplated transaction. The analyses were prepared solely for purposes of Salomon Smith Barney providing its opinion to the GTE Board of Directors as to the fairness of the exchange ratio and do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by such analyses. Because such analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of GTE, Bell Atlantic, Salomon Smith Barney or any other person assumes responsibility if future results are materially different from those forecast. As described above, the opinion of Salomon Smith Barney to the GTE Board of Directors was among many factors taken into consideration by the GTE Board of Directors in making its determination to approve the merger agreement.

Fee Arrangements

Goldman Sachs. Pursuant to Goldman Sachs' engagement letter, GTE has agreed to pay Goldman Sachs a fee to be mutually agreed upon by GTE and Goldman Sachs, but in no event less than $7.5 million, in connection with the delivery of Goldman Sachs' opinion to the GTE Board of Directors. Pursuant to Goldman Sachs' engagement letter, following the rendering of its opinion, Goldman Sachs shall continue to provide such financial advisory and investment banking services in connection with the merger as GTE and Goldman Sachs shall agree. GTE has also agreed to reimburse Goldman Sachs for its reasonable out-of-pocket expenses, including attorneys' fees, and to indemnify Goldman Sachs against certain liabilities, including certain liabilities under the federal securities laws.

Salomon Smith Barney. Pursuant to Salomon Smith Barney's engagement letter, GTE has agreed to pay Salomon Smith Barney a fee to be mutually agreed upon by GTE and Salomon Smith Barney, but in no event less than $7.5 million, in connection with the delivery of Salomon Smith Barney's opinion to the GTE Board of Directors. Pursuant to Salomon Smith Barney's engagement letter, following the rendering of its opinion, Salomon Smith Barney shall continue to provide such financial advisory and investment banking services in connection with the merger as GTE and Salomon Smith Barney shall agree. GTE has also agreed to reimburse Salomon Smith Barney for its reasonable travel and other out-of-pocket expenses incurred in connection with its engagement (including the reasonable fees and disbursements of its counsel) and to indemnify Salomon Smith Barney against certain liabilities under the federal securities laws.

Michael T. Masin, the Vice Chairman and President-International and a director of GTE, is a member of the board of directors of Citigroup Inc., the corporate parent of Salomon Smith Barney.

Opinions of Bell Atlantic's Financial Advisors

Bell Atlantic financial advisor	Location of their full opinion
Bear Stearns	Appendix H
Merrill Lynch	Appendix I

Bell Atlantic engaged Bear Stearns and Merrill Lynch as its financial advisors based on Bear Stearns' and Merrill Lynch's experience and expertise. Bear Stearns and Merrill Lynch are internationally recognized investment banking firms that have substantial experience in transactions similar to the merger. The Bell Atlantic financial advisors, as part of their investment banking businesses, are continuously engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes.

At the July 27, 1998 meeting of the Bell Atlantic Board of Directors, Bear Stearns and Merrill Lynch jointly delivered their oral opinion (subsequently confirmed separately by each in writing) to the effect that, as of the date thereof, and subject to the assumptions, qualifications and limitations set forth therein, the exchange ratio was fair, from a financial point of view, to Bell Atlantic and, accordingly, to the holders (other than GTE and its affiliates) of Bell Atlantic common stock.

The full texts of these opinions, which set forth the assumptions made, matters considered and qualifications and limitations on the review undertaken by the Bell Atlantic financial advisors, are incorporated herein by reference. The summary of the Bell Atlantic financial advisors' opinions set forth below is qualified in its entirety by reference to the full text of these opinions. **Bell Atlantic shareholders are urged to read carefully the Bear Stearns opinion and the Merrill Lynch opinion in their entirety**. In reading the discussion of the fairness opinions set forth below, Bell Atlantic shareholders should be aware that the Bell Atlantic financial advisors' opinions:

- were provided to the Bell Atlantic Board of Directors for its information and are directed only to the fairness, from a financial point of view, of the exchange ratio to Bell Atlantic, and accordingly, to the holders (other than GTE and its affiliates) of Bell Atlantic common stock;
- did not constitute a recommendation to the Bell Atlantic Board of Directors in connection with the merger;
- do not address the merits of the underlying decision by Bell Atlantic to engage in the merger or the price or range of prices at which shares of Bell Atlantic common stock may trade subsequent to the announcement or consummation of the merger; and
- do not constitute a recommendation to any holder of Bell Atlantic common stock as to how such shareholder should vote on the Bell Atlantic merger proposal, or any matter related thereto.

Although the Bell Atlantic financial advisors each evaluated the fairness, from a financial point of view, of the exchange ratio to Bell Atlantic and, accordingly, to the holders (other than GTE and its affiliates) of Bell Atlantic common stock, the exchange ratio itself was determined by GTE and Bell Atlantic through arm's-length negotiations. The Bell Atlantic financial advisors provided advice to Bell Atlantic during the course of such negotiations. Bell Atlantic did not provide specific instructions to, or place any limitations on, the Bell Atlantic financial advisors with respect to the procedures to be followed or factors to be considered by them in performing their analyses or providing their opinions.

Bear Stearns Opinion

In arriving at its opinion, Bear Stearns, among other things:

- reviewed the merger agreement;
- reviewed each of Bell Atlantic's and GTE's Annual Reports on Form 10-K for the years ended December 31, 1995 through 1997, and their respective Quarterly Reports on Form 10-Q for the period ended March 31, 1998;
- reviewed selected operating and financial information, including financial forecasts, relating to the business, earnings, cash flow, assets, liabilities and prospects of Bell Atlantic and GTE, provided by

- the senior managements of Bell Atlantic and GTE, respectively (collectively, the "Projections") and certain other forward-looking information;
- reviewed selected information regarding the amount and timing of anticipated revenue enhancements, cost savings and related expenses and synergies expected to result from the merger (the "Expected Combination Benefits"), jointly prepared and provided by the senior managements of Bell Atlantic and GTE;
- met separately and/or jointly with selected members of the senior managements of Bell Atlantic and GTE to discuss (a) the current telecommunications landscape and competitive dynamics related thereto, (b) each company's operations, historical financial statements, future prospects and financial condition, (c) their views of the strategic, business, operational and financial rationale for, and expected strategic benefits and other implications of, the merger, and (d) the Projections and the Expected Combination Benefits;
- reviewed the historical prices, trading activity and valuation parameters of Bell Atlantic common stock and GTE common stock;
- reviewed and analyzed the pro forma financial impacts of the merger on Bell Atlantic;
- reviewed the terms, to the extent publicly available, of recent mergers and acquisitions which it deemed generally comparable to the merger or otherwise relevant to its inquiry;
- reviewed publicly available financial data, stock market performance data and valuation parameters of companies which it deemed generally comparable to Bell Atlantic and GTE or otherwise relevant to its inquiries; and
- conducted such other studies, analyses, inquiries and investigations as it deemed appropriate.

In preparing its opinion, Bear Stearns relied upon and assumed, without independent verification, the accuracy and completeness of all financial and other information, including the Projections and the Expected Combination Benefits, provided to it by GTE and Bell Atlantic. With respect to the Projections and the Expected Combination Benefits, Bear Stearns assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of GTE and Bell Atlantic as to the anticipated future performance of their respective companies and as to the anticipated combination benefits achievable within the time frames forecast therein. Bear Stearns also assumed with the consent of Bell Atlantic that the merger would (1) qualify as a tax-free "reorganization" for federal income tax purposes, and (2) otherwise be consummated in accordance with the terms described in the merger agreement, without the waiver of any material condition and with all necessary material consents and approvals having been obtained without any limitations, restrictions, conditions, amendments or modifications that collectively would have a material effect on Bell Atlantic, GTE or the expected benefits of the merger to Bell Atlantic.

In rendering its opinion, Bear Stearns analyzed the merger as a "merger of equals" between Bell Atlantic and GTE, and Bear Stearns did not solicit, and was not authorized to solicit, third party acquisition interest in Bell Atlantic. As described in "The Merger Transaction—Background of the Merger" in this Chapter I, Bell Atlantic and GTE structured the combination of the companies as a merger of equals. By its nature, a "merger of equals" typically refers to the merger of two comparably sized companies in the same industry where there is no clear acquirer or target company. Such transactions in essence constitute a uniting of the business interests of the combining companies and generally involve the creation of a board of directors that reflects equal representation from each of the combining companies and the creation of a senior management team that generally reflects the best managers from each of the combining companies. Accordingly, Bear Stearns only reviewed selected precedent merger of equals transactions, and did not review and analyze any acquisition transactions, or the acquisition multiples and purchase price premiums related to such acquisition transactions.

In arriving at its opinion, Bear Stearns did not perform any independent appraisal of the assets or liabilities of Bell Atlantic or GTE, nor was it furnished with any such appraisals. The Bear Stearns opinion is necessarily based on economic, market and other conditions, and the information made available to Bear Stearns, as of the date of its opinion, and Bear Stearns undertook no obligation to update its opinion to reflect any developments occurring after that date.

Merrill Lynch Opinion

In arriving at its opinion, Merrill Lynch, among other things:

- reviewed selected publicly available business and financial information relating to Bell Atlantic and GTE which Merrill Lynch deemed to be relevant;
- reviewed selected information, including the Projections and the Expected Combination Benefits;
- conducted discussions with members of senior management and representatives of Bell Atlantic and GTE concerning the information described above as well as the companies' respective businesses and prospects before and after giving effect to the merger and the Expected Combination Benefits;
- reviewed the market prices and valuation multiples for Bell Atlantic common stock and GTE common stock and compared them with those of selected publicly traded companies which Merrill Lynch deemed to be relevant;
- reviewed the results of operations of Bell Atlantic and GTE and compared them with those of selected publicly traded companies which Merrill Lynch deemed to be relevant;
- participated in selected discussions and negotiations among representatives of Bell Atlantic and GTE and their financial and legal advisers;
- reviewed the potential pro forma impact of the merger;
- reviewed the merger agreement; and
- reviewed such other financial studies and analyses and took into account such other matters as Merrill Lynch deemed necessary, including Merrill Lynch's assessment of general economic, market and monetary conditions.

In preparing its opinion, Merrill Lynch assumed and relied on the accuracy and completeness of all information supplied or otherwise made available to it, discussed with or reviewed by or for it, or publicly available, and Merrill Lynch did not assume any responsibility for independently verifying such information and has not undertaken an independent evaluation or appraisal of any of the assets or liabilities of Bell Atlantic or GTE or been furnished with any such evaluation or appraisal. In addition, Merrill Lynch did not assume any obligation to conduct any physical inspection of the properties or facilities of Bell Atlantic or GTE. With respect to the Projections and the Expected Combination Benefits, and any other financial forecast information furnished to or discussed with Merrill Lynch by Bell Atlantic or GTE, Merrill Lynch assumed that they have been reasonably prepared and reflect the best currently available estimates and judgment of Bell Atlantic's or GTE's management as to the expected future financial performance of Bell Atlantic or GTE, as the case may be, and the Expected Combination Benefits. Merrill Lynch further assumed that the merger will qualify as a tax-free reorganization for United States federal income tax purposes.

The Merrill Lynch opinion is necessarily based upon market, economic and other conditions as they existed on, and could be evaluated as of, the date of its opinion. Merrill Lynch assumed that in the course of obtaining the necessary regulatory or other consents or approvals (contractual or otherwise) for the merger, no restrictions, including any divestiture requirements or amendments or modifications, will be imposed that will have a material adverse effect on the contemplated benefits of the merger. In connection with the preparation of its opinion, Merrill Lynch was not authorized by Bell Atlantic or the Bell Atlantic Board of Directors to solicit, nor did Merrill Lynch solicit, third-party indications of interest for the acquisition of all or any part of Bell Atlantic.

Financial Analysis of Bell Atlantic Financial Advisors

The following is a brief summary of the material valuation, financial and comparative analyses presented by the Bell Atlantic financial advisors to the Bell Atlantic Board of Directors in connection with the rendering of the Bell Atlantic financial advisors' opinions. Such summary does not purport to be a complete description of the analyses underlying the Bell Atlantic financial advisors' opinions and is qualified in its entirety by reference to the full text of the Bell Atlantic financial advisors' opinions.

In performing their analyses, the Bell Atlantic financial advisors made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of the Bell Atlantic financial advisors, GTE and Bell Atlantic. Any estimates contained in the analyses performed by the Bell Atlantic financial advisors are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses. Additionally, estimates of the value of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities might actually be sold. Accordingly, such analyses and estimates are inherently subject to substantial uncertainty. In addition, as described above, the Bell Atlantic financial advisors' opinions were among several factors taken into consideration by the Bell Atlantic Board of Directors in making its determination to approve the merger agreement and the merger.

Implied Exchange Ratio Analyses. The Bell Atlantic financial advisors performed a summary comparison between the exchange ratio for the merger and the ranges of exchange ratios implied by several valuation methodologies: (a) stock price trading history, (b) contribution of net income, (c) contribution of EBITDA, (d) discounted cash flow and (e) selected Wall Street equity research analysts' stock price targets for GTE and Bell Atlantic. The exchange ratio ranges implied by these methodologies were compared to the negotiated exchange ratio for the merger of 1.22.

The implied exchange ratios derived from these methodologies are included in the following table. **This table should be read together with the more detailed descriptions below.** These methodologies and the implied exchange ratios derived from them must be considered as a whole and in the context of the narrative description of the financial analyses, including the assumptions underlying these analyses.

Valuation Methodology	Description of Valuation Methodology	Implied Exchange Ratio Range
Stock price trading history	Analysis of the relative daily historical closing prices of each company over selected time periods	1.05-1.55
Contribution of net income	Measures relative contribution of each company to the combined company total for net income	1.14-1.25
Contribution of EBITDA	Measures relative contribution of each company to the combined company total for EBITDA	1.15-1.22
Discounted cash flow	Net present valuation of management projections of after-tax cash flows for each company	0.83-1.35
Analysts' stock price targets	Compares analysts' price targets for each company immediately prior to the merger	1.05-1.40

- *Stock Price Trading History*—Based on the historical closing stock prices of Bell Atlantic common stock and GTE common stock over the period from January 2, 1996 through July 24, 1998, the Bell Atlantic financial advisors calculated that the implied market exchange ratio determined by dividing the price per share of GTE common stock by the price per share of Bell Atlantic common stock ranged from 1.05 to 1.55 over this period.

  The Bell Atlantic financial advisors noted that the prices of Bell Atlantic common stock and GTE common stock closed at $45.19 and $57.94, respectively, on July 24, 1998 (the last trading day before the day the merger agreement was executed), and that such closing stock prices resulted in an implied market exchange ratio of 1.28.

- *Contribution of Net Income*—Using the GTE and Bell Atlantic net income figures based on the Projections for the years 1998 to 2003, the Bell Atlantic financial advisors calculated the range of exchange ratios implied by the relative contributions of GTE and Bell Atlantic to the combined company's net income to be 1.14 to 1.25.
- *Contribution of EBITDA*—Using the GTE and Bell Atlantic EBITDA figures based on the Projections for the years 1998 to 2003, the Bell Atlantic financial advisors calculated the range of exchange ratios implied by the relative contributions of GTE and Bell Atlantic to the combined company's EBITDA to be 1.15 to 1.22.
- *Discounted Cash Flow*—Based on the GTE and Bell Atlantic after-tax, unlevered free cash flow figures based on the Projections for the years 1999 through 2003, the Bell Atlantic financial advisors calculated a range of implied values per share of Bell Atlantic common stock and GTE common stock. The discounted cash flow analysis assumed, solely for purposes of this analysis, a range of 2003 EBITDA exit multiples from 6.0x to 7.0x and a range of discount rates from 8.5% to 10.5%, and made adjustments to reflect the value of certain unconsolidated subsidiaries of each of GTE and Bell Atlantic at market values, where appropriate. Based on such implied per share value ranges, the Bell Atlantic financial advisors calculated the range of exchange ratios implied by the discounted cash flow analysis to be 0.83 to 1.35.
- *Analysts' Stock Price Targets*—The Bell Atlantic financial advisors also noted that the most recently available (as of July 24, 1998) stock price targets for Bell Atlantic common stock and GTE common stock as published by various Wall Street equity research analysts resulted in a range of implied exchange ratios of 1.05 to 1.40.

Illustrative Valuation Analysis of Expected Combination Benefits. The Bell Atlantic financial advisors performed an illustrative valuation of the Expected Combination Benefits by calculating the hypothetical net present value of expected incremental free cash flows based on the Expected Combination Benefits and the midpoints of ranges of assumed 2003 EBITDA exit multiples of 7.0x to 8.0x and assumed discount rates, solely for purposes of this analysis, of 7.5% to 11.5%.

Using such assumptions, the Bell Atlantic financial advisors calculated that the aggregate hypothetical after-tax net present value of the Expected Combination Benefits, excluding the after-tax effects of potential applicable restructuring and transaction costs and other one-time items, was approximately $13.8 billion, based on a 2003 EBITDA exit multiple of 7.5x and a discount rate of 9.5%, which represented the midpoints of ranges for such factors. Such amount was reduced by the after-tax effects of potential applicable direct incremental merger-related costs and other one-time items of approximately $0.3 billion, resulting in a net after-tax value of approximately $13.5 billion. The Bell Atlantic financial advisors calculated that these figures, when divided by the expected pro forma shares outstanding of the combined company, indicated that the per share after-tax net present value of the Expected Combination Benefits was approximately $4.98 per share of the combined company on an aggregate basis, or, after giving effect to direct incremental merger-related costs of approximately $0.10 per share, approximately $4.88 per share of the combined company on a net basis.

	Expected Combination Benefits	Transaction Costs	Net Expected Combination Benefits
Aggregate	$13.8 billion	$0.3 billion	$13.5 billion
Per share	$ 4.98	$0.10	$ 4.88

Pro Forma Merger Analysis. The Bell Atlantic financial advisors reviewed and analyzed certain pro forma financial impacts of the merger on holders of Bell Atlantic common stock based on the following:

- the exchange ratio;
- the Projections and the Expected Combination Benefits;
- an assumption for analytical purposes that the merger would be consummated on December 31, 1999;
- pooling of interests accounting treatment for the merger; and

- one of two alternative sets of assumptions (''Scenario I'' and ''Scenario II'') reflecting GTE and Bell Atlantic managements' expectations regarding the financial effects of possible steps that might be taken in order to resolve potential overlaps in the wireless operations of the combined company. Scenario I assumed the disposition of overlapping properties involving a relatively small number of potential wireless customers, while Scenario II assumed the disposition of overlapping properties involving a larger number of potential wireless customers. Based on the expectations of the managements of GTE and Bell Atlantic, the analysis assumed that the phase-in of the Expected Combination Benefits commences in the year 2000.

The results of this analysis indicated that, after factoring in the Expected Combination Benefits, the merger would result in moderate accretion to the projected earnings per share of Bell Atlantic common stock in each of 2000, 2001 and 2002 under Scenario I. Under the more conservative Scenario II, this analysis showed that, after factoring in the Expected Combination Benefits, the merger would result in somewhat lower accretion to Bell Atlantic's projected earnings per share for each of the three years analyzed. In addition, the Bell Atlantic financial advisors analyzed the pro forma financial impact of the merger on holders of Bell Atlantic common stock under Scenario II case assumptions and excluding the effects of the Expected Combination Benefits; under these assumptions the merger would result in moderate dilution to Bell Atlantic's projected earnings per share for each of the three years analyzed.

Illustrative Bell Atlantic Shareholder Value Analysis. The Bell Atlantic financial advisors analyzed various possible illustrative pro forma impacts of the merger on the value of a share of Bell Atlantic common stock. This analysis applied a range of illustrative price/earnings multiples to the pro forma 1999 earnings per share of the combined company based on the Projections and assuming various levels of pre-tax synergies. The illustrative price/earnings multiples, calculated using the Projections and closing stock prices as of July 24, 1998, ranged from 15.1x, the market multiple for Bell Atlantic's stand-alone 1999 earnings per share, to 16.6x, the market multiple for GTE's stand-alone 1999 earnings per share. Based on these assumptions, the Bell Atlantic financial advisors calculated that the illustrative pro forma value of a share of Bell Atlantic common stock ranged from a low of $44.30 (assuming Bell Atlantic's stand-alone price/earnings multiple of 15.1x and no synergies) to a high of $56.32 (assuming GTE's price/earnings multiple of 16.6x and $2.0 billion of pre-tax synergies). The Bell Atlantic financial advisors noted that the blended price/earnings multiple of GTE and Bell Atlantic (calculated as the income-weighted average of the respective stand-alone price/earnings multiples of GTE and Bell Atlantic) of 15.8x and a range of assumed synergies from zero to $2.0 billion resulted in a range of illustrative stock prices of the combined company from $46.18 to $53.29, as shown below:

	Expected Synergies: $0		**Expected Synergies: $2 billion**
15.1x price/earnings multiple	$44.30	15.8x price/earnings multiple	$53.29
15.8x price/earnings multiple	$46.18	16.6x price/earnings multiple	$56.32

The Bell Atlantic financial advisors also noted that the illustrative stock prices of the combined company of $44.30, $56.32, $46.18 and $53.29 would respectively represent increases (decreases) of (2.0%), 24.6%, 2.2% and 17.9% from the July 24, 1998 closing price of $45.19 for Bell Atlantic common stock.

In performing their analyses, the Bell Atlantic financial advisors did not express any opinion as to the price or range of prices at which Bell Atlantic common stock may trade subsequent to the consummation of the merger. The prices at which Bell Atlantic common stock ultimately trades in the stock market will be determined by a variety of quantitative and qualitative factors (for example, the price/earnings multiple at which Bell Atlantic common stock is actually valued by potential investors, which may be significantly more or less favorable than the illustrative ranges of price/earnings multiples used by the Bell Atlantic financial advisors for their analytical purposes and the level of synergies ultimately anticipated by the stock market), none of which can be predicted.

Total Return Analysis. The Bell Atlantic financial advisors also compared GTE and Bell Atlantic managements' estimates of dividends per share and projected earnings per share compound annual growth rates for GTE and Bell Atlantic from 1999 through 2003 to such managements' estimates of pro forma dividends per share and projected earnings per share compound annual growth rates of the combined company from 1999 through 2003. Based on the foregoing, and using the assumptions of Scenario II, the Bell Atlantic financial advisors calculated that the total return (calculated as the sum of the projected five-year earnings per share compound annual growth rates plus dividend yield) of the combined company for pre-merger holders of Bell Atlantic common stock would be 18.2% after factoring in the Expected Combination Benefits, compared with a 16.8% estimated total return for holders of Bell Atlantic common stock on a stand-alone basis.

The preparation of a fairness opinion is a complex process and involves various judgments and determinations as to the most appropriate and relevant assumptions and financial analyses and the application of these methods to the particular circumstances involved. Such an opinion is therefore not readily susceptible to partial analysis or summary description, and taking portions of the analyses set out above, without considering the analysis as a whole, would, in the view of the Bell Atlantic financial advisors, create an incomplete and misleading picture of the processes underlying the analyses considered in rendering the Bell Atlantic financial advisors' opinions. The Bell Atlantic financial advisors did not form an opinion as to whether any individual analysis or factor (positive or negative), considered in isolation, supported or failed to support the Bell Atlantic financial advisors' opinions. In arriving at their respective opinions, the Bell Atlantic financial advisors each considered the results of their separate analyses and did not attribute particular weight to any one analysis or factor considered by such firm. The analyses performed by the Bell Atlantic financial advisors, particularly those based on estimates and projections, are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. Such analyses were prepared solely as part of the Bell Atlantic financial advisors' analyses of the fairness, from a financial point of view, of the exchange ratio to Bell Atlantic and, accordingly, to the holders (other than GTE and its affiliates) of Bell Atlantic common stock.

Fee Arrangements

Pursuant to the terms of its engagement letters with Bear Stearns and Merrill Lynch, Bell Atlantic has agreed to pay $7.5 million to each of Bear Stearns and Merrill Lynch in connection with the delivery of the Bell Atlantic financial advisors' opinions. In addition, Bell Atlantic has agreed to reimburse the Bell Atlantic financial advisors for all reasonable out-of-pocket expenses incurred by them in connection with the merger, including reasonable fees and disbursements of their respective legal counsels. Bell Atlantic has also agreed to indemnify the Bell Atlantic financial advisors against certain liabilities in connection with their respective engagements, including certain liabilities under the federal securities laws.

Both Bear Stearns and Merrill Lynch have previously rendered certain investment banking and financial advisory services to both GTE and Bell Atlantic. Merrill Lynch served as Bell Atlantic's financial advisor and Bear Stearns served as NYNEX's financial advisor in connection with the Bell Atlantic-NYNEX merger, for which they received customary compensation. In addition, Bear Stearns served as financial advisor to GTE when GTE pursued the acquisition of MCI, for which it received customary compensation. The Senior Executive Vice President and Chief Financial Officer of Bell Atlantic is a member of the board of directors of The Bear Stearns Companies Inc., Bear Stearns' parent company. In the ordinary course of their businesses, Bear Stearns and Merrill Lynch may actively trade the securities of Bell Atlantic and/or GTE for their own accounts and for accounts of their customers and, accordingly, either or both firms may at any time hold a long or short position in such securities. One or both of the Bell Atlantic financial advisors may provide financial advisory and financing services to the combined company and/or its affiliates and may receive fees for the rendering of such services.

Accounting Treatment

GTE and Bell Atlantic intend that the merger will be accounted for in accordance with the pooling of interests method of accounting under Opinion No. 16, Business Combinations, of the Accounting Principles Board of the American Institute of Certified Public Accountants. Under this accounting method, the assets and liabilities of GTE and Bell Atlantic will be carried forward to the combined company at their historical recorded bases. Results of operations of the combined company will include the results of both GTE and Bell Atlantic for the entire fiscal year in which the merger occurs. The reported balance sheet amounts and results of operations of the separate companies for prior periods will be combined, reclassified and conformed, as appropriate, to reflect the combined financial position and results of operations for the combined company. Approvals by federal and state regulatory agencies are required before we can complete the merger. While the pooling of interests method of accounting normally requires a merger to be completed within one year of the date of initiation of the transaction, we expect that this condition will still be considered to be met since any delay will be beyond our control due to proceedings of a governmental authority. For a further discussion of the individual regulatory approvals required to complete the merger, see "The Merger Transaction—Regulatory Approvals" in this Chapter I.

Material Federal Income Tax Consequences

The following general discussion constitutes the opinions of Skadden, Arps, Slate, Meagher & Flom LLP, counsel to Bell Atlantic, and O'Melveny & Myers LLP, counsel to GTE, subject to the qualifications set forth below and contained herein, as to material federal income tax consequences of the merger. This discussion is based on the Internal Revenue Code of 1986, as amended, the regulations promulgated thereunder, existing administrative interpretations and court decisions, all of which are subject to change, possibly with retroactive effect, and assumes that the merger will be consummated in the manner described in this joint proxy statement and prospectus and in accordance with the merger agreement (without amendment). This discussion does not address all aspects of federal income taxation that may be important to a shareholder in light of the shareholder's particular circumstances. It also does not apply to those shareholders subject to special rules, such as shareholders who are not citizens or residents of the United States, financial institutions, tax-exempt organizations, insurance companies, dealers in securities, shareholders who acquired their GTE common stock pursuant to the exercise of options or similar derivative securities or otherwise as compensation or shareholders who hold their GTE shares as part of a straddle or conversion transaction. This discussion assumes that GTE shareholders hold their respective shares of stock as capital assets within the meaning of Section 1221 of the Internal Revenue Code.

The obligations of GTE and Bell Atlantic to complete the merger are conditioned on the delivery of opinions dated the date of completion of the merger: (1) to Bell Atlantic from Skadden, Arps, Slate, Meagher & Flom LLP reissuing the opinion of Skadden, Arps, Slate, Meagher & Flom LLP stated in this discussion and (2) to GTE from O'Melveny & Myers LLP reissuing the opinion of O'Melveny & Myers LLP stated in this discussion. The opinions of counsel contained in this discussion and to be delivered at the completion of the merger assume the absence of changes in existing facts and may rely on assumptions, representations and covenants including those contained in certificates of officers of Bell Atlantic, GTE and others. These opinions neither bind the Internal Revenue Service nor preclude it from adopting a contrary position, and no assurance can be given that contrary positions will not be successfully asserted by the Internal Revenue Service or adopted by a court if the issues are litigated.

Subject to the qualifications set forth herein, in the opinions of Skadden, Arps, Slate, Meagher & Flom LLP, counsel to Bell Atlantic, and O'Melveny & Myers LLP, counsel to GTE, the merger will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Accordingly:

Tax Implications to Bell Atlantic Shareholders

Current holders of Bell Atlantic common stock will not recognize any gain or loss for federal income tax purposes as a result of the merger or the Bell Atlantic merger proposal.

Tax Implications to GTE Shareholders

Except as discussed below, (1) no gain or loss will be recognized for federal income tax purposes by holders of GTE common stock whose GTE common stock is converted into combined company common stock in the merger except to the extent they receive cash instead of a fraction of a share and (2) the aggregate tax basis of combined company common stock received as a result of the merger will be the same as the shareholder's aggregate tax basis in the GTE common stock converted in the merger (reduced by any tax basis allocable to cash received instead of a fraction of a share). The holding period of the combined company common stock that a former GTE shareholder receives as a result of the conversion will include the period during which the shareholder held the GTE common stock. If a GTE shareholder receives cash instead of a fraction of a share of the combined company common stock, the shareholder will recognize gain or loss for federal income tax purposes, measured by the difference between the amount of cash received and the portion of the tax basis of the share of GTE common stock allocable to the fraction of a share interest. This gain or loss will be capital gain or loss and will be a long-term capital gain or loss if the share of GTE common stock has been held for more than one year at the time the merger is effective.

Pursuant to the merger agreement, GTE will pay any transfer taxes incurred as a result of a change in ownership of GTE, including transfer taxes that under applicable law may be the primary liability of GTE shareholders. Although the matter is not free from doubt, the payment by GTE of transfer taxes for which GTE shareholders are primarily liable, if any, may be treated for federal income tax purposes as a deemed distribution by GTE to GTE shareholders, which would be taxable as a dividend.

Tax Implications to Bell Atlantic, GTE and Beta Gamma

No gain or loss will be recognized for federal income tax purposes by Bell Atlantic, GTE or Beta Gamma as a result of the merger or the Bell Atlantic merger proposal.

This discussion is not intended to be a complete analysis or description of all potential federal income tax consequences of the merger. In addition, this discussion does not address tax consequences which may vary with, or are contingent on, individual circumstances. Moreover, except for the discussion of transfer taxes above, this discussion does not address any non-income tax or any foreign, state or local tax consequences of the merger or the Bell Atlantic merger proposal. This discussion does not address the tax consequences of any transaction other than the merger and the Bell Atlantic merger proposal. Accordingly, you are strongly urged to consult with your tax advisor to determine your particular federal, state, local or foreign income or other tax consequences resulting from the merger and the Bell Atlantic merger proposal.

Regulatory Approvals

Before the merger can be completed, we must receive the approvals of governmental agencies. It is possible that the authorities may seek various concessions as conditions for granting approval. However, we are not required to take any steps in connection with obtaining these approvals that would reasonably be expected to have a Material Adverse Effect on either of us or the combined company. We may choose to complete the merger without some approvals or consents which would not have a Material Adverse Effect on either of us or the combined company if they were not received. Under particular circumstances, the termination date will be extended if the merger cannot be completed because required consents have not been obtained. See ''Summary of the Merger Agreement—Conditions in the Merger Agreement'' and ''Termination'' in this Chapter I for a discussion of those circumstances. We cannot be certain that we will obtain the required regulatory approvals within the time frame contemplated by the merger agreement or on terms that are satisfactory to us.

Antitrust

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the related rules of the Federal Trade Commission, we cannot complete the merger until notifications have been given and certain information has been furnished to the Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice and specified waiting period requirements have been satisfied. We filed notification and report forms under the Hart-Scott-Rodino Act with the Federal Trade Commission and the Antitrust Division in August 1998. In September 1998, we received requests from the Antitrust Division for additional information relating to the merger. In December 1998, we certified substantial compliance with the Antitrust Division's request for additional information and in January 1999, the waiting period ended. The Department of Justice is continuing to evaluate the merger. As with any merger, the Antitrust Division has the authority to challenge the merger on antitrust grounds before or after the merger is completed. The merger is also subject to antitrust review under state law in some of the states in which we provide telephone service. At any time before or after the merger is completed, the Federal Trade Commission, the Department of Justice or others could take action under the antitrust laws with respect to the merger, including seeking to enjoin the completion of the merger, to rescind the merger or to require divestiture of substantial assets of GTE or Bell Atlantic.

FCC Approvals

The Federal Communications Commission must approve the transfer of control to Bell Atlantic of GTE's subsidiaries holding Federal Communications Commission licenses and authorizations. The Federal Communications Commission must decide whether Bell Atlantic is qualified to control these licenses and authorizations, and whether the transfer is consistent with the public interest, convenience and necessity. The Federal Communications Commission will examine, among other things, the competitive effects of the merger and other public interest benefits and alleged harms. We believe that the applications that we have filed with the Federal Communications Commission demonstrate that the proposed transaction satisfies these standards.

Bell Atlantic's ability to provide long distance service is presently limited by the terms of the Telecommunications Act of 1996. Under the Telecommunications Act of 1996, each of Bell Atlantic's telephone companies must demonstrate to the Federal Communications Commission that it has satisfied specific requirements before Bell Atlantic will be permitted to offer long distance services originating within that telephone company's jurisdiction. The telephone company must comply with a 14-point ''competitive checklist,'' which includes steps to help competitors offer local services, whether through resale of the telephone company's service, purchase of network elements from the telephone company, or use of the competitors' own networks. Bell Atlantic must also demonstrate to the Federal Communications Commission that its entry into the long distance market would be in the public interest.

Bell Atlantic expects to file in the second quarter of 1999 an application with the Federal Communications Commission for permission to offer long distance service originating in New York State. Bell Atlantic hopes to begin offering this service in the third quarter of 1999. Following Bell Atlantic's application for New York, Bell Atlantic expects next to file applications with the Federal Communications Commission for Pennsylvania, Massachusetts, New Jersey, Virginia and Maryland and, subsequently, for its remaining states. The timing of Bell Atlantic's long distance entry in each of its 14 telephone company jurisdictions depends on the receipt of Federal Communications Commission approval.

The U.S. Supreme Court has recently upheld the Federal Communications Commission's authority to establish rules implementing key provisions of the Telecommunications Act of 1996. In particular, the Supreme Court held that the Federal Communications Commission may require incumbent local exchange carriers, such as Bell Atlantic and GTE, to provide competitors a pre-assembled network platform at substantially reduced prices or to combine network elements for competitors. However, the court directed the Federal Communications Commission to determine, consistent with the requirements of the Telecommunications Act of 1996, which network elements must be made available. In addition, the U.S. Court of Appeals will now consider our challenge of the Federal Communications Commission's rules for pricing of network elements and interconnection. Bell Atlantic expects, but cannot assure, that the timing of its long distance applications will not be affected by further proceedings pending before the Federal Communications Commission and the Court of Appeals.

GTE, which is not subject to the long distance provisions of the Telecommunications Act of 1996, currently provides long distance services throughout the United States, including long distance services that originate in Bell Atlantic's telephone company jurisdictions. Upon completion of the merger, GTE will be considered an affiliate of Bell Atlantic. Accordingly, we cannot complete the merger until we receive the appropriate Federal Communications Commission approvals or waivers, unless we are able to design a satisfactory interim structure consistent with Federal Communications Commission requirements or obtain other relief. We cannot be certain whether the Federal Communications Commission will grant any approval or waiver.

State Regulatory Approvals

We have made regulatory filings with the public utility commissions in each of the 50 states and the District of Columbia. We believe that pre-merger approvals are not required in some of the states where GTE or Bell Atlantic have operations, but these states could attempt to assert jurisdiction. Where we have applied for approval, the governing legal standard varies from state to state, but generally requires a showing that the merger is consistent with the public interest. As part of that standard, these state regulatory commissions may look at the impact of the merger on competition and on the customers and employees of the local telephone company.

California and Illinois state laws require proceedings to determine whether a portion of the net savings resulting from a merger of a public utility in those states must be allocated to customers. GTE has operations in those states, and the merger is subject to those proceedings. The California Public Utilities Code requires that the California Public Utilities Commission allocate equitably the short- and long-term forecasted net savings of the merger between shareholders and customers, with customers receiving not less than 50% of any net savings, before it authorizes a change of control as contemplated by the merger. The California Public Utilities Commission's determination of forecasted net savings is limited to services over which it exercises ratemaking authority. The California Public Utilities Commission is not required to use any particular method for assuring that customers receive any forecasted net savings and, in markets where competition exists, the California Public Utilities Commission can rely on competition to assure that the net savings flow to consumers. Illinois law provides that the Illinois Commerce Commission cannot approve a reorganization of the type contemplated by the merger without ruling on the allocation of net savings resulting from it, and on whether the reorganizing companies should be allowed to recover the costs of such reorganization.

More than one-half of the state commissions have approved or declined to review the merger. On March 31, 1999, the State Corporation Commission of Virginia disapproved and dismissed, without prejudice, our joint petition for approval of the merger, stating that it expects us to refile our application and specifying additional information which we must submit to demonstrate that service to the public at just and reasonable rates will not be jeopardized as a result of the merger. We will make the necessary filing in a timely manner.

International Regulation

In October 1998, Poland's Office For Competition and Consumers Protection issued a statement of no objection to the merger, and the Canadian Government issued a ruling indicating insufficient grounds to challenge the merger. In March 1999 we made a filing with the Federal Competition Commission in Mexico, and we expect that it will approve the merger. We believe that no other international approvals are required.

Conflicts Created by Overlaps of Domestic Wireless Properties; Potential Solutions

GTE's domestic wireless operations cover approximately 62 million potential cellular and personal communications services customers. The operations of Bell Atlantic's cellular subsidiary cover more than 56 million potential wireless customers. PrimeCo Personal Communications, L.P., in which Bell Atlantic has a one-half interest, has personal communications services operations covering more than 56 million additional potential wireless customers.

GTE and Bell Atlantic cellular operations currently compete with each other in several markets covering a total of approximately one million potential wireless customers. Federal law currently does not permit one company to control two cellular licensees serving the same cellular geographic service area. Accordingly, we expect that on or after the date the merger becomes effective, we will dispose of one of the cellular properties and licenses in each of these markets.

GTE owns cellular operations in a number of markets where PrimeCo operates, covering a total of approximately 15 million potential wireless customers. Federal Communications Commission regulations currently limit the amount of licensed ''spectrum''—the electromagnetic frequencies used for wireless communications—that a company may control in one market. Following the merger, the combined company's spectrum ownership in those markets would exceed the current Federal Communications Commission spectrum limits. In November 1998, the Federal Communications Commission issued a Notice of Proposed Rulemaking to review its spectrum limits, stating that it is considering several options, including a modification or elimination of these limits. We do not yet know whether, or to what extent, the combined company will have to dispose of wireless properties that overlap with PrimeCo properties in order to reduce its spectrum ownership.

In 1994, Bell Atlantic and AirTouch Communications, Inc., the other owner of PrimeCo, entered into agreements to form PrimeCo and another partnership to coordinate their wireless operations. Those agreements contain certain so-called "non-compete" provisions that by their terms would prohibit either partner from acquiring wireless properties in wireless markets in which the other has an interest or in which PrimeCo has an interest. GTE owns cellular licenses in a number of markets, covering a total of approximately 22 million potential wireless customers, where AirTouch has wireless operations. Bell Atlantic considers the "non-compete" provisions unenforceable to the extent that they prohibit competition outside the territories where PrimeCo operates. In January 1999, Bell Atlantic and GTE filed suit against AirTouch in federal court seeking injunctive relief, as well as an order declaring the "non-compete" provisions void as invalid restraints on trade in violation of federal and state law insofar as they prohibit competition outside the territories where PrimeCo operates. In February 1999, AirTouch filed counterclaims seeking damages and enforcement of the provisions. Although counsel, Kellogg, Huber, Hansen, Todd & Evans, P.L.L.C., have not expressed a view concerning the likely outcome of the litigation, they have advised Bell Atlantic and GTE that, in their view, based on the facts as set forth in Bell Atlantic's and GTE's complaint, the "non-compete" provisions, insofar as they purport to prohibit competition outside the territories where PrimeCo operates, constitute invalid and unenforceable restraints of trade under federal antitrust laws. Accordingly, we do not currently expect that we will have to dispose of any GTE cellular properties outside the territories where PrimeCo operates, except those GTE cellular properties that compete with Bell Atlantic cellular properties.

However, in the unlikely event that AirTouch were able to enforce the "non-compete" provisions to prohibit competition outside the territories where PrimeCo operates, we would have to dispose of some GTE cellular properties outside the territories where PrimeCo operates, and the dispositions could impair our ability to account for the merger as a pooling of interests. Under the merger agreement, we have agreed that, if, as a result of those dispositions, it is determined that the merger could not be accounted for as a pooling of interests, we would still be obligated to complete the merger. In that case, we would seek our shareholders' approval with a new joint proxy statement and prospectus, describing the merger accounted for as a purchase rather than a pooling. In such an event, the completion of the merger could be delayed or prevented.

Upon the completion of AirTouch's merger with Vodafone Group PLC, Bell Atlantic intends to exercise its option to dissolve PrimeCo and divide PrimeCo's personal communications services properties with AirTouch following procedures contained in the PrimeCo partnership agreement. Depending on the timing of that dissolution, the "non-compete" provisions described above, insofar as they prohibit competition between Bell Atlantic and PrimeCo properties, may require the combined company to dispose of GTE cellular properties and licenses in markets in which PrimeCo operated.

The PrimeCo partnership agreement also generally requires each PrimeCo owner to first offer PrimeCo any personal communications services property that the owner wishes to acquire. GTE owns personal communications services licenses in a number of markets, covering a total of approximately 8.6 million potential wireless customers.

We are exploring a number of alternatives for resolving or eliminating regulatory or other conflicts relating to our wireless operations. These alternatives include, in addition to the AirTouch litigation and dissolution of PrimeCo following the AirTouch-Vodafone merger, sales of wireless properties, exchanges with third parties for other wireless properties which would not raise conflict issues, re-negotiation of applicable contractual provisions, reduction of spectrum ownership and other transactions.

No Appraisal Rights

Under the law of New York, where GTE is incorporated, holders of GTE common stock are not entitled to appraisal rights in connection with the merger because GTE common stock is listed on a national securities exchange.

Under the law of Delaware, where Bell Atlantic is incorporated, Bell Atlantic shareholders are not entitled to appraisal rights in connection with the merger or the related transactions because they will continue to hold their shares after the merger.

GTE Shareholder Lawsuits Challenging the Merger

Between July 28, 1998, and August 18, 1998, plaintiffs alleging themselves to be GTE shareholders filed fourteen lawsuits in the Supreme Court of the State of New York, New York County against GTE and the members of the GTE Board of Directors. These lawsuits have been consolidated into a single class action in the Supreme Court of the State of New York. The consolidated complaint alleges that GTE and the GTE Board of Directors breached their fiduciary duties to GTE shareholders in approving the merger. The complaint alleges that GTE shareholders will not receive adequate compensation for their shares of GTE common stock pursuant to the merger agreement. The complaint seeks one or more of the following remedies:

- to preliminarily and permanently enjoin completion of the merger;
- to rescind the merger if it is completed; or
- to recover compensatory damages if the merger is completed and not rescinded.

The complaint names Bell Atlantic as a defendant and alleges that Bell Atlantic aided and abetted the purported breaches of fiduciary duties. We have filed a motion to dismiss the complaint based on our position that the complaint does not state a legal claim and GTE's position that the actions taken by GTE's Board of Directors in connection with the merger did not breach any fiduciary duty owed to GTE's shareholders. We intend to defend the lawsuit vigorously.

COMPARATIVE PER SHARE MARKET PRICE AND DIVIDEND INFORMATION

We are providing you with the reported high and low sale prices of GTE common stock and Bell Atlantic common stock as reported on the New York Stock Exchange's Composite Transactions Tape for each calendar quarter during the last three years.

GTE common stock and Bell Atlantic common stock are listed on the New York Stock Exchange, the Chicago Stock Exchange, the Pacific Stock Exchange and various foreign exchanges. Bell Atlantic common stock is also listed on the Philadelphia Stock Exchange and the Boston Stock Exchange. The GTE ticker symbol on the New York Stock Exchange is ''GTE''. The Bell Atlantic ticker symbol on the New York Stock Exchange is ''BEL''.

	GTE Common Stock			Bell Atlantic Common Stock*		
	Market Price		Cash Dividends Declared	Market Price		Cash Dividends Declared
	High	Low		High	Low	
1997						
First Quarter	$49.38	$43.13	$.47	$35.69	$29.63	$ .37
Second Quarter	47.50	41.13	.47	39.13	28.38	.37
Third Quarter	48.38	42.88	.47	40.81	34.00	.385
Fourth Quarter	52.25	40.50	.47	45.88	37.38	.385
1998						
First Quarter	$60.50	$47.94	$.47	$53.00	$42.38	$.385
Second Quarter	64.38	55.25	.47	51.63	44.69	.385
Third Quarter	58.69	46.56	.47	50.44	40.44	.385
Fourth Quarter	71.81	53.94	.47	61.19	47.75	.385
1999						
First Quarter	$69.75	$57.00	$.47	$60.44	$50.63	$.385
Second Quarter (through April 9, 1999)	$65.00	$59.50	—	$55.94	$50.94	—

* Adjusted to reflect a two-for-one stock split on June 1, 1998.

On July 27, 1998, the last full trading day prior to the public announcement of the proposed merger, the closing prices on the New York Stock Exchange Composite Transactions Tape were $55.75 per share of GTE common stock and $45.00 per share of Bell Atlantic common stock. On April 9, 1999, the closing price on the New York Stock Exchange Composite Transactions Tape was $64.31 per share of GTE common stock and $55.88 per share of Bell Atlantic common stock. We urge you to obtain current market quotations before voting your shares. Because the exchange ratio is fixed in the merger agreement, the market value of the shares of Bell Atlantic common stock that holders of GTE common stock will have the right to acquire on the date the merger becomes effective may vary significantly from the market value of the shares of Bell Atlantic common stock that holders of GTE common stock would receive if the merger was completed on the date of this joint proxy statement and prospectus. Similarly, the aggregate market value of the shares of GTE common stock that Bell Atlantic will acquire on the date the merger is effective may vary significantly from the aggregate market value of the shares of GTE common stock on the date of this joint proxy statement and prospectus.

Bell Atlantic currently pays dividends at a rate of $1.54 per share each year, and GTE currently pays dividends at a rate of $1.88 per share each year. The dividend policy of the combined company will be determined by its board of directors following the merger. We expect the initial annualized dividend rate to be at least $1.54 per share each year. Since GTE shareholders will receive 1.22 shares of combined company common stock in the merger for each share of GTE common stock they own, this dividend would be nearly identical to the dividend that GTE shareholders now receive.

UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

The following unaudited pro forma combined condensed financial statements are presented assuming that the merger will be 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. These unaudited pro forma financial statements have been prepared from, and should be read in conjunction with, the historical consolidated financial statements and accompanying notes of GTE and Bell Atlantic, which have been incorporated by reference into this joint proxy statement and prospectus. The unaudited pro forma financial information is presented for illustration purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the merger had been completed at the dates indicated. The information does not necessarily indicate the future operating results or financial position of the combined company.

We prepared the unaudited pro forma financial data by adding or combining the historical amounts of each company and adjusting the combined amounts for significant differences in accounting methods used by each company. These adjustments are described in the accompanying notes to the financial statements. We prepared the unaudited pro forma combined condensed balance sheet by combining the balance sheets of GTE and Bell Atlantic at December 31, 1998, giving effect to the merger as if it had occurred on December 31, 1998. The unaudited pro forma combined condensed statements of income give effect to the merger as if it had occurred at the beginning of the earliest period presented, combining the results of GTE and Bell Atlantic for each year in the three-year period ended December 31, 1998. The terms of the merger specify that each share of GTE common stock will be converted into the right to receive 1.22 shares of combined company common stock. This exchange ratio was used in computing certain of the pro forma adjustments and in computing share and per share amounts in the accompanying unaudited pro forma financial information.

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, in connection with completing the transaction and integrating the operations of GTE and Bell Atlantic. These costs consist principally of systems modification costs, costs associated with the elimination and consolidation of duplicate facilities, employee severance and relocation resulting from the merger, branding, compensation arrangements, and professional and registration fees. While the exact timing, nature and amount of these costs is subject to change, we anticipate that the combined company will record a charge of approximately $375 million for direct incremental costs in the quarter in which the merger is completed. This estimated charge is comprised of the following amounts:

Direct Incremental Costs	(Dollars in millions)
Compensation arrangements	$ 206
Professional services	85
Shareowner-related costs	32
Registration and other regulatory costs	27
Other costs	25
Total	$ 375

The direct incremental merger-related costs have been reflected as an increase to other current liabilities and the after-tax cost of this anticipated charge (approximately $310 million) has been reflected as a reduction in reinvested earnings in the unaudited pro forma combined condensed balance sheet as of December 31, 1998.

Transition costs of $1.2 billion to $1.6 billion, to be incurred over the three years following the completion of the merger, are not reflected in the unaudited pro forma financial information. The transition costs are comprised of the following estimated amounts:

	(Dollars in millions)	
	Cost Range	
Transition Costs	**Low**	**High**
Severance and relocation	$ 560	$ 650
Systems integration	375	525
Branding	150	200
Real estate consolidation	75	125
Staff integration and training	65	125
Total	$1,225	$1,625

Although the precise timing of the transition costs is uncertain, we expect that approximately one-half of these costs will be incurred in the first 12 months following the closing of the merger, one-third will be incurred in the second succeeding 12-month period and the remainder will be incurred in the third succeeding 12-month period following the closing of the merger.

The unaudited pro forma financial data also does not include: (a) any of the anticipated revenue increases, or expense or capital savings resulting from the integration of the operations of GTE and Bell Atlantic; (b) any costs incurred, consideration received, or dispositions made in connection with actions that may be taken regarding certain overlapping wireless properties as a result of regulatory or contractual issues associated with the merger; or (c) any dispositions required as a result of regulatory or contractual requirements.

On January 31, 1999, BC TELECOM Inc., a majority-owned subsidiary of GTE, merged with TELUS Corporation to create a growth-oriented telecommunications company. The merged company is called BCT.TELUS Communications Inc. Under the terms of the merger agreement, GTE's ownership interest in the merged company is approximately 27%. Accordingly, during the first quarter of 1999, GTE will deconsolidate BC TELECOM and account for its investment in BCT.TELUS under the equity method of accounting. The pro forma financial information that follows has not been adjusted to reflect this transaction, which would not have a material effect on the net income of the combined company. As a result of the transaction, GTE expects to record a one-time, after-tax gain of approximately $300 million during the first quarter of 1999. This gain will be partially offset by charges related to cost-cutting initiatives within GTE's national operations unrelated to the merger and the early retirement of long-term debt. GTE expects that these charges as currently estimated will be approximately $150 million to $225 million after-tax and will include $100 million to $150 million after-tax related to the separation of 2,500 to 3,500 GTE employees and associated facilities costs. The cost of these actions is not included in the transition costs described above.

Additionally, during 1998 GTE committed to a plan to sell some of its business operations, including GTE Government Systems, a supplier of government and defense communications systems; GTE Airfone, a provider of aircraft-passenger telecommunications; and approximately 1.6 million non-strategic telephone access lines in thirteen states. In 1998, GTE Government Systems and GTE Airfone generated revenues of approximately $1.6 billion and operating income of approximately $160 million. Due to the centralized manner in which GTE's local telephone companies are managed and the fact that the lines to be sold represent portions of states rather than entire operating companies, revenues and operating income applicable to the lines to be sold are not readily determinable. The 1.6 million telephone access lines held for sale represent approximately 7% of the average domestic lines that GTE had in service during 1998. GTE's goal is to complete these asset sales during 1999 and 2000. The pro forma financial information that follows has not been adjusted to reflect these potential transactions.

On April 5, 1999, GTE announced that it would acquire Ameritech's wireless properties in Chicago, St. Louis and central Illinois. GTE will pay $3.27 billion in cash for the properties, which include 1.7 million subscribers and more than 11 million potential wireless customers. These properties will be 93% owned by GTE and 7% owned by Davenport Cellular Communications LLC, a company wholly-owned by Georgetown Partners. This transaction is expected to be slightly dilutive to GTE's earnings per share in the first year and the dilution for the combined company on a pro forma basis would be insignificant. The pro forma information that follows has not been adjusted to reflect this transaction. On a pro forma basis, the annual revenues and operating income for the properties to be acquired represent approximately 3% and 2% of 1998 consolidated revenues and operating income for GTE and the combined company, respectively. This purchase will initially be financed with debt, but GTE plans to pay down this debt with the more than $3 billion that GTE expects to generate from the previously announced sale of non-strategic assets.

COMBINED COMPANY

PRO FORMA COMBINED CONDENSED BALANCE SHEET

December 31, 1998
(Unaudited)

	Historical Bell Atlantic	Historical GTE	Pro Forma Adjustments		Pro Forma Combined
		(Dollars in Millions)			
Assets					
Current assets					
Cash and temporary cash investments	$ 1,023	$ 657	$		$ 1,680
Receivables, net	6,560	4,785			11,345
Other current assets	1,499	1,339	65	3(e)	2,903
Total current assets	9,082	6,781	65		15,928
Property, plant and equipment—net	36,816	24,866	(202)	3(d)	61,480
Investments in unconsolidated businesses	4,276	2,210			6,486
Other assets	4,970	9,758			14,728
Total assets	$55,144	$43,615	$ (137)		$98,622
Liabilities and shareowners' investment					
Current liabilities					
Debt maturing within one year	$ 2,988	$ 4,148	$		$ 7,136
Accounts payable and accrued liabilities	6,105	5,209			11,314
Other current liabilities	1,438	998	375	3(b)	2,811
Total current liabilities	10,531	10,355	375		21,261
Long-term debt	17,646	15,418			33,064
Employee benefit obligations	10,384	4,404			14,788
Deferred credits and other liabilities	3,558	4,672	(77)	3(e)	8,153
Shareowners' investment					
Common stock (2,757,203,141 shares)	158	50	68	3(a)	276
Contributed capital	13,368	7,884	(1,092)	3(a)	20,160
Reinvested earnings	1,371	2,740	(310)	3(b)	
			(125)	3(d)	3,676
Accumulated other comprehensive loss	(714)	(375)			(1,089)
	14,183	10,299	(1,459)		23,023
Less common stock in treasury, at cost	593	1,024	(1,024)	3(a)	593
Less deferred compensation—employee stock ownership plans	565	509			1,074
Total shareowners' investment	13,025	8,766	(435)		21,356
Total liabilities and shareowners' investment	$55,144	$43,615	$ (137)		$98,622

See accompanying Notes to Unaudited Pro Forma Combined Condensed Financial Statements.

COMBINED COMPANY

PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME

For the year ended December 31, 1998
(Unaudited)

	Historical Bell Atlantic	Historical GTE	Pro Forma Adjustments		Pro Forma Combined
	(Dollars in Millions, Except for Per Share Amounts)				
Operating revenues	$31,566	$25,473	$		$57,039
Operating expenses	24,939	20,137	208	3(d)	45,284
Operating income	6,627	5,336	(208)		11,755
Income (loss) from unconsolidated businesses	(415)	240			(175)
Other income and (expense), net	122	(161)			(39)
Interest expense	1,335	1,370			2,705
Income taxes	2,008	1,553	(79)	3(e)	3,482
Income from continuing operations	2,991	2,492	(129)		5,354
Redemption of minority interest	(30)				(30)
Redemption of investee preferred stock	(2)				(2)
Income available to common shareowners	$ 2,959	$ 2,492	$(129)		$ 5,322
Basic earnings per common share					
Income from continuing operations per common share	$ 1.90	$ 2.59			$ 1.95
Weighted average shares outstanding (in millions)	1,553.0	963.0	211.8	3(c)	2,727.8
Diluted earnings per common share					
Income from continuing operations per common share	$ 1.87	$ 2.57			$ 1.93
Weighted average shares—diluted (in millions)	1,578.3	968.2	212.9	3(c)	2,759.4

See accompanying Notes to Unaudited Pro Forma Combined Condensed Financial Statements.

COMBINED COMPANY

PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME

For the year ended December 31, 1997
(Unaudited)

	Historical Bell Atlantic	Historical GTE	Pro Forma Adjustments		Pro Forma Combined
	(Dollars in Millions, Except for Per Share Amounts)				
Operating revenues	$30,194	$23,260	$		$53,454
Operating expenses	24,853	17,649	111	3(d)	42,613
Operating income	5,341	5,611	(111)		10,841
Income (loss) from unconsolidated businesses	(124)	217			93
Other income and (expense), net	(3)	(175)			(178)
Interest expense	1,230	1,235			2,465
Income taxes	1,529	1,624	(42)	3(e)	3,111
Income from continuing operations	$ 2,455	$ 2,794	$ (69)		$ 5,180
Basic earnings per common share					
Income from continuing operations per common share	$ 1.58	$ 2.92			$ 1.90
Weighted average shares outstanding (in millions)	1,551.8	957.6	210.7	3(c)	2,720.1
Diluted earnings per common share					
Income from continuing operations per common share	$ 1.56	$ 2.90			$ 1.89
Weighted average shares—diluted (in millions)	1,571.1	961.9	211.6	3(c)	2,744.6

See accompanying Notes to Unaudited Pro Forma Combined Condensed Financial Statements.

COMBINED COMPANY

PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME

For the year ended December 31, 1996
(Unaudited)

	Historical Bell Atlantic	Historical GTE	Pro Forma Adjustments		Pro Forma Combined
	(Dollars in Millions, Except for Per Share Amounts)				
Operating revenues	$29,155	$21,339	$		$50,494
Operating expenses	23,076	15,851	(14)	3(d)	38,913
Operating income	6,079	5,488	14		11,581
Income from unconsolidated businesses	14	201			215
Other income and (expense), net	(100)	(192)			(292)
Interest expense	1,082	1,085			2,167
Income taxes	1,782	1,614	5	3(e)	3,401
Income from continuing operations	$ 3,129	$ 2,798	$ 9		$ 5,936
Basic earnings per common share					
Income from continuing operations per common share	$ 2.02	$ 2.89			$ 2.18
Weighted average shares outstanding (in millions)	1,546.6	968.9	213.1	3(c)	2,728.6
Diluted earnings per common share					
Income from continuing operations per common share	$ 2.00	$ 2.88			$ 2.16
Weighted average shares—diluted (in millions)	1,560.2	972.2	213.9	3(c)	2,746.3

See accompanying Notes to Unaudited Pro Forma Combined Condensed Financial Statements.

Notes to Unaudited Pro Forma Combined Condensed Financial Statements

Note 1—Reclassifications

Reclassifications have been made to the historical financial statements to conform to the presentation expected to be used by the combined company.

Note 2—Exchange Ratio

The terms of the merger agreement specify that each outstanding share of GTE common stock will be converted into 1.22 shares of combined company common stock. This exchange ratio was used in computing share and per share amounts in the accompanying pro forma financial information.

Note 3—Pro Forma Adjustments

(a) A pro forma adjustment has been made to reflect the issuance of 1,181 million shares of combined company common stock in exchange for all outstanding shares of GTE common stock as per the exchange ratio stated in Note 2, above. The adjustment also reflects the cancellation of shares of GTE treasury stock, but does not reflect the impact of fractional shares.

(b) A pro forma adjustment has been made to reflect direct incremental merger-related costs of approximately $375 million. The amount has been shown as an increase to other current liabilities and the after-tax cost of this anticipated charge (approximately $310 million) has been reflected as a reduction in reinvested earnings in the pro forma balance sheet. See ''Unaudited Pro Forma Combined Condensed Financial Statements'' in this Chapter I for more information related to merger-related costs.

(c) Pro forma adjustments have been made in all periods presented to the number of weighted average shares outstanding used in the calculation of basic and diluted earnings per share. The number of weighted average shares outstanding reflects the conversion of shares and share equivalents of GTE common stock into combined company common stock in accordance with the merger agreement.

(d) Pro forma adjustments have been made to conform GTE's accounting policies for certain computer software costs to Bell Atlantic's policies.

(e) Pro forma adjustments have been made for the estimated tax effects of the adjustments discussed in (b) and (d) above.

(f) There are no significant intercompany transactions between GTE and Bell Atlantic.

ADDITIONAL COMPENSATION FOR EXECUTIVE OFFICERS AS A RESULT OF THE MERGER

A number of executive officers of GTE and Bell Atlantic, including some officers who are also directors, have employment agreements or retention incentives or are entitled to benefits under employee benefit plans as a result of the merger. Each of the employee-directors of GTE and Bell Atlantic could receive significant compensation if the merger is completed. Accordingly, the interests of these people in the merger may be different from, or greater than your interests.

When the GTE Board of Directors approved the merger, three executive officers of GTE were members of GTE's 12-person Board of Directors: Kent B. Foster, President; Charles R. Lee, Chairman and Chief Executive Officer; and Michael T. Masin, Vice Chairman and President—International. When the Bell Atlantic Board of Directors approved the merger, six executive officers of Bell Atlantic were members of the 22-person Board of Directors: Lawrence T. Babbio, Jr., President and Chief Executive Officer—Network Group, and Chairman—Global Wireless Group; James G. Cullen, President and Chief Executive Officer—Telecom Group; Frederic V. Salerno, Senior Executive Vice President and Chief Financial Officer/Strategy and Business Development; Ivan G. Seidenberg, Vice Chairman, President and Chief Executive Officer; Raymond W. Smith, Chairman; and Morrison DeS. Webb, Executive Vice President—External Affairs and Corporate Communications. (Effective December 1, 1998, Mr. Babbio was elected President and Chief Operating Officer of Bell Atlantic, and Mr. Cullen was elected President and Chief Operating Officer of Bell Atlantic. Effective December 31, 1998, Mr. Seidenberg was elected Chairman of Bell Atlantic, and Mr. Smith retired.)

GTE Employment Agreements

In recognition of the highly competitive environment in the telecommunications industry, the GTE Executive Compensation and Organizational Structure Committee of the Board of Directors recognizes that, from time to time, it is appropriate to enter into agreements with key members of management in order to ensure that GTE continues to retain the services of these individuals. Messrs. Lee; Foster; Masin; William P. Barr, Executive Vice President—Government and Regulatory Advocacy and General Counsel; and J. Randall MacDonald, Executive Vice President—Human Resources and Administration, will receive compensation and benefits defined below for the term of their agreements. If the executive's employment is terminated for reasons other than cause or he resigns for good reason, as defined in the employment agreement, he generally will receive the compensation and benefits provided for under the agreement as if he had not been terminated. Messrs. Lee, Foster, Masin and MacDonald have agreed not to engage in competitive activities for a specified period of time.

There will be no duplication between those benefits provided for by these agreements and those provided by the executive severance agreements described below.

Charles R. Lee

GTE has entered into an employment agreement with Mr. Lee, effective January 1, 1999, that generally provides that, assuming the merger is completed, he will continue to be employed through June 30, 2002, with a two-year consulting period to follow. He will become Co-Chief Executive Officer of the combined company on the date the merger becomes effective. He will also serve as Chairman of the Board of the combined company until June 30, 2004. If the merger does not occur before June 30, 2004, however, he will remain employed as Chairman and Chief Executive Officer of GTE through that date, and he and GTE will negotiate a mutually agreeable extension. Mr. Lee's employment agreement generally provides for:

- an annual base salary of at least $1,250,000;
- short and long-term bonus opportunities that are, in total, at least at the same level as the total bonus opportunities available to him immediately before he entered into the agreement;
- a special long-term performance incentive in a target amount of $10,000,000, adjusted upward or downward based on the investment performance and growth in GTE's average earnings per share and subject to a vesting schedule over the term of the agreement; and

- an extra year of service for each year during the term of the agreement for purposes of determining pension and certain other post-retirement benefits.

In the event of a qualifying termination, as described under ''GTE Executive Severance Agreements'' in this Chapter I, Mr. Lee will receive benefits under his executive severance agreement and:

- the long-term performance incentive;
- his pensionable compensation will be based on his base amount (as defined in his executive severance agreement) if that increases the amount of his pension; and
- instead of the extra service credit provided for by his executive severance agreement, two-for-one service credit as if he had been employed through June 30, 2004.

If Mr. Lee is terminated for cause or resigns without good reason:

- all salary and benefits will cease;
- he will forfeit all unvested compensation; and
- he will not receive a consulting fee.

If Mr. Lee's employment is terminated due to death or disability:

- his salary and other compensation and benefits will cease;
- he will receive two-for-one pension credit only for those years he actually worked during the term of the employment agreement; and
- the long-term performance incentive will become payable in full immediately.

During the consulting period described above, Mr. Lee will be an independent contractor and will no longer be entitled to the benefits generally provided to GTE employees. He will be paid a consulting fee of $250,000 per month and will be provided office space and support at GTE's expense.

Kent B. Foster and Michael T. Masin

GTE entered into employment agreements with Mr. Foster and Mr. Masin, effective October 1, 1998 through September 30, 2002. Each employment agreement generally provides for:

- a guaranteed minimum base salary of not less than $899,000 for Mr. Foster and $756,000 for Mr. Masin;
- short and long-term bonus opportunities and stock options which are generally provided to other executives at the same salary level;
- a special long-term retention incentive of $4,500,000 for Mr. Foster and $3,500,000 for Mr. Masin, adjusted upward or downward based on investment performance, with 60% vesting after three years and the remainder vesting after four years; and
- credit for an extra year of service for each year during the term of the employment agreement for purposes of determining pension and other post-retirement benefits.

In the event of a qualifying termination, as described under ''GTE Executive Severance Agreements'' in this Chapter I, Mr. Foster and Mr. Masin will each receive benefits under his executive severance agreement and:

- the long-term retention incentive; and
- instead of the two years of additional credit provided by his executive severance agreement, special pension and benefit credit provided for by his employment agreement.

If Mr. Foster or Mr. Masin is terminated for cause or resigns without good reason, all salary and benefits will cease, and he will forfeit all unvested compensation.

If Mr. Foster's or Mr. Masin's employment is terminated due to death or disability:

- his salary and other compensation and benefits will cease;
- two-for-one pension credit will only apply to those years actually worked during the term of the employment agreement; and
- the long-term retention incentive will become payable in full immediately.

In addition, Mr. Masin will be considered to be fully eligible for post retirement benefits if he remains employed until September 30, 2002. Mr. Foster is already fully retirement eligible.

When GTE initially employed Mr. Masin, it agreed to preserve the pension benefits he would have received had he remained with his former employer. Upon retiring, he will receive a single life annuity of $200,000 per year. If Mr. Masin dies, his surviving spouse will be entitled to receive the same benefit he was receiving. This annuity will be provided in addition to the pension and other post-retirement benefits described above.

The agreements with Mr. Foster and Mr. Masin further provide that each will continue as a member of the GTE Board of Directors during the term of his agreement. While Mr. Seidenberg and Mr. Lee will serve on the board of directors of the combined company, we have not determined whether any other employees of the combined company will serve on that board of directors. Moreover, the board of directors of the combined company, in accordance with its certificate of incorporation, will determine the individuals to be nominated for election as directors. See ''Directors and Management Following the Merger—Directors'' in this Chapter I for additional information about the combined company board of directors.

William P. Barr

GTE entered into an employment agreement with Mr. Barr, effective December 1, 1997 through November 30, 2002. His agreement generally provides for:

- a guaranteed minimum base salary of not less than $465,000;
- short and long-term bonus opportunities and stock options which are generally provided to other executives at the same salary level;
- a one-time grant of an option to purchase 228,000 shares of GTE common stock that vests one-third per year over three years;
- a one-time grant of 34,564 restricted stock units that vests over a period of five years; and
- credit for an extra year of service for each year of employment with GTE and retirement eligibility for purposes of determining pension and other post-retirement benefits.

If Mr. Barr dies or leaves GTE because he becomes disabled, or enters into service with the federal government or an educational organization approved by the GTE Board of Directors:

- he will be entitled only to the pension service credit described above; and
- he will also be entitled to certain other reduced benefits as described in his employment agreement, including immediate vesting of a portion of his unvested equity-based awards (such as stock options, restricted stock units and performance-bonus awards) and certain lump sum payments of base salary and incentive compensation under the Executive Incentive Plan and the Long-Term Incentive Plan.

J. Randall MacDonald

GTE entered into an employment agreement with Mr. MacDonald, effective June 4, 1998 through June 3, 2001. His agreement, which will automatically renew for two additional years unless he is notified of non-renewal by GTE, generally provides for:

- a guaranteed minimum base salary;
- short and long-term bonus opportunities and stock options which are generally provided to other executives at the same salary level;
- a one-time grant of 93,000 options to purchase shares of GTE common stock, subject to vesting based on either stock price performance or service;
- a one-time grant of 11,687 restricted stock units, subject to the same vesting schedule; and
- credit for an extra year of service for each year during the term of the employment agreement for purposes of determining his pension and other post-retirement benefits.

If Mr. MacDonald incurs a qualifying termination under his executive severance agreement, as described under ''GTE Executive Severance Agreements'' in this Chapter I, he will receive benefits under that executive severance agreement and:

- the restricted stock units and stock options provided for under his employment agreement will immediately vest and become exercisable; and
- he will receive the special pension credit provided for above.

If Mr. MacDonald is terminated for cause or resigns without good reason, all salary and benefits will cease, and he will forfeit all unvested compensation.

If Mr. MacDonald's employment is terminated due to death or disability, his salary and other compensation and benefits will cease, and he will receive special pension credit for the years he actually worked under his agreement.

GTE Implementation and Retention Bonus Plan

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

GTE has entered into agreements under the plan with each of its executive officers. Messrs. Lee; Foster; Masin; Thomas W. White, Senior Executive Vice President—Market Operations; Barr; and MacDonald will receive estimated cash payments equal to the following:

Name	Implementation and Retention Bonus
Charles R. Lee	$4,027,000
Kent B. Foster	$2,805,000
Michael T. Masin	$2,359,000
Thomas W. White	$1,556,000
William P. Barr	$1,385,000
J. Randall MacDonald	$1,121,000
Five other executive officers ranging from	$350,000–$1,039,000

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

Messrs. Lee, Foster, Masin, White, Barr and MacDonald will only receive payments under the plan if the merger is completed.

As a result of the planned divestiture of GTE Government Systems Corporation, GTE has entered into a retention agreement with Armen Der Marderosian, Executive Vice President—Technology and Systems and President—Government Systems Corporation. Under this agreement, he will receive a transaction completion bonus based on the financial success of the transaction.

GTE Executive Severance Agreements

In its desire to retain key executives, GTE previously entered into executive severance agreements with eleven individuals who have served as GTE executive officers at any time since January 1, 1998. These individuals include Messrs. Lee, Foster, Masin, White, Barr, MacDonald and five other executive officers. These agreements provide benefits to be paid in the event of a qualifying termination following a change in control of GTE. A change in control will occur if:

- any person or group of persons acquires, other than from GTE or as described below, 20% (or under limited circumstances, a lower percentage, not less than 10%) of GTE's voting power;
- three or more directors are elected in any twelve-month period without the approval of a majority of the members of GTE's Incumbent Board (as defined in the agreements) then serving as members of the GTE Board of Directors;
- the members of the Incumbent Board no longer constitute a majority of the GTE Board of Directors, or
- GTE's shareholders approve:
    - a merger, consolidation or reorganization involving GTE;
    - a complete liquidation or dissolution of GTE; or
    - an agreement for the sale or other disposition of all or substantially all of the assets of GTE to any person other than a subsidiary of GTE.

An individual who initially became a director under an agreement to avoid or settle a proxy or other election contest is not considered a member of the Incumbent Board. In addition, a director who is elected under this type of a settlement agreement is not considered a director who is elected or nominated by the Incumbent Board for purposes of determining whether a change in control has occurred. A change in control will not occur in:

- merger transactions in which
    - there is at least 50% GTE shareholder continuity in the surviving corporation,
    - at least a majority of the members of the board of directors of the surviving corporation consist of members of the GTE Board of Directors and
    - no person owns more than 20% (or under limited circumstances, a lower percentage, not less than 10%) of the voting power of the surviving corporation following the transaction; and
- transactions in which GTE's securities are acquired directly from GTE.

A change in control of GTE will occur upon approval of the GTE merger proposal by GTE shareholders.

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

- payment of two times the sum of the executive's base salary and annual bonus;
- eligibility for early retirement benefits;
- pension credits for the period covered by the severance payment;

- medical and life insurance coverage for up to two years;
- GTE retiree medical and life insurance; and
- financial and outplacement counseling.

The executive severance agreements provide that there will be no duplication of benefits with the employment agreements described above. Some of the executive severance agreements (including the executive severance agreements with Messrs. Lee, Foster, Masin, Barr and MacDonald) also provide for an additional payment to compensate the executive for any excise tax that may be imposed by the Internal Revenue Service.

When the GTE shareholders approve the GTE merger proposal, the executive severance agreements will continue in effect until GTE or a successor company has satisfied its obligations under those agreements. If an executive were severed from GTE through a qualifying termination on December 31, 1999, the table below shows amounts Messrs. Lee, Foster, Masin, White, Barr, MacDonald and the five other executive officers would likely receive.

Name	Base Salary Benefits	Annual Bonus Benefits	Special Enhanced Pension Benefits
Charles R. Lee	$2,500,000	$3,523,000	$5,181,000
Kent B. Foster	$1,906,000	$2,384,000	$3,156,000
Michael T. Masin	$1,603,000	$2,005,000	$3,723,000
Thomas W. White	$1,145,000	$1,198,000	$ 945,000
William P. Barr	$1,548,000	$1,620,000	$2,719,000
J. Randall MacDonald	$ 829,000	$ 848,000	$2,769,000
Five other executive officers ranging in value from	$ 446,000- $ 827,000	$ 385,000- $ 707,000	$ 585,000- $1,770,000

The column "Special Enhanced Pension Benefits" lists the dollar value of incremental pension benefits each executive officer would receive if his employment were terminated for reasons other than cause or if he resigns for good reason. The value of the executive's benefits already accrued through GTE's qualified pension plan is excluded.

If Messrs. Lee, Foster, or Masin are terminated for reasons other than cause or resign for good reason, the executive will receive his full special long-term performance or retention incentives (described under "GTE Employment Agreements" in this Chapter I). These amounts are not included in this table. Also, the special enhanced pension benefit for Mr. Masin does not include the single life annuity of $200,000 per year described previously in the "GTE Employment Agreements" section in this Chapter I.

Under his employment agreement, Mr. Barr will receive base pay and bonus for 2.92 years. This value is incorporated in the figures shown for Mr. Barr. In addition to the amounts shown for Mr. Barr in the table, he will receive foregone options (estimated to be valued at approximately $1,330,000) and a payment under the remaining long term incentive plan cycles for the term of his employment agreement (estimated to be valued at approximately $1,179,000).

GTE Long-Term Incentive Plan

GTE executive officers are eligible to participate in the GTE Long-Term Incentive Plan. The primary purpose of this plan is to motivate executives to achieve superior long-term financial and operating performance. Under the provisions of this long-term plan, two types of grants are currently used: performance bonuses and stock options.

Performance Bonuses

Executive officers of GTE are eligible to receive annual grants of performance units, the value of which are determined over a cycle that is typically three years in duration. Awards for the 1997-1999 and 1998-2000 cycles are measured against targeted performance levels on key measures of financial performance. In establishing the targeted performance levels, the GTE Executive Compensation and Organizational Structure Committee of the Board of Directors considers GTE's past performance, the performance of its principal competitors, its strategic goals and its plans for implementing those goals.

Over the period of the cycle, the performance units accrue dividends in an amount equal to the dividend paid on the equivalent number of shares of GTE common stock. The value of the units is increased or decreased based on the market price of GTE common stock and is adjusted by a performance percentage based on the financial measures noted above.

Under the award agreements, when GTE shareholders approve the GTE merger proposal, awards for the 1997-1999 and 1998-2000 cycles become immediately non-forfeitable and payable. Each payment for an outstanding cycle will equal the average of the performance percentage for the three award cycles that were completed before the date the GTE merger proposal is approved. Projected dividends through the end of the award cycle are also included.

Messrs. Lee, Foster, Masin, White, Barr, MacDonald and six other GTE executive officers will receive performance bonuses under this plan as shown below.

Name	Long Term Performance Bonus
Charles R. Lee	$6,689,000
Kent B. Foster	$4,396,000
Michael T. Masin	$3,707,000
Thomas W. White	$2,276,000
William P. Barr	$1,895,000
J. Randall MacDonald	$1,513,000
Six other executive officers ranging from	$317,000 - $1,284,000

The payments shown in the table above are estimates. In developing these estimates, we have assumed a hypothetical price for GTE common stock of $65.00 per share on the date GTE shareholders approve the GTE merger proposal.

Stock Options and Stock Appreciation Rights of GTE

When GTE shareholders approve the GTE merger proposal, all outstanding options and related stock appreciation rights awarded prior to the announcement of the proposed merger, whether or not fully vested, will become fully exercisable. Any option or stock appreciation right that is not exercised before the date the merger becomes effective will be converted into an immediately exercisable option to purchase combined company common stock or stock appreciation rights on the terms described below.

(1) The number of shares of combined company common stock to be subject to the new option will be equal to the product of (x) the number of shares of GTE common stock subject to the original option and (y) 1.22; and

(2) The exercise price per share of combined company common stock under the new option will be equal to (x) the exercise price per share of the GTE common stock under the original option divided by (y) 1.22.

The following table shows the estimated value of unvested options that will become exercisable following GTE shareholder approval of the GTE merger proposal.

Name	Number of Unvested GTE Options	Aggregate Value of Unvested Options
Charles R. Lee	230,267	$2,923,000
Kent B. Foster	148,201	$1,925,000
Michael T. Masin	124,667	$1,622,000
Thomas W. White	137,768	$2,331,000
William P. Barr	260,401	$4,232,000
J. Randall MacDonald	182,401	$2,145,000
All other executive officers as a group	421,673	$5,205,000

Amounts shown in the table are estimates and assume a hypothetical price for GTE common stock of $65.00 per share.

GTE Equity Participation Program

Under the GTE Equity Participation Program, executives are required to defer up to 25% of their annual bonus and long-term performance bonus in restricted stock units, i.e., phantom shares of GTE common stock priced at fair market value. These restricted stock unit deferrals are non-forfeitable. GTE grants executives matching restricted stock units on a basis of one stock unit for every four stock units deferred. The matching restricted units are forfeitable and vest after three years. The matching stock units were designed to increase GTE executives' motivation to focus on shareholder value and to compensate the executive for agreeing not to realize the economic value associated with deferred bonus amounts.

Participants receive additional restricted stock units on each GTE dividend payment date based upon the amount of the dividend paid.

Under the terms of the deferral regulations, all matching restricted stock units granted under the program and the additional matching units attributable to dividend equivalents will become fully vested when GTE's shareholders approve the GTE merger proposal.

The following table shows the estimated value of the matching units which will become vested following GTE shareholder approval of the GTE merger proposal.

Name	Number of Equity Participation Program Matching RSUs	Estimated Value
Charles R. Lee	19,310	$1,255,000
Kent B. Foster	12,464	$ 810,000
Michael T. Masin	11,151	$ 725,000
Thomas W. White	6,530	$ 424,000
William P. Barr	36,079	$2,345,000
J. Randall MacDonald	15,834	$1,029,000
All other executive officers as a group	28,822	$1,873,000

Amounts shown in the table are estimates and assume a hypothetical GTE common stock price of $65.00 per share.

The estimated values for Messrs. Barr and MacDonald include restricted stock units awarded under the special grants described in their employment agreements.

Bell Atlantic Employment Agreements

Bell Atlantic has entered into a five-year employment agreement with Mr. Seidenberg, effective January 1, 1999. The agreement will be amended, to the extent necessary, at the time the merger is completed to reflect Mr. Seidenberg's authority, duties and responsibilities in the combined company.

During 1998, Bell Atlantic also entered into employment agreements with Messrs. Babbio; Cullen; Good; Salerno; Webb; Young; and Donald J. Sacco, Executive Vice President—Human Resources. The agreements are for a period of three years, except for Mr. Babbio's, which is for five years, and Mr. Sacco's, which is for two years.

The employment agreements of Mr. Seidenberg and the other executives generally provide for:

- an annual base salary;
- an annual bonus under the Bell Atlantic Short Term Incentive Plan;
- an annual grant of stock options;
- participation in the Bell Atlantic Income Deferral Plan;
- a special implementation incentive relating to the merger; and
- a retention incentive payable if the executive remains employed through the term of his agreement or for other specified periods.

The following table shows the annual salary, maximum annual bonus, value of the annual stock option grant and other annual compensation payable to each executive under these agreements.

Name	Base Salary	Maximum Annual Bonus	Stock Option Grant	Other Annual Compensation
Lawrence T. Babbio	$ 750,000	$1,125,000	$1,200,000	$ 684,000
James G. Cullen	$ 750,000	$1,125,000	$1,200,000	$ 684,000
Alexander H. Good	$ 377,000	$ 452,000	$ 452,000	$ 289,000
Donald J. Sacco	$ 430,000	$ 516,000	$ 516,000	$ 334,000
Frederic V. Salerno	$ 750,000	$1,125,000	$1,200,000	$ 684,000
Ivan G. Seidenberg	$1,200,000	$2,700,000	$3,000,000	$1,439,000
Morrison DeS. Webb	$ 430,000	$ 516,000	$ 516,000	$ 334,000
James R. Young	$ 475,000	$ 570,000	$ 570,000	$ 370,000

At the end of the term of their employment agreements, each of Messrs. Cullen, Good, Salerno, Webb and Young is entitled to receive a retention incentive payment. Retention incentives are also payable to each of Messrs. Babbio and Seidenberg at the end of the third, fourth and fifth years of their employment agreements. The amount of these retention incentives will vary, depending (in the case of Messrs. Babbio, Cullen, Salerno, Webb and Young) on the price of Bell Atlantic common stock, or (in the case of Mr. Seidenberg) on the earnings performance of Bell Atlantic, or (in the case of Mr. Good) on the performance of the global balanced fund under the Bell Atlantic Income Deferral Plan. The following table shows the value of each retention incentive (including the total value of the incentives payable to Messrs. Babbio and Seidenberg) as of March 31, 1999.

Name	Retention Incentive
Lawrence T. Babbio	$ 7,397,000
James G. Cullen	$ 3,170,000
Alexander H. Good	$ 1,097,000
Frederic V. Salerno	$ 3,170,000
Ivan G. Seidenberg	$10,040,000
Morrison DeS. Webb	$ 1,057,000
James R. Young	$ 1,057,000

Each employment agreement provides that if, during the period of the agreement, Bell Atlantic terminates the executive's employment without cause, or the executive terminates his employment on grounds of "constructive discharge," the executive is entitled to receive specified payments and benefits that are substantially equivalent to the remaining payments and benefits he would have received had he remained employed through the term of his agreement. Under each agreement, except for Mr. Seidenberg's, the executive will be entitled to terminate his employment on grounds of constructive discharge following Mr. Lee's election as Chairman of the Board of the combined company.

Upon completion of the merger, each executive will become entitled to receive an implementation incentive projected to be equal to the following amounts.

Name	Implementation Incentive
Lawrence T. Babbio, Jr.	$1,969,000
James G. Cullen	$1,969,000
Alexander H. Good	$ 905,000
Donald J. Sacco	$1,032,000
Frederic V. Salerno	$1,969,000
Ivan G. Seidenberg	$3,825,000
Morrison DeS. Webb	$1,032,000
James R. Young	$1,140,000

The agreements with Messrs. Babbio, Cullen, Salerno and Seidenberg further provide that each shall be nominated for election to the Bell Atlantic Board of Directors at each annual meeting of shareholders during the term of his agreement. Mr. Seidenberg's agreement also provides that he shall serve as Chairman of the Board until completion of the merger. While Mr. Seidenberg and Mr. Lee will serve on the board of directors of the combined company, we have not determined whether any other employees of the combined company will serve on that board of directors. Moreover, the board of directors of the combined company, in accordance with its certificate of incorporation, will determine the individuals to be nominated for election as directors. See "Directors and Management Following the Merger — Directors" in this Chapter I for additional information about the combined company board of directors.

Other Bell Atlantic Agreements

In addition to providing for merger implementation incentives under the employment agreements as described above, Bell Atlantic has entered into merger implementation and separation agreements with its other executive officers in order to provide incentives related to the completion of the merger and the integration of the companies. For some executives, the merger implementation incentive is equal to 1.5 multiplied by the sum of (1) the executive's annual rate of base salary and (2) 50% of the executive's maximum bonus under the Bell Atlantic Short Term Incentive Plan. For other executives, the implementation incentive is equal to the sum of (1) the executive's annual rate of base salary and (2) 50% of the executive's maximum bonus under the Bell Atlantic Short Term Incentive Plan. For the remaining executives, the implementation incentive is equal to the executive's annual rate of base salary.

The projected amount of the merger implementation incentive payable to these executive officers as a group is $2,849,000. If the merger is not completed, each of these executives will be entitled to a payment equal to 25% of the amount he or she would have received if the merger had occurred.

Under the separation agreements, if the employment of an executive is terminated without cause within two years after the merger is completed, the executive will be entitled to a post-separation payment. Some executives are entitled to a post-separation payment equal to two times "pay," and the remaining executives are entitled to a post-separation payment equal to "pay." For this purpose, "pay" means the sum of (1) the executive's annual rate of base salary and (2) 50% of the executive's maximum bonus under the Bell Atlantic Short Term Incentive Plan.

SUMMARY OF THE MERGER AGREEMENT

We believe this summary describes all material terms of the merger agreement. However we recommend that you read carefully the complete text of the merger agreement for the precise legal terms of the merger agreement and other information that may be important to you. The merger agreement is included in this joint proxy statement and prospectus as Appendix A.

Form of Merger

If all the conditions to the merger are satisfied or waived in accordance with the merger agreement, a direct, wholly-owned subsidiary of Bell Atlantic will merge with and into GTE. Bell Atlantic's corporate existence will not be affected by the merger. After the merger, GTE will be a wholly-owned subsidiary of the combined company.

Consideration to be Received in the Merger

On the date the merger becomes effective, each issued and outstanding share of GTE common stock and all rights in respect of those shares will be converted into 1.22 shares of combined company common stock. We cannot predict the market price of the Bell Atlantic common stock on the date the merger becomes effective. Because the exchange ratio is fixed in the merger agreement, the market value of the shares of combined company common stock that holders of GTE common stock will have the right to acquire on the date the merger becomes effective may vary significantly from the market value of the shares of Bell Atlantic common stock that holders of GTE common stock would receive if the merger was completed on the date of this document. Similarly, the aggregate market value of the shares of GTE common stock that Bell Atlantic will acquire on the date the merger becomes effective may vary significantly from the aggregate market value of the shares of GTE common stock on the date of this joint proxy statement and prospectus.

Exchange of Shares

Prior to the completion of the merger, we will appoint an exchange agent. On the date the merger becomes effective, the combined company will deposit with the exchange agent certificates representing shares of combined company common stock that will be issued in exchange for certificates representing shares of GTE common stock. Soon after the completion of the merger, the combined company will send a letter to each person who was a GTE shareholder on the date the merger becomes effective. The letter will contain instructions on how to surrender GTE stock certificates to the exchange agent and receive certificates for shares of the combined company.

The combined company will not issue any fractions of a share resulting from the conversion, except for shares held in the GTE Shareholder Systematic Investment Plan. Instead, GTE shareholders will receive in cash the value of any fractions of a share to which they would otherwise have been entitled to receive due to the merger. This cash payment will be based on the closing price for a share of combined company common stock on the New York Stock Exchange Composite Transactions Tape on the first business day immediately following the completion of the merger.

GTE shareholders will not be entitled to receive any dividends or other distributions payable by the combined company until they exchange their GTE stock certificates for certificates representing shares of combined company common stock. Once they deliver their GTE stock certificates to the exchange agent, the GTE shareholders will, subject to applicable laws, receive any accumulated dividends and distributions, without interest.

Treatment of GTE Stock Options and Stock Appreciation Rights

On the date the merger becomes effective, each outstanding and unexercised option to purchase shares of GTE common stock and each stock appreciation right with respect to GTE common stock will be assumed by the combined company and converted, as the case may be, into an option to purchase shares of combined company common stock or a stock appreciation right with respect to combined company common stock. The number of shares of combined company common stock that a holder will be entitled to purchase upon exercise of such new option or stock appreciation right will be determined by multiplying the number of shares of GTE common stock subject to the original option or stock appreciation right by the exchange ratio. The exercise price for such option or stock appreciation right will equal the exercise price under the original option or stock appreciation right divided by the exchange ratio. The new option or stock appreciation right will otherwise have the same terms and conditions in effect immediately prior to the date the merger becomes effective except to the extent that such terms or conditions change in accordance with their terms as a result of the transactions relating to the merger. For a further discussion of the treatment of GTE stock options and other employee benefit plans under the merger agreement, see ''Benefits Matters'' and ''Additional Compensation for Executive Officers as a Result of the Merger'' in this Chapter I.

The Combined Company Following the Merger

After the merger, the combined company will have its headquarters in New York, New York. GTE and Bell Atlantic are in the process of determining the name of the combined company. Since the name of a corporation is specified in the certificate of incorporation, changing the name will also require the approval of shareholders.

Board of Directors

From the completion of the merger until July 1, 2002, there will be an equal number of GTE Directors and Bell Atlantic Directors (each as defined below) on the combined company board of directors and on each committee of the combined company board of directors. Subject to the fiduciary duties of the directors, the combined company board of directors will nominate for election at each shareholders meeting at which directors are elected, an equal number of GTE Directors and Bell Atlantic Directors. Each director of the combined company will have a fiduciary duty to all shareholders of the combined company, regardless of whether that director is a GTE Director or a Bell Atlantic Director. If the number of GTE Directors and Bell Atlantic Directors is not equal, then the combined company board of directors will appoint people requested by the remaining members of the group that has fewer members to ensure that there will be an equal number of GTE Directors and Bell Atlantic Directors. ''GTE Director'' means any person serving as a director of GTE on July 27, 1998 who becomes a director of the combined company on the date the merger becomes effective and any replacement designated by the GTE Directors. ''Bell Atlantic Director'' means any person serving as a director of Bell Atlantic on July 27, 1998 who continues as a director of the combined company on the date the merger becomes effective and any replacement designated by the Bell Atlantic Directors.

The combined company bylaws will contain specific provisions to ensure that this equal representation is maintained, and any amendment will require the affirmative vote of three-quarters of the entire board of directors of the combined company. As used in the combined company bylaws, the term ''entire board of directors'' means the total number of directors which the combined company would have if there were no vacancies.

Succession

The merger agreement provides that, from the date the merger becomes effective until June 30, 2002, Charles R. Lee, currently Chairman and Chief Executive Officer of GTE, will be the Chairman and Co-Chief Executive Officer of the combined company and Ivan G. Seidenberg, currently Chairman and Chief Executive Officer of Bell Atlantic, will be the President and Co-Chief Executive Officer of the combined company. Mr. Lee and Mr. Seidenberg have each entered into an employment agreement. Such agreements and the combined company bylaws set forth the terms of succession. See ''Directors and Management following the Merger'' in this Chapter I.

Representations and Warranties in the Merger Agreement

In the merger agreement, we make representations and warranties to each other about our companies with respect to, among other things:

- due organization and good standing;
- capitalization, ownership of subsidiaries and other investments;
- corporate power;
- absence of any breach of organizational documents or material agreements as a result of the contemplated transactions;
- accuracy of our filings with the Securities and Exchange Commission and our financial statements;
- absence of specified changes;
- litigation and violations of law;
- information supplied for use in this joint proxy statement and prospectus;
- employee matters, labor relations, environmental matters and tax matters; and
- required board of directors and shareholder approvals with respect to the contemplated transactions.

Conditions in the Merger Agreement

The merger agreement contains conditions to our obligation to complete the merger. We will not be obligated to complete the merger unless:

- *Shareholder Approval.* The shareholders of GTE and Bell Atlantic have approved their respective merger proposals, as described in this joint proxy statement and prospectus;

- *Legality.* No federal, state or foreign statute, rule, regulation, executive order, decree, injunction or administrative order prohibits consummation of the merger or creates a Material Adverse Effect on GTE, Bell Atlantic or the combined company;

- *Hart-Scott-Rodino Act; California Public Utilities Commission.* Any waiting period under the Hart-Scott-Rodino Act has expired or been terminated and the decision and order of the California Public Utilities Commission authorizing the merger and making any required determinations is final;

- *Regulatory Matters.* We have obtained all approvals necessary to complete the merger which, if not obtained, would have a Material Adverse Effect on GTE, Bell Atlantic or the combined company. We will not consider that an approval has been obtained, if there is any condition related to such approval that would reasonably be expected to have a Material Adverse Effect on GTE, Bell Atlantic or the combined company;

- *Registration Statement.* The registration statement relating to this joint proxy statement and prospectus is effective, and no stop order suspending effectiveness is in effect;

- *Blue Sky.* Any state securities or ''blue sky'' approvals required in connection with the merger have been received;

- *NYSE Listing.* The shares of combined company common stock issuable in the merger have been approved for listing on the New York Stock Exchange;

- *Pooling.* We each have received a letter from our respective accountants to the effect that the merger will qualify for pooling of interests accounting treatment, unless steps we have taken to resolve conflicts created by overlaps of our wireless operations would prevent such treatment; and

- *Consents.* We each have obtained any required third party consents or approvals necessary to complete the merger which, if not obtained, would have a Material Adverse Effect on GTE, Bell Atlantic or the combined company.

GTE will not be required to complete the merger unless:

- *Representations and Warranties.* The representations and warranties made by Bell Atlantic in the merger agreement are true and correct on the date that the merger is completed, unless the failure to be true and correct does not, or would not reasonably be expected to, result in a Material Adverse Effect on Bell Atlantic or the combined company;
- *Agreements and Covenants.* Bell Atlantic and Beta Gamma have complied with all agreements and covenants required by the merger agreement, unless the failure to comply does not, or would not reasonably be expected to, result in a Material Adverse Effect on Bell Atlantic or the combined company;
- *Tax Opinion.* GTE has received an opinion of O'Melveny & Myers LLP to the effect that the merger constitutes a tax-free reorganization under Section 368 of the Internal Revenue Code;
- *Affiliate Letters.* GTE has received the letters required to be delivered by the people who are considered "affiliates" of Bell Atlantic. The terms of these letters generally limit affiliates from transferring shares of Bell Atlantic common stock for a period of time before and after the merger. These restrictions are required because of the possible adverse effect the transfers would have on the accounting treatment of the merger; and
- *Bylaws; Board of Directors.* The combined company bylaws reflect the amendments required by the merger agreement and the composition of the combined company board of directors complies with the provisions described above.

Bell Atlantic will not be required to complete the merger unless:

- *Representations and Warranties.* The representations and warranties made by GTE in the merger agreement are true and correct on the date that merger is completed, unless the failure to be true and correct does not, or would not reasonably be expected to, result in a Material Adverse Effect on GTE or the combined company;
- *Agreements and Covenants.* GTE has complied with all agreements and covenants required by the merger agreement, unless the failure to comply does not, or would not reasonably be expected to, result in a Material Adverse Effect on GTE;
- *GTE Rights Agreement.* The rights issued pursuant to the GTE Rights Agreement (as described below) have not been triggered and will not be triggered by the merger;
- *Tax Opinion.* Bell Atlantic has received an opinion of Skadden, Arps, Slate, Meagher & Flom LLP to the effect that the merger constitutes a tax-free reorganization under Section 368 of the Internal Revenue Code; and
- *Affiliate Letters.* Bell Atlantic has received the letters required to be delivered by the people who are "affiliates" of GTE, which are similar to the letters to be delivered by "affiliates" of Bell Atlantic described above.

Under the merger agreement, "Material Adverse Effect" generally means any change in or effect on the business of the applicable company that is or will be materially adverse to the business, operations, properties, condition, assets, liabilities or regulatory status of that company and its subsidiaries taken as a whole, but does not include the effects of changes that are generally applicable in the telecommunications industry, the United States economy or the United States securities markets if the effect on GTE or Bell Atlantic is not materially disproportionate relative to the effect on the other.

Transition Planning

Mr. Lee, as Chairman and Chief Executive Officer of GTE, and Mr. Seidenberg, as Chairman and Chief Executive Officer of Bell Atlantic, are responsible for coordinating all aspects of transition planning and implementation relating to the merger. Mr. Seidenberg and Mr. Lee will examine various alternatives regarding the manner in which to best organize and manage our businesses after the merger, and coordinate policies and strategies with respect to regulatory authorities and bodies, in all cases subject to applicable law.

Covenants in the Merger Agreement

The merger agreement provides that, until the merger has been completed, we will conduct our respective businesses in the ordinary course and consistent with past practice. We have agreed to use our commercially reasonable efforts to:

- preserve our respective business organizations;
- retain the services of those employees and consultants whose services are integral to the operation of the business as presently conducted; and
- preserve our respective existing relationships with significant customers and suppliers.

During this interim period, we have agreed that neither of us will take certain actions without the consent of the other party. More specifically, we have agreed:

- *Issuance of Stock.* In general, we each will preserve our existing capitalization. However, both of us are permitted to issue or grant stock under our dividend reinvestment plans and employee and director plans in the ordinary course of business provided that any issuances or grants are in an amount and in a manner consistent with past practice.
- *Acquisitions.* Neither of us will acquire any business organization or make any investment in any entity other than a wholly-owned subsidiary in excess of $500 million in the aggregate for any 12 month period. This restriction also applies to investments in joint ventures and partnerships.
- *Dispositions.* Each of us has agreed not to divest, sell or pledge assets in transactions that exceed $500 million in the aggregate for any 12 month period. However, unless the parties mutually agree that pooling of interests accounting is not available for the merger, no party may dispose of assets in excess of an aggregate of $100 million unless such party and its independent accountants have determined that any disposition would not be considered, individually or in the aggregate, a material disposition for purpose of determining whether pooling is available.
- *Incurring Indebtedness.* Neither of us may incur additional indebtedness if it would cause our respective senior indebtedness to be rated by Standard & Poor's Rating Services lower than ''A−'' for GTE or lower than ''A'' for Bell Atlantic.
- *Leveraged Derivative Contracts.* Neither of us may enter into leveraged derivative contracts or other derivative contracts except for the purpose of hedging known interest rate and foreign exchange exposure or otherwise reducing financing costs.
- *Severance, Retention and Incentive Arrangements.* Neither of us may put in place any new or increased severance or retention programs or arrangements. This restriction does not apply to arrangements that are not related to the merger and consistent with past practice or required by law.
- *Increased Compensation or Payments Under Plans.* Neither of us will increase compensation, make payments under or amend any benefit plan or enter into or amend any employment or consulting agreement. However, we may take actions of this type if the actions are not related to the merger and are consistent with past practice.
- *Equity Based Rights.* Other than consistently with past practice, neither of us will issue stock appreciation rights, performance shares, restricted stock or other equity based rights. Other than consistently with past practice or as required by law, neither of us will materially modify cost methods or assumptions used in determining benefit obligations except as required by generally accepted accounting principles, materially modify the investment philosophy of the benefit trusts,

offer a retirement incentive "window," increase pensions, establish or fund any rabbi trust, adopt a corporate owned life insurance program or adopt a split dollar insurance program.

- *Accounting Policies.* Neither of us may change its accounting policies or procedures in any material respect, except as required by generally accepted accounting principles.

- *Government Approvals.* Neither of us may take any action that it believes could adversely affect or delay obtaining the required government approvals.

- *Stock Exchange Listing.* Neither of us will cause its common stock to cease to be quoted on any stock exchange.

- *Breach of Representations and Warranties.* Neither of us may take any action that would cause our respective representations and warranties made in the merger agreement to become inaccurate in any material respect.

Shareholders' Meetings

We have agreed to hold meetings of our shareholders to vote on the merger proposals promptly after the Securities and Exchange Commission declares this joint proxy statement and prospectus effective. The GTE Board of Directors has unanimously recommended approval of the GTE merger proposal, and the Bell Atlantic Board of Directors has unanimously recommended approval of the Bell Atlantic merger proposal. We have agreed that each of our boards of directors will not:

- except as discussed below, withdraw or modify in a manner adverse to the other party, its recommendation of approval;

- recommend any "Alternative Transaction" (as described below); or

- cause either of us to enter into any agreement related to any Alternative Transaction.

However, if a board of directors receives a "Superior Proposal" (as described below) and determines in good faith, that the failure to do so would result in a reasonable possibility that the board of directors would breach its fiduciary duties to its shareholders, the board of directors may inform shareholders that it no longer recommends approval (a "Subsequent Determination"). This Subsequent Determination may only occur at a time that is after the fifth business day following notice to the other party, and giving a reasonable opportunity to the other party to make adjustments in the terms and conditions of the merger agreement. Whether or not either of our boards of directors changes its recommendation, we have agreed to submit our respective merger related proposals to our respective shareholders.

An "Alternative Transaction" means a proposal, intended proposal, signed agreement or completed action for any of:

- a transaction or series of transactions pursuant to which any third party acquires or would acquire beneficial ownership of more than 20% of the outstanding shares of GTE or Bell Atlantic;

- any acquisition or proposed acquisition of, or business combination with, GTE, Bell Atlantic, or any of their significant subsidiaries; or

- any other transaction pursuant to which any third party acquires or would acquire control of assets of GTE, Bell Atlantic or any of their subsidiaries, for consideration of 20% or more of the fair market value of the outstanding shares of GTE common stock or the outstanding shares of Bell Atlantic common stock, as the case may be.

A "Superior Proposal" means any proposal made by a third party to enter into an Alternative Transaction which the board of directors determines in its good faith judgment (based on, among other things, the advice of a financial advisor of nationally recognized reputation) to be more favorable to its shareholders than the merger, taking into account all relevant factors.

Pooling

We have agreed to use our best efforts to (a) cause the merger and the other transactions contemplated by the merger agreement to be accounted for as a pooling of interests in accordance with generally accepted accounting principles, and cause this accounting treatment to be accepted by GTE's and Bell Atlantic's independent certified public accountants, by the New York Stock Exchange and by the Securities and Exchange Commission, respectively, and (b) not take any action which could reasonably be expected to cause this accounting treatment not to be obtained. However, these obligations will not apply to any conduct or the effect of any conduct to obtain all necessary waivers, approvals and consents, and to avoid any contractual, legal, regulatory or other issues, impediments or delays, to consummate the transactions contemplated by the merger agreement and the stock option agreements.

Other

The merger agreement contains other covenants relating to preparation and distribution of this joint proxy statement and prospectus, public announcements, mutual notification of certain matters, access to information, and cooperation regarding certain filings with governmental and other agencies and organizations. In addition, the merger agreement contains a general covenant requiring each of us to use commercially reasonable efforts to close the merger, including obtaining required regulatory approvals.

No Solicitation of Transactions

We have agreed that neither we nor our employees, subsidiaries or advisors will, directly or indirectly through another person:

- solicit, initiate or encourage, or knowingly take any other action designed to facilitate, any Alternative Transaction; or
- participate in any discussions regarding any Alternative Transaction.

However, this prohibition will not apply if at any time prior to receiving the respective shareholder approval, the GTE Board of Directors or the Bell Atlantic Board of Directors, determines in good faith that the failure to provide information or participate in negotiations or discussions would result in a reasonable possibility that the board of directors would breach its fiduciary duties to shareholders. In that case, a party may, in response to a Superior Proposal, furnish information with respect to it and its subsidiaries to any person pursuant to a customary confidentiality agreement and participate in negotiations regarding the proposal. Each party will promptly notify the other party orally and in writing of any request for information or of any proposal in connection with an Alternative Transaction, its material terms and conditions and the identity of the person making the request or proposal and will keep the other party reasonably informed of the status and details of the request or proposal on a current basis.

The merger agreement does not prohibit us from (1) taking and disclosing to our respective shareholders a position with respect to a tender offer required by law or (2) making any disclosure to our respective shareholders if, in the good faith judgment of the board of directors, after receipt of advice from outside counsel, failure to disclose would result in a reasonable possibility that the board of directors would breach its fiduciary duties to its shareholders under applicable law.

Benefits Matters

We have agreed that our benefit plans that were in effect when the merger agreement was signed will remain in effect until the merger is completed unless we agree otherwise.

We will consult with each other to determine what benefits will be offered to the employees of the combined company after the merger. We will ensure that the benefits offered to employees are at least as valuable as the benefits they had before the merger unless the benefits are replaced by other, equally valuable benefits or those benefits are eliminated for similarly situated employees. For one year after the merger is completed, the combined company will not discontinue or change the eligibility provisions or level of benefits under severance plans or policies in which the employees participated prior to the date the merger becomes effective. For 18 months after the merger is completed, we will maintain the relocation benefits program that was in effect for GTE's management employees who were transferred to Texas as the result of the relocation of GTE's world headquarters.

When the merger is completed, all employees not covered by collective bargaining agreements will receive full credit for their credited service with either company in determining the amount of, eligibility for, and vesting of, certain benefits. Represented employees will continue to be covered by their collective bargaining agreements.

After the merger, any stock-based compensation or incentive payments that are based on GTE common stock will be based upon the combined company common stock in accordance with the exchange ratio. Some GTE benefit plans have entitlement or vesting terms that are based upon the price of GTE common stock; after the merger, the market price or value per share will be adjusted by dividing it by the exchange ratio.

Indemnification and Insurance

For a period of six years after the merger is completed, the combined company will keep in effect the current policies of directors' and officers' liability insurance and fiduciary liability insurance we each maintain with respect to all possible claims arising from facts or events which occurred on or before completion of the merger. However, the combined company may substitute policies of at least the same coverage and amounts containing terms and conditions which are, in the aggregate, no less advantageous to the insured in any material respect. The combined company will maintain in effect (1) the current provisions regarding indemnification of officers and directors contained in the charter and bylaws of GTE and each of its subsidiaries until the statutes of limitations for all possible claims have run; provided that the combined company need not maintain in effect indemnification provisions contained in the charter and bylaws of GTE's subsidiaries if and to the extent that it assumes such indemnity obligations; and (2) any directors', officers' or employees' indemnification agreements of GTE and its subsidiaries. The combined company will indemnify our respective directors and officers to the fullest extent to which we are permitted to indemnify these officers and directors under our respective charters and bylaws and applicable law. The combined company will unconditionally and irrevocably guarantee, for the benefit of directors, officers and employees, the obligations of GTE under its indemnification arrangements.

Termination

The merger agreement may be terminated at any time before the date the merger becomes effective in any of the following circumstances:

- by our mutual written consent;
- if the merger is not completed by July 26, 1999. However, the termination date will be extended to March 31, 2000, and may be extended to June 30, 2000, if requisite regulatory approvals have not been received or a lawsuit prohibits the merger. This termination right is not available to any party whose failure to fulfill any obligation has been the cause of, or resulted in, the failure of any condition to be satisfied;
- by either party if a court or governmental entity has issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the merger, and the order, decree, ruling or other action has become final and nonappealable;
- by either party (1) if the other party breaches any of its representations, warranties, obligations or agreements contained in the merger agreement, and that breach is incapable of being cured or renders a condition incapable of being satisfied prior to the applicable termination date or (2) if a condition to that party's obligations to consummate the merger cannot be satisfied;

- by either party if the board of directors of the other party (1) withdraws, materially modifies or fails to reaffirm its approval of the merger, (2) recommends any Alternative Transaction with a third party or (3) resolves to take any such actions (any of which is referred to as a ''Withdrawal of Approval''); or
- by either party if any of the required approvals of the shareholders of GTE or of Bell Atlantic are not obtained at a shareholders meeting of either company, including any adjournments thereof.

Termination Fees

Bell Atlantic is obligated to pay to GTE a termination fee of $1.8 billion if the merger agreement:

- is terminated by GTE as a result of a Withdrawal of Approval of the merger by Bell Atlantic;
- could have been (but was not) terminated by GTE as a result of a Withdrawal of Approval of the merger by Bell Atlantic and is subsequently terminated by Bell Atlantic or GTE because of the failure to obtain Bell Atlantic shareholder approval;
- (1) could not have been terminated by GTE as a result of a Withdrawal of Approval of the merger by Bell Atlantic but is subsequently terminated by Bell Atlantic or GTE because of the failure to obtain Bell Atlantic shareholder approval, (2) prior to the Bell Atlantic annual meeting, another party proposes an Alternative Transaction (except that for such purposes, the applicable percentage in the definition of ''Alternative Transaction'' is deemed fifty percent (50%)) involving Bell Atlantic or any of its subsidiaries, and (3) within 12 months after the termination of the merger agreement, Bell Atlantic enters into a definitive agreement with any third party with respect to an Alternative Transaction; or
- is terminated by GTE as a result of Bell Atlantic's material breach of its obligations to prepare and mail a joint proxy statement and prospectus relating to the merger, convene the Bell Atlantic annual meeting, or recommend the Bell Atlantic merger proposal to its shareholders.

GTE is obligated to pay to Bell Atlantic a termination fee of $1.8 billion if the merger agreement:

- is terminated by Bell Atlantic as a result of a Withdrawal of Approval of the merger by GTE;
- could have been (but was not) terminated by Bell Atlantic as a result of a Withdrawal of Approval of the merger by GTE and is subsequently terminated by GTE or Bell Atlantic because of the failure to obtain GTE shareholder approval;
- (1) could not have been terminated by Bell Atlantic as a result of a Withdrawal of Approval of the merger by GTE but is subsequently terminated by GTE or Bell Atlantic because of the failure to obtain GTE shareholder approval, (2) prior to the GTE annual meeting another party proposes an Alternative Transaction (except that for such purposes, the applicable percentage of such definition shall be fifty percent (50%)) involving GTE or any of its subsidiaries, and (3) within 12 months after the termination of the merger agreement, GTE enters into a definitive agreement with any third party with respect to an Alternative Transaction; or
- is terminated by Bell Atlantic as a result of GTE's material breach of its obligations to prepare and mail a joint proxy statement and prospectus relating to the merger, convene the GTE annual meeting, or recommend the GTE merger proposal to its shareholders.

Expenses

We will each pay our own costs and expenses incurred in connection with the merger agreement and the related transactions. However, we will share equally the expenses incurred in connection with the printing of this joint proxy statement and prospectus, the related filing fees and any filing fee required in connection with the filing of premerger notifications under the Hart-Scott-Rodino Act.

SUMMARY OF STOCK OPTION AGREEMENTS

We believe this summary describes all material terms of the stock option agreements that GTE and Bell Atlantic entered into in connection with the merger in order to reinforce their mutual commitment to the merger. However, we recommend that you read carefully the complete text of the stock option agreements for their precise legal terms and other information that may be important to you. The stock options agreements are included in this joint proxy statement and prospectus as Appendices B and C.

On July 27, 1998, Bell Atlantic entered into a stock option agreement granting GTE an option to acquire up to 155,347,371 shares of Bell Atlantic common stock, at a price of $45.00 per share, and GTE entered into a stock option agreement granting Bell Atlantic an option to acquire up to 96,324,124 shares of GTE common stock, at a price of $55.75 per share, in each case exercisable only upon the occurrence of particular events. The option prices were determined based upon the respective closing prices on the New York Stock Exchange on July 27, 1998. The number of shares subject to the stock option agreements was calculated to be 10% of the outstanding shares of GTE and Bell Atlantic, respectively, on July 27, 1998. Generally, that number is subject to adjustment so that it is equal to 10% of the outstanding shares of the respective companies on the exercise date. The remaining terms of the stock option agreements are substantially identical, as summarized below.

A party may exercise its option only if the other party consummates an Alternative Transaction (as described previously) prior to one of the following events:

- consummation of the merger,
- termination of the merger agreement prior to the occurrence of one of the triggering events described below, or
- passage of two years (subject to certain extensions) after termination of the merger agreement if such termination follows the occurrence of one of the triggering events.

''Triggering Events'':

- the other party agrees to engage in or recommends to its shareholders an Alternative Transaction,
- the other party proposes to engage in an Alternative Transaction, or its board of directors publicly withdraws or modifies, its recommendation of approval to its shareholders,
- any third party acquires beneficial ownership of 10% or more of the outstanding shares of the other party's common stock,
- any third party makes a public proposal to engage in an Alternative Transaction with the other party,
- after an overture is made by a third party to engage in an Alternative Transaction, the other party breaches any obligation contained in the merger agreement which would entitle a party to terminate the merger agreement, or
- any third party has filed an application with any federal or state regulatory authority for approval to engage in an Alternative Transaction with the other party.

Repurchase Obligation. In connection with the consummation of any Alternative Transaction by one party, the other party may require:

(a) the repurchase of its option at a price equal to the amount by which (1) the market/offer price (as described below) exceeds (2) the exercise price of the option, multiplied by the number of shares for which the option may then be exercised or

(b) the repurchase of the shares acquired by virtue of exercise of the option at a price equal to the market/offer price multiplied by the number of designated shares.

''Market/offer price'' means the highest of:

- the price per share of a party's common stock at which a tender offer or exchange offer for those shares has been made;

- the price per share of a party's common stock to be paid by any third party under an agreement with that party;
- the highest closing price per share of a party's common stock within the six-month period preceding notice of the required repurchase; or
- in the event of a sale of all or a substantial portion of a party's assets, the sum of the price paid for those assets and the market value of its remaining assets divided by the number of shares of that party's common stock outstanding.

Substitute Option. If a party agrees to be acquired through consolidation, merger or sale of all or substantially all of its assets, then the agreement governing that transaction shall provide that the other party's option shall, upon the consummation of any such transaction, be converted into an option to acquire securities of the acquiror.

Total Profit Limitation. In no event shall a party's total profit with respect to its option and any termination fees exceed $2.2 billion. See ''Summary of the Merger Agreement—Termination Fees'' in this Chapter I.

DIRECTORS AND MANAGEMENT FOLLOWING THE MERGER

Directors

The merger agreement provides that, immediately following the completion of the merger, one-half of the combined company board of directors will be designated by Bell Atlantic and one-half will be designated by GTE. The combined company bylaws will provide that until July 1, 2002, the combined company board of directors will consist of an equal number of GTE Directors and Bell Atlantic Directors. Subject to the fiduciary duties of the directors, the combined company board of directors will nominate for election at each shareholders meeting at which directors are elected an equal number of GTE Directors and Bell Atlantic Directors. If, at any time prior to July 1, 2002, the number of GTE Directors and Bell Atlantic Directors would not be equal, then, subject to the fiduciary duties of the directors, the combined company board of directors will appoint directors to ensure that there will be an equal number of GTE Directors and Bell Atlantic Directors. Any amendment to these provisions of the combined company bylaws requires the approval of three-quarters of the entire board of directors of the combined company. As used in the combined company bylaws, the term ''entire board of directors'' means the total number of directors which the combined company would have if there were no vacancies. See Appendix E.

The companies expect that Messrs. Lee and Seidenberg will serve as directors of the combined company. The other directors will be selected prior to the date the merger becomes effective.

Committees of the Board of Directors

There will initially be an equal number of the directors designated by GTE and Bell Atlantic on each committee of the combined company board of directors. The combined company board of directors will determine committee structure and membership at or shortly after the completion of the merger.

Compensation of Directors

Directors who are employees of the combined company will not receive any compensation for service on the combined company board of directors. The specific terms of the compensation to be paid to non-employee directors of the combined company have not yet been determined. In order to more closely align the interests of directors and shareholders, it is expected that a significant portion of total compensation to be paid to directors of the combined company will be based in stock. The combined company is not expected to compensate non-employee directors through a pension plan.

Co-Chief Executive Officers

The merger agreement and the employment agreements provide that, from the date the merger becomes effective until June 30, 2002, Charles R. Lee, currently Chairman and Chief Executive Officer of GTE, will be the Chairman and Co-Chief Executive Officer of the combined company and Ivan G. Seidenberg, currently Chairman and Chief Executive Officer of Bell Atlantic, will be the President and Co-Chief Executive Officer of the combined company. Under the agreements and the combined company bylaws, on June 30, 2002, Mr. Seidenberg will become the sole Chief Executive Officer of the combined company and Mr. Lee will remain the Chairman of the combined company. On June 30, 2004, Mr. Lee will cease to be the Chairman of the combined company and that position will be assumed by Mr. Seidenberg. If either Mr. Lee or Mr. Seidenberg is unable or unwilling to hold these offices as set forth above, his successor will be selected by the combined company board of directors in accordance with the combined company bylaws. The combined company bylaws provide that, until July 1, 2002 (1) the election of any other person to such positions, or (2) the removal or replacement of Mr. Lee or Mr. Seidenberg from those positions, will require the approval of three-quarters of the entire board of directors of the combined company. Any amendment to or modification of either of their respective employment agreements relating to these matters will also require the approval of three-quarters of the entire board of directors of the combined company.

DESCRIPTION OF THE COMBINED COMPANY'S CAPITAL STOCK FOLLOWING THE MERGER

Bell Atlantic's corporate existence will not be affected by the merger. Following the merger, the certificate of incorporation and bylaws of the combined company will be substantially identical to the Bell Atlantic certificate of incorporation and the Bell Atlantic bylaws, respectively, except for provisions to take effect on the date the merger becomes effective, which are included in this joint proxy statement and prospectus as Appendices D and E. The Bell Atlantic certificate of incorporation and bylaws, as they shall be amended and restated on the date the merger becomes effective, are referred to herein as the "combined company certificate of incorporation" and "combined company bylaws," respectively. Copies of the Bell Atlantic certificate of incorporation and the bylaws will be sent to holders of shares of GTE common stock or Bell Atlantic common stock upon request. See "Where You Can Find More Information" in Chapter V.

Authorized Capital Stock

The combined company certificate of incorporation provides authority to issue up to 4,500,000,000 shares of stock of all classes, of which 4,250,000,000 are shares of combined company common stock and 250,000,000 are shares of series preferred stock.

Common Stock

Subject to any preferential rights of the series preferred stock, holders of shares of common stock would be entitled to receive dividends on that stock out of assets legally available for distribution when, as and if authorized and declared by the combined company board of directors and to share ratably in the assets of the combined company legally available for distribution to its shareholders in the event of its liquidation, dissolution or winding-up. The combined company would not be able to pay any dividend or make any distribution of assets on shares of common stock until cumulative dividends on shares of series preferred stock then outstanding, if any, having dividend or distribution rights senior to the common stock have been paid.

Holders of common stock would be entitled to one vote per share on all matters voted on generally by the shareholders, including the election of directors. In addition, the holders of common stock would possess all voting power except as otherwise required by law or except as provided with respect to any series of series preferred stock. The combined company certificate of incorporation does not provide for cumulative voting for the election of directors.

The shares of common stock, when issued to holders of outstanding shares of GTE common stock in connection with the merger, will be validly issued, fully paid and non-assessable.

Series Preferred Stock

The combined company board of directors will be authorized at any time to provide for the issuance of all or any shares of the series preferred stock in one or more classes or series, and to fix for each class or series voting powers, full or limited, or no voting powers, and distinctive designations, preferences and relative, participating, optional or other special rights and any qualifications, limitations or restrictions that are permitted by Delaware law. This authority includes, but is not limited to, the authority to provide that any class or series be:

- subject to redemption at a specified time or times and at a specified price or prices;
- entitled to receive dividends (which may be cumulative or non-cumulative) at rates, on such conditions, and at times, and payable in preference to, or in relation to, the dividends payable on any other class or classes or any other series;
- entitled to rights upon the dissolution of, or upon any distribution of the assets of, the combined company; or

- convertible into, or exchangeable for, shares of any class or classes of stock, or other securities or property, of the combined company at a specified price or prices or at specified rates of exchange and with any adjustments; all as the combined company board of directors determines by resolution.

As of the date of this joint proxy statement and prospectus, no shares of preferred stock are outstanding.

Preemptive Rights

No holder of any shares of any class of stock of combined company would have any preemptive or preferential right to acquire or subscribe for any unissued shares of any class of stock or any authorized securities convertible into or carrying any right, option or warrant to subscribe for or acquire shares of any class of stock.

Transfer Agent and Registrar

The principal transfer agent and registrar for combined company common stock after the merger will be designated by GTE and Bell Atlantic prior to the completion of the merger.

COMPARISON OF SHAREHOLDERS' RIGHTS

GTE is incorporated under the laws of the State of New York. The rights of GTE shareholders are currently governed by the New York Business Corporation Law and the certificate of incorporation and bylaws of GTE. Bell Atlantic is, and the combined company is expected to continue to be, incorporated under the laws of the State of Delaware. In accordance with the merger agreement, at the date the merger becomes effective, GTE shareholders will become combined company shareholders. The rights of the combined company shareholders would be governed by the Delaware General Corporation Law, the combined company certificate of incorporation and the combined company bylaws.

The following summary is not intended to be complete and is qualified by reference to the Delaware General Corporation Law, the Bell Atlantic certificate of incorporation, the Bell Atlantic bylaws, the New York Business Corporation Law, the GTE certificate of incorporation, the GTE bylaws, the combined company certificate of incorporation and the combined company bylaws. See "Where You Can Find More Information" in Chapter V. The proposed form of the provisions of the combined company certificate of incorporation and the combined company bylaws to be incorporated at the date the merger becomes effective are included in this joint proxy statement and prospectus as Appendices D and E.

Comparison of Specified Shareholders' Rights Among GTE, Bell Atlantic and the Combined Company

Except as described below, Bell Atlantic shareholders will have substantially the same rights under the combined company certificate of incorporation and combined company bylaws as they have under the Bell Atlantic certificate of incorporation and the Bell Atlantic bylaws.

Authorized Capital

The total number of authorized shares of capital stock are as follows:

	GTE		Bell Atlantic		Combined Company	
	Par Value	Shares	Par Value	Shares	Par Value	Shares
Common stock	$ .05	2,000,000,000	$ .10	2,250,000,000	$ .10	4,250,000,000
Preferred stock	$50.00	9,217,764	—	—	—	—
No par preferred stock	—	11,727,502	—	—	—	—
Series preferred stock	—	—	$ .10	250,000,000	$ .10	250,000,000
Total		2,020,945,266		2,500,000,000		4,500,000,000

Shareholders can find additional information about the combined company's capital stock under "Description of the Combined Company's Capital Stock Following the Merger—Authorized Capital Stock" in this Chapter I.

Composition of Board of Directors

The GTE certificate of incorporation provides that there will be not less than 9 or more than 21 directors. The exact number of directors will be determined by vote of a majority of the entire GTE Board of Directors. Currently, the GTE Board of Directors consists of 13 members. The Bell Atlantic certificate of incorporation provides that the Bell Atlantic Board of Directors will consist of 22 members. You can find additional information about the composition of the combined company board of directors under "Directors and Management Following the Merger" in this Chapter I.

Election of Officers

The GTE bylaws generally provide that the election of Chairman, Vice-Chairman, President, Secretary, Treasurer and Controller requires the affirmative vote of a majority of the GTE Board of Directors members present at a meeting of the GTE Board of Directors, provided a quorum is present. Any other officer may be elected in the same manner or appointed directly by the Chief Executive Officer. The Bell Atlantic bylaws provide that the officers of Bell Atlantic, other than those elected by delegated authority, are to be elected annually by the affirmative vote of a majority of the Bell Atlantic Board of Directors members present at a meeting of the Bell Atlantic Board of Directors, provided a quorum is present.

The combined company bylaws generally provide that the officers of the combined company, other than those elected by delegated authority, are to be elected annually by the affirmative vote of a majority of the combined company board members present at a meeting of the combined company board of directors. The combined company bylaws also provide that, until July 1, 2002, the election of any person to the positions of Chairman, President or Co-Chief Executive Officer other than as contemplated by Mr. Seidenberg's and Mr. Lee's employment agreements, or the removal of Mr. Seidenberg or Mr. Lee from any of such positions which they then hold in accordance with those employment agreements, requires the affirmative vote of three-quarters of the entire combined company board of directors. For additional information concerning the management of the combined company, see "Directors and Management Following the Merger" in this Chapter I.

Comparison of Other Shareholders' Rights Between GTE and the Combined Company

The remainder of this summary highlights material differences between the rights of GTE shareholders and combined company shareholders, based upon current circumstances. The summary of these material differences includes information presented in tabular format. In order to understand fully the material differences between the rights of GTE shareholders and combined company shareholders, these tables must be read together with the text of each summary. The tables alone do not describe completely the material differences.

	GTE	Combined Company
Classified board of directors	Yes	No
Shareholder removal of directors		
—Removal for cause	Yes	Yes
—Removal without cause	No	Yes
Rights plan	Yes	No
Supermajority vote requirements for transactions	Yes	No
Prohibition on payment of greenmail	Yes	No

Classification of Board of Directors

The GTE certificate of incorporation provides for the classification of the GTE Board of Directors such that the whole GTE Board of Directors is divided into three classes, with each director elected for a term expiring at the third succeeding annual meeting of shareholders after his or her election. The combined company certificate of incorporation does not provide for a classified board of directors. As a result, each director would serve until his or her successor is elected at the next annual meeting of shareholders.

Removal of Directors

Under the New York Business Corporation Law, directors may be removed for cause by vote of the shareholders. The certificate of incorporation or bylaws may grant the board of directors the power to remove a director for cause, unless the director to be removed was elected by (1) cumulative voting, (2) the holders of any class or series or (3) the holders of bonds voting as a class. A director may generally be removed without cause by vote of the shareholders if the certificate of incorporation or bylaws so provide. Under the GTE certificate of incorporation and GTE bylaws, any or all directors may be removed by the shareholders only for cause by affirmative vote of the holders of at least a majority of the voting power of all outstanding voting stock.

The combined company certificate of incorporation and the combined company bylaws do not contain any provisions with respect to the removal of directors. Therefore, removal of directors is governed by the Delaware General Corporation Law, which provides that directors may be removed, with or without cause, by the affirmative vote of the holders of a majority of the shares entitled to vote in an election of directors. If holders of any class or series of stock are entitled to elect one or more directors under the certificate of incorporation, then the majority vote of the holders of that class or series is required to remove such director without cause.

For additional information about the modifications of the combined company bylaws governing representation on the combined company board of directors, see "Directors and Management Following the Merger" in this Chapter I.

Absence of Rights Plan

In 1989, GTE entered into the GTE Rights Agreement. Rights issued under the GTE Rights Agreement expire by their terms on December 7, 1999, unless the GTE Rights Agreement is renewed or extended. GTE has, under the terms of the merger agreement, represented and warranted that, as of immediately prior to the date the merger becomes effective, (1) neither GTE nor the combined company would have any obligations under the GTE rights or the GTE Rights Agreement and (2) no GTE rights holders would have any rights under the GTE rights or the GTE Rights Agreement. Bell Atlantic does not have a rights plan.

Supermajority Vote Requirement

The GTE certificate of incorporation requires that certain transactions with a person who holds more than 10% of GTE's outstanding voting stock must be approved by the vote of at least 80% of the outstanding voting stock of GTE, unless such transactions are approved by directors representing a majority of the GTE Board of Directors who are members of the GTE Board of Directors immediately prior to when the ten percent holder became a ten percent holder, and who are also not a ten percent holder or affiliated with a ten percent holder. These transactions include any:

- merger or consolidation with a ten percent holder;
- sale, lease or other transfer or disposition of assets with a fair market value of $50,000,000 or more to a ten percent holder;
- issuance or transfer of any securities to a ten percent holder;
- adoption of any plan or proposal with or by a ten percent holder for the liquidation or dissolution of GTE;
- reclassification, recapitalization, consolidation or any other transaction which has the direct or indirect effect of increasing the voting power of a ten percent holder in any class or series of capital stock of GTE or any of its subsidiaries; or
- agreement with a ten percent holder providing directly or indirectly for any of the foregoing.

The combined company certificate of incorporation and combined company bylaws do not contain any such supermajority approval requirements.

Prohibition on Payment of Greenmail

The GTE certificate of incorporation contains a provision requiring GTE to obtain shareholder approval before purchasing any GTE equity securities traded on a national securities exchange or on NASDAQ from a person who beneficially owns five percent or more of GTE's voting stock and who has owned that stock for less than 2 years. The purchase must be approved by an affirmative majority of GTE's outstanding voting stock. Shareholder approval is not required if such purchase is approved by a majority of the directors of the GTE Board of Directors, who are members of the GTE Board of Directors immediately prior to when the five percent beneficial owner became an owner of five percent of GTE's outstanding voting stock, and who are also not five percent beneficial owners or affiliated with a five percent beneficial owner. The combined company certificate of incorporation and combined company bylaws do not contain any similar provision.

Amendment to Certificate of Incorporation

Under both the New York Business Corporation Law and the Delaware General Corporation Law, unless a higher vote is required in the certificate of incorporation, an amendment to a corporation's certificate of incorporation may be approved by a majority of the outstanding shares entitled to vote on the proposed amendment.

The GTE certificate of incorporation provides that the affirmative vote of at least 80% of the voting power of all outstanding voting stock is required to amend or repeal provisions of the GTE certificate of incorporation relating to the classification of the GTE Board of Directors. Under the combined company certificate of incorporation and the Delaware General Corporation Law, the combined company certificate of incorporation may be amended by an affirmative vote of a majority of the outstanding shares entitled to vote on the proposed amendment.

Amendment to Bylaws

Under the New York Business Corporation Law, a corporation's bylaws may be amended by a majority of the votes of shares then entitled to vote in the election of directors or, when so provided in the corporation's certificate of incorporation or bylaws, by the board of directors. Under the GTE certificate of incorporation and the GTE bylaws, a bylaw may be amended only by the affirmative vote of either (1) not less than a majority of the directors then in office at any regular or special meeting of directors or (2) the holders of at least 80% of the voting power of all outstanding voting stock at any annual meeting or any special meeting called for that purpose.

Under the Delaware General Corporation Law, the power to amend the bylaws of a corporation is vested in the shareholders, but a corporation in its certificate of incorporation may also confer such power on the board of directors. Under the combined company certificate of incorporation the combined company board of directors would be allowed to amend the combined company bylaws. The combined company bylaws provide that a bylaw may be amended by either (1) the vote of the shareholders at a duly organized annual or special meeting or (2) by vote of a majority of the entire combined company board of directors at any regular or special meeting. However, certain provisions of the combined company bylaws relating to the governance of the combined company may only be amended by a three-quarters vote of the entire board of directors of the combined company. See "Directors and Management Following the Merger" in this Chapter I.

Shareholder Lists and Inspection Rights

The New York Business Corporation Law provides that a shareholder of record has a right to inspect GTE's shareholder minutes and record of shareholders, during usual business hours, on at least five days' written demand. The examination of the shareholder minutes and record of shareholders must be for a purpose reasonably related to the shareholder's interest as a shareholder.

Under the Delaware General Corporation Law and the combined company bylaws, any shareholder may inspect the combined company's stock ledger, a list of its shareholders and its other books and records for any proper purpose reasonably related to such person's interest as a shareholder. A list of shareholders is to be open to the examination of any shareholder, for any purpose germane to a meeting of shareholders, during ordinary business hours, for a period of at least 10 days prior to such meeting. The list is also to be produced and kept at the place of the meeting during the entire meeting, and may be inspected by any shareholder who is present.

Corporation's Best Interests

Under the New York Business Corporation Law, a director of a New York corporation, in taking action, including any action which may involve a change in control of the corporation, is entitled to consider both the long-term and short-term interests of the corporation and its shareholders and the effects that the corporation's actions may have in the short-term or long-term upon any of the following:

- the prospects of growth and development of the corporation,
- the corporation's current employees,
- the corporation's retired employees and others receiving retirement, welfare or similar benefits from or pursuant to any plan sponsored, or agreements entered into, by the corporation,
- the corporation's customers and creditors, and
- the ability of the corporation to provide, as a going concern, goods, services, employment opportunities and employment benefits and otherwise contribute to the communities in which it does business.

The GTE certificate of incorporation provides that the GTE Board of Directors, when evaluating any offer of another party to:

- make a tender or exchange offer for any equity security of GTE,
- merge or consolidate GTE with another corporation, or
- purchase or otherwise acquire all or substantially all of the assets of GTE,

may, in connection with the exercise of its judgment in determining what is in the best interests of GTE and its shareholders, give due consideration to (a) all relevant factors, including without limitation the social, legal, environmental and economic effects on the employees, customers, suppliers and other affected persons, firms and corporations and on the communities and geographical areas in which GTE and its subsidiaries operate and on any of the businesses and properties of GTE or any of its subsidiaries, as well as such other factors as the GTE Board of Directors deems relevant, and (b) not only the consideration being offered in relation to the then current market price for GTE's outstanding shares of capital stock, but also in relation to the then current value of GTE in a freely negotiated transaction and in relation to the GTE Board of Directors estimate of the future value of GTE as an independent going concern.

While the Delaware General Corporation Law does not include a comparable provision, the combined company certificate of incorporation contains a provision which is substantially similar to the provision contained in the GTE certificate of incorporation.

Authorization of Certain Actions

Under the New York Business Corporation Law, the consummation of a merger, consolidation, dissolution or disposition of substantially all of the assets of a New York corporation (such as GTE) requires the approval of such corporation's board of directors and two-thirds of all outstanding shares of the corporation entitled to vote thereon and, in certain situations, the affirmative vote by the holders of a majority of all outstanding shares of each class or series of shares.

The Delaware General Corporation Law requires the approval of the board of directors of a Delaware corporation and of at least a majority of such corporation's outstanding shares entitled to vote thereon to authorize a merger or consolidation, except in certain cases where such corporation is the surviving corporation and its securities being issued in the merger do not exceed 20% of the shares of common stock of such corporation outstanding immediately prior to the effective date of the merger. A sale of all or substantially all of a Delaware corporation's assets or a voluntary dissolution of a Delaware corporation requires the affirmative vote of a majority of the board of directors and at least a majority of such corporation's outstanding shares entitled to vote thereon.

Indemnification and Limitation of Liability of Directors and Officers

The New York Business Corporation Law and the Delaware General Corporation Law generally have similar provisions with respect to a corporation's indemnification of its officers and directors. Both statutory schemes generally provide that a corporation may indemnify an officer or director made a party or threatened to be made a party to any type of proceeding (other than one by or in the right of the corporation) against expenses (including attorney fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such proceedings: (1) if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation or (2) in the case of a criminal proceeding, if he or she had reasonable cause to believe that his or her conduct was lawful.

The Delaware General Corporation Law also governs corporate personnel other than officers and directors, such as employees and agents of the corporation. The New York Business Corporation Law governs only officers and directors, but it permits indemnification by contract of corporate personnel other than officers and directors. Each of the GTE bylaws and the combined company certificate of incorporation generally provide that its respective officers and directors shall be indemnified to the full extent authorized by law. However, the GTE bylaws limit indemnification to officers and directors unless the GTE Board of Directors determines that indemnification of an employee or agent of the corporation is proper. The combined company certificate of incorporation permits employees and agents of the combined company who are designated as authorized representatives by the combined company board of directors to be indemnified in appropriate circumstances.

Dividends

The New York Business Corporation Law generally provides that a corporation, subject to any restrictions contained in its certificate of incorporation, may declare and pay dividends on its outstanding shares, except when the corporation is insolvent or would thereby be made insolvent. Dividends may be declared or paid out of surplus only, so that net assets of the corporation after such declaration or payment shall at least equal the amount of its stated capital. The GTE certificate of incorporation contains additional restrictions on the declaration and payment of dividends.

The Delaware General Corporation Law generally provides that a corporation, subject to any restrictions contained in its certificate of incorporation, may declare and pay dividends out of surplus or, when no surplus exists, out of net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Dividends may not be paid out of net profits if the capital of the corporation is less than the amount of capital represented by the issued and outstanding stock of all classes having a preference under the distribution of assets. The combined company certificate of incorporation does not contain any additional restrictions on the declaration and payment of dividends. The combined company board of directors will determine the timing and amounts of any dividends after the date the merger becomes effective. See ''Comparative Per Share Market Price and Dividend Information'' in this Chapter I.

Business Combinations

The New York Business Corporation Law prohibits certain business combinations between a New York corporation and an ''interested shareholder'' for five years after the date that the interested shareholder becomes an interested shareholder unless, prior to that date, the board of directors of the corporation approved the business combination or the transaction that resulted in the interested shareholder becoming an interested shareholder. After five years, such business combination is permitted only if (1) it is approved by a majority of the shares not owned by the interested shareholder or (2) certain statutory fair price requirements are met. An ''interested shareholder'' is any person who beneficially owns, directly or indirectly, 20% or more of the outstanding voting shares of the corporation.

In general, the Delaware General Corporation Law prohibits an interested shareholder of a Delaware corporation (generally defined as a person who owns 15% or more of a corporation's outstanding voting stock) from engaging in a business combination with that corporation for three years following the date such person became an interested shareholder. The three-year moratorium is not applicable when:

- prior to the date the shareholder became an interested shareholder, the board of directors of the corporation approved either the business combination or the transaction that resulted in the shareholder becoming an interested shareholder,
- upon consummation of the transaction which resulted in the shareholder becoming an interested shareholder, such interested shareholder owned at least 85% of the outstanding voting stock of the corporation (excluding shares owned by directors who are also officers of the corporation and by certain employee stock plans), or
- on or subsequent to the date that the shareholder becomes an interested shareholder, the business combination is approved by the board of directors of the corporation and by the affirmative vote at a meeting of shareholders of at least two-thirds of the outstanding voting stock entitled to vote thereon, excluding shares owned by the interested shareholder.

These restrictions of the Delaware General Corporation Law generally do not apply to business combinations with an interested shareholder that are proposed subsequent to the public announcement of, and prior to the consummation or abandonment of, certain mergers, sales of 50% or more of a corporation's assets or tender offers for 50% or more of a corporation's voting stock.

STOCK EXCHANGE LISTING; DELISTING AND DEREGISTRATION OF GTE COMMON STOCK

It is a condition to the merger that the shares of combined company common stock to be issued in the merger be approved for listing on the New York Stock Exchange. Once the merger is completed, GTE common stock will no longer be listed on any exchanges.

FEDERAL SECURITIES LAWS CONSEQUENCES; STOCK TRANSFER RESTRICTION AGREEMENTS

This joint proxy statement and prospectus does not cover any resales of shares of the combined company common stock received by GTE shareholders, and no person is authorized to use this joint proxy statement and prospectus in connection with any such resale.

All shares of the combined company common stock received by GTE shareholders in the merger will be freely transferable, except that, shares of the combined company common stock received by people who are considered to be ''affiliates'' (as that term is defined under the Securities Act of 1933) of GTE prior to the merger may be resold by them only in transactions permitted by the resale provisions of Rule 144 or 145 promulgated under the Securities Act of 1933 or as otherwise permitted under the Securities Act of 1933. Generally, people who may be deemed to be affiliates of GTE include individuals or entities that control, are controlled by, or are under common control with, GTE and may include officers, directors and principal shareholders of GTE. The merger agreement requires GTE to use reasonable efforts to cause its affiliates to execute a written agreement to the effect that such people will not offer or sell or otherwise dispose of any of the shares of the combined company common stock issued to such people in the merger in violation of the Securities Act of 1933 or the rules and regulations of the Securities and Exchange Commission.

In addition, we have agreed to use all reasonable efforts to cause our respective affiliates to execute written agreements prohibiting affiliates from transferring their GTE common stock or Bell Atlantic common stock during the period commencing 30 days prior to the date the merger becomes effective and ending when financial results covering at least 30 days of the combined company's operations have been published. Some exceptions to this limitation are permitted by the releases of the Securities and Exchange Commission.

EXPERTS

The consolidated financial statements included in GTE's Annual Report on Form 10-K for the year ended December 31, 1998 have been audited by Arthur Andersen LLP, independent accountants, as set forth in their report thereon dated January 28, 1999 and are incorporated in this joint proxy statement and prospectus by reference. The consolidated financial statements included in Bell Atlantic's Annual Report on Form 10-K for the year ended December 31, 1998 have been audited by PricewaterhouseCoopers LLP, independent accountants, as set forth in their report thereon dated February 9, 1999 and are incorporated in this joint proxy statement and prospectus by reference. The consolidated financial statements of GTE and Bell Atlantic are incorporated herein by reference in reliance on the reports of these firms, given on the authority of these firms as experts in accounting and auditing.

LEGAL MATTERS

The validity of the combined company common stock to be issued in connection with the merger will be passed upon by James R. Young, Esq., Executive Vice President—General Counsel of Bell Atlantic. On February 28, 1999, Mr. Young owned beneficially 6,257 shares and 794,305 options to purchase shares of Bell Atlantic common stock. On February 28, 1999, he had approximately 3,670 shares credited to his account under the Bell Atlantic Savings Plan for Salaried Employees and had approximately 54 shares credited to his account under the Bell Atlantic Employee Stock Ownership Plan. In addition, on February 28, 1999, Mr. Young had deferred the receipt of approximately 20,421 shares of the Bell Atlantic common stock under the Bell Atlantic Income Deferral Plan. See ''Additional Compensation for Executive Officers as a Result of the Merger'' in this Chapter I for more information about Mr. Young's interests in the merger.

The material tax consequences of the merger are being passed upon for GTE by O'Melveny & Myers LLP, and for Bell Atlantic by Skadden, Arps, Slate, Meagher & Flom LLP.

Members of the firm of Kellogg, Huber, Hansen, Todd & Evans, P.L.L.C., which has provided advice to Bell Atlantic and GTE in connection with litigation involving wireless properties, beneficially owned 971 shares of Bell Atlantic common stock on February 28, 1999.

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CHAPTER II—INFORMATION ABOUT THE ANNUAL MEETINGS AND VOTING

THE GTE ANNUAL MEETING

This joint proxy statement and prospectus is being furnished in connection with the solicitation of proxies from the holders of GTE common stock by the GTE Board of Directors relating to the election of directors, the GTE merger proposal and other matters to be voted upon at the GTE annual meeting and at any adjournment or postponement of the meeting. This joint proxy statement and prospectus is also a prospectus for the shares of Bell Atlantic common stock to be issued in the merger. GTE mailed this joint proxy statement and prospectus to shareholders beginning April 14, 1999. You should read this joint proxy statement and prospectus carefully before voting your shares.

When and Where the GTE Annual Meeting Will be Held

The GTE annual meeting will be held at the Crowne Plaza Ravinia, 4355 Ashford-Dunwoody Road, Atlanta, Georgia, on May 18, 1999, starting at 10:30 a.m. and ending no later than 12:30 p.m., EDT.

How to Attend and Participate in the GTE Annual Meeting

Only shareholders of GTE may attend the GTE annual meeting. Directions to the GTE annual meeting may be found on the last printed page of this document and on the admission ticket.

If your stock is registered in your name and not in the name of a bank, broker or other third party, you will receive an admission ticket attached to your proxy card. This ticket must be presented for admission to the GTE annual meeting. However, if your stock is not registered in your name, you must advise the firm that holds your stock (bank, broker or other institution that is the holder of record) that you wish to attend the GTE annual meeting. That firm must provide you with documentation showing that you own shares of GTE common stock as of March 29, 1999 (the record date). You must bring that documentation to the GTE annual meeting in order to attend.

GTE will establish reasonable rules and procedures for the conduct of the GTE annual meeting to ensure that there is sufficient time to address all of the items on the agenda and to facilitate an orderly meeting. These rules will be distributed at the GTE annual meeting and will include an agenda for the GTE annual meeting, procedures for maintaining order and the safety of those present, and limitations on the time allotted for questions or comments by shareholders.

What Will be Voted Upon

At the GTE annual meeting, you will be asked to consider and vote upon the following proposals:

- to elect four Class I directors;
- to adopt the merger agreement relating to the merger of GTE and a wholly-owned subsidiary of Bell Atlantic Corporation and to approve the merger and the other transactions described in the merger agreement;
- to ratify the appointment of auditors;
- to consider and act upon the shareholder proposal which seeks to establish a policy of reporting on GTE's foreign military sales;
- to consider and act upon the shareholder proposal which seeks to require shareholder approval of bonuses to executive officers and limit bonuses to 10 percent of the annual salaries of the executive officers; and
- to act upon any other matters properly coming before the annual meeting and any adjournment or postponement of the meeting.

Only GTE Shareholders of Record as of March 29, 1999 Are Entitled to Vote

GTE shareholders who hold their shares of record as of the close of business on March 29, 1999, are entitled to receive notice of and vote at the GTE annual meeting. On the record date, there were approximately 970 million shares of GTE common stock outstanding and entitled to vote at the GTE annual meeting.

Majority of Outstanding Shares Must be Represented For a Vote to be Taken

In order to have a quorum, a majority of the shares of GTE common stock that are outstanding and entitled to vote at the GTE annual meeting must be represented in person or by proxy. If a quorum is not present, a majority of shares that are represented may adjourn or postpone the GTE annual meeting.

Vote Required

A nominee for director must receive a plurality of the votes cast to be elected. The GTE merger proposal must be approved by the affirmative vote of at least two-thirds of the shares of GTE common stock that are outstanding and entitled to vote at the GTE annual meeting. The proposal to ratify the appointment of auditors and to approve the two shareholder proposals must receive an affirmative vote of a majority of votes cast. Each share of GTE common stock is entitled to one vote.

Voting Your Shares and Changing Your Vote

Voting Your Shares

The GTE Board of Directors is soliciting proxies from GTE shareholders. This will give you the opportunity to vote at the GTE annual meeting. When you deliver a valid proxy, the shares represented by that proxy will be voted in accordance with your instructions. If you do not vote by proxy or attend the GTE annual meeting and vote in person, it will have the same effect, in most cases, as voting against the GTE merger proposal.

You may grant a proxy by: (1) signing and mailing your proxy card, (2) calling a toll-free number and following the recorded instructions, or (3) going to a website on the Internet and following the instructions provided. GTE may also request that shareholders return their proxy cards by fax. New York law permits a shareholder to grant a proxy in each of these ways. However, if your shares are not registered in your own name, the bank, broker or other institution holding your shares may not offer telephone or Internet proxy voting. If your proxy card does not include telephone or Internet voting instructions, please complete and return your proxy card by mail. You may also cast your vote in person at the meeting.

Mail. To grant your proxy by mail, please complete your proxy card, sign, date and return it in the enclosed envelope. To be valid, a returned proxy card must be signed and dated.

Telephone. You may use the toll-free number listed on your proxy card to grant your proxy. You must have your proxy card ready. Call the toll-free number and:

1. Enter your Control Number located on your proxy card.
2. Follow the recorded instructions.

Internet. You may also use the Internet to grant your proxy. You must have your proxy card ready and:

1. Go to the website shown on your proxy card and follow the instructions provided.
2. Enter your Control Number located on your proxy card.

In Person. If you attend the GTE annual meeting in person, you may vote your shares by completing a ballot at the meeting.

Changing Your Vote by Revoking Your Proxy

You may revoke your proxy at any time before the polls close at the GTE annual meeting. You may revoke your proxy by delivering notice in writing to the Secretary of GTE, granting a later-dated proxy or appearing in person and voting at the GTE annual meeting. You will not revoke your proxy by simply attending the GTE annual meeting unless you complete a ballot.

How Proxies Are Counted

If you return a signed and dated proxy card but do not indicate how the shares are to be voted, those shares represented by your proxy card will be voted as recommended by the GTE Board of Directors. A valid proxy also gives the individuals named as proxies authority to vote in their discretion when voting the shares on any other matters that are properly presented for action at the GTE annual meeting. A properly executed proxy card marked ''abstain'' will not be voted. However, it may be counted to determine whether there is a quorum present. Accordingly, since the affirmative vote of two-thirds of the shares outstanding and entitled to vote at the GTE annual meeting is required to approve the GTE merger proposal, a proxy marked ''abstain'' will have the effect of a vote against the GTE merger proposal. Abstentions are not counted in determining the number of shares voted for or against any nominee for director, the ratification of auditors or any shareholder proposal.

Shares represented by ''broker non-votes'' (i.e., shares held by brokers or nominees which are represented at a meeting but with respect to which the broker or nominee is not empowered to vote on a particular proposal) will be counted as present for purposes of determining whether there is a quorum at the GTE annual meeting. The New York Stock Exchange rules provide that brokers and nominees cannot vote the shares that they hold on behalf of other people either for or against the GTE merger proposal or any shareholder proposal without specific instructions from the person who beneficially owns those shares. Therefore, if your shares are held by a broker or other nominee and you do not give them instructions on how to vote your shares on the GTE merger proposal, this will have the same effect as voting against this proposal. Broker non-votes are not counted in determining the number of shares voted for or against any shareholder proposal.

If you are a GTE shareholder who participates in the GTE Shareholder Systematic Investment Plan, your proxy card represents both the number of shares registered in your name and the number of full shares credited to your plan account.

If you are a GTE employee who participates in the GTE Savings Plan or the GTE Hourly Savings Plan and who also holds shares of GTE common stock other than in those plans, you will receive one proxy card for all of your shares that are registered in a similar manner. Accordingly, your proxy will also instruct the trustee of the plans how to vote your shares held in those plans. If your accounts are not registered in a similar manner, you will receive a separate proxy card for your individual accounts and for your plan holdings. If the trustee of the plans has not received voting instructions for all of the shares allocated to participants' accounts, the trustee will vote the shares for which the trustee has not received voting instructions in the same proportion as shares for which the trustee has received voting instructions, subject to the trustee's fiduciary duties. Similarly, the trustee will vote shares held in the plans which have not yet been allocated to any participant's account in the same proportion as shares for which the trustee has received voting instructions, subject to the trustee's fiduciary duties.

Confidential Voting

It is GTE's policy that all proxies, ballots and tabulations that identify the vote of individual shareholders are kept confidential. These items are not seen by nor reported to GTE, except as necessary to meet legal requirements, in a contested proxy solicitation or where shareholders submit comments with their proxy.

Cost of Solicitation

GTE will pay the cost of soliciting GTE proxies. However, GTE and Bell Atlantic will share equally the cost of printing this joint proxy statement and prospectus. In addition to solicitation by mail, telephone, the

Internet or other means, GTE will make arrangements with brokerage houses and other custodians, nominees and fiduciaries to send proxy material to beneficial owners. GTE will, upon request, reimburse these institutions for reasonable expenses. GTE has retained D.F. King & Co., Inc. to aid in the solicitation of proxies and to verify certain records related to the solicitation at a fee of $650,000 plus expenses.

Proxy Statement Proposals

At an annual meeting, the GTE Board of Directors will submit to you its nominees for election as directors. You will also vote to ratify or reject the auditors selected by the Audit Committee and approved by the GTE Board of Directors. In addition, the GTE Board of Directors may submit other matters to you for action at that annual meeting.

Each year, a shareholder may submit proposals to be included in the proxy materials. These proposals must meet the shareholder eligibility and other requirements of the Securities and Exchange Commission. In order to be included in the 2000 annual meeting proxy materials, your proposal must be received no later than December 14, 1999 at GTE's Corporate Headquarters, 1255 Corporate Drive, SVC06C20, Irving, Texas 75038, Attention: Secretary.

In addition, GTE's bylaws provide that in order for business to be brought before the annual meeting, you must deliver written notice to the Secretary not less than 90 nor more than 120 days prior to the date of the annual meeting. If GTE gives you less than 100 days' notice of the meeting, you will have 10 days from the earlier of the time we mail you the notice or the date the meeting is publicly disclosed to submit a proposal to be included in the proxy materials. The notice must state your name, address and number of shares of GTE common stock you hold, and briefly describe the business to be brought before the annual meeting, the reasons for conducting such business at the annual meeting and any material interest you have in the proposal.

The bylaws also provide that if you intend to nominate a candidate for election as a director, you must deliver written notice of your intention to the Secretary. The notice must be delivered not less than 90 nor more than 120 days before the date of a meeting of shareholders. The notice must contain the following information: the name and address of and number of shares of GTE common stock owned by you (and that of any other shareholders known to be supporting the nominee you have selected) and the nominee for election as a director; the age of the nominee; the nominee's business address and experience during the past five years; any other directorships held by the nominee; the nominee's involvement in certain legal proceedings during the past five years; and such other information concerning the nominee as would be required to be included in a proxy statement soliciting proxies for the election of the nominee. In addition, the notice must include the nominee's consent to serve as a director of GTE if elected.

GTE shareholders should not send in their stock certificates with their proxy card. Soon after the merger is completed, you will receive written instructions on how to exchange your GTE stock certificates for shares of the combined company.

THE BELL ATLANTIC ANNUAL MEETING

This document is being furnished in connection with the solicitation of proxies from the holders of Bell Atlantic common stock by the Bell Atlantic Board of Directors relating to the election of directors, the Bell Atlantic merger proposal and other matters to be voted upon at the Bell Atlantic annual meeting and at any adjournment or postponement of the Bell Atlantic annual meeting. Bell Atlantic mailed this document to shareholders beginning April 14, 1999. You should read this document carefully before voting your shares.

When and Where the Bell Atlantic Annual Meeting Will be Held

The Bell Atlantic annual meeting will be held at the Crowne Plaza Ravinia, 4355 Ashford-Dunwoody Road, Atlanta, Georgia on May 19, 1999, starting at 10:30 a.m., EDT.

How to Attend and Participate in the Bell Atlantic Annual Meeting

Only shareholders of Bell Atlantic may attend the Bell Atlantic annual meeting. Directions to the Bell Atlantic annual meeting may be found on the last printed page of this document and on the admission ticket.

If your stock is registered in your name and not in the name of a bank, broker or other third party, you will receive an admission ticket attached to your proxy card. This ticket must be presented for admission to the Bell Atlantic annual meeting.

However, if your stock is not registered in your name, you must advise the firm that holds your stock (bank, broker or other institution that is the holder of record) that you wish to attend the Bell Atlantic annual meeting. That firm must provide you with documentation showing that you owned shares of Bell Atlantic common stock on April 2, 1999, the record date. You must bring that documentation to the Bell Atlantic annual meeting in order to attend.

Bell Atlantic will establish reasonable rules and procedures for the conduct of the Bell Atlantic annual meeting to ensure that there is sufficient time to address all of the items on the agenda, procedures for maintaining order and the safety of these present, and limitations on the time allotted for questions or comments by shareholders.

What Will be Voted Upon

At the Bell Atlantic annual meeting, you will be asked to consider and vote upon the following matters:

- to elect directors;
- to vote upon a proposal to approve the issuance of Bell Atlantic shares under an Agreement and Plan of Merger, dated as of July 27, 1998, with GTE Corporation, and related transactions, including the amendment and restatement of Bell Atlantic's certificate of incorporation;
- to ratify the appointment of independent accountants;
- to vote upon an amendment to the Bell Atlantic Incentive Stock Option Plan; and
- to act upon such other matters, including five shareholder proposals, as may properly come before the meeting.

Only Bell Atlantic Shareholders of Record as of April 2, 1999 Are Entitled to Vote

Bell Atlantic shareholders who hold their shares of record as of the close of business on April 2, 1999 are entitled to receive notice of and vote at the Bell Atlantic annual meeting. On the record date, there were approximately 1.55 billion shares of Bell Atlantic common stock outstanding and entitled to vote at the Bell

Atlantic annual meeting. A list of stockholders eligible to vote will be available at the offices of The Corporation Trust Company, 1201 Peachtree Street NE, Atlanta, GA 30301, beginning on May 7, 1999. Shareholders may examine this list during normal business hours for any purpose relating to the Bell Atlantic annual meeting.

Majority of Outstanding Shares Must be Represented For a Vote to be Taken

In order to have a quorum, a majority of the shares of Bell Atlantic common stock that are outstanding and entitled to vote at the Bell Atlantic annual meeting must be present in person or by proxy. If a quorum is not present, a majority of shares that are represented may adjourn or postpone the Bell Atlantic annual meeting.

Vote Required

A nominee for director must receive a plurality of the votes cast to be elected. The Bell Atlantic merger proposal must be approved by the affirmative vote, in person or by proxy, of holders of a majority of the shares of Bell Atlantic common stock that are outstanding and entitled to vote at the Bell Atlantic annual meeting. The proposal to ratify the appointment of independent accountants and to approve each of the five shareholder proposals must receive an affirmative vote of a majority of votes cast. Each share of Bell Atlantic common stock is entitled to one vote. As of the record date, Bell Atlantic's directors and executive officers beneficially own less than 1% of Bell Atlantic common stock.

Voting Your Shares and Changing Your Vote

Voting Your Shares

The Bell Atlantic Board of Directors is soliciting your proxy to give you the opportunity to vote at the Bell Atlantic annual meeting. When you deliver a valid proxy, the shares represented by that proxy will be voted in accordance with your instructions. If you do not vote by proxy or attend the Bell Atlantic annual meeting and vote in person, it will have the same effect, in most cases, as voting against the Bell Atlantic merger proposal.

You may grant a proxy by (1) signing and mailing your proxy card, (2) calling a toll-free telephone number and following the recorded instructions or (3) going to a website on the Internet and following the instructions provided. Delaware law permits a shareholder to grant a proxy in each of these ways. However, if your shares are not registered in your own name, your bank, broker or other institutions holding your shares may not offer telephone or Internet proxy voting. If your proxy card does not include telephone or Internet voting instructions, please complete and return your proxy card by mail. You may also cast your vote in person at the meeting.

Mail. To grant your proxy by mail, please complete your proxy card, and sign, date and return it in the enclosed envelope. To be valid, a returned proxy card must be signed and dated.

Telephone. You may use a toll-free telephone number listed on your proxy card to grant your proxy. You must have your proxy card ready. Dial the toll-free number and:

1. Enter the Control Number located on your proxy card.
2. Follow the recorded instructions.

Internet. You may also use the Internet to vote your proxy. You must have your proxy card ready and:

1. Go to the website shown on your proxy card.
2. Enter the Control Number located on your proxy card.
3. Follow the simple instructions.

In Person. If you attend the Bell Atlantic annual meeting in person, you may vote your shares by ballot at the meeting.

Changing Your Vote by Revoking Your Proxy

You may revoke your proxy at any time prior to the closing of the polls at the Bell Atlantic annual meeting by delivering to the Secretary of Bell Atlantic a signed notice of revocation or a later-dated signed proxy or by attending the Bell Atlantic annual meeting and voting in person. Attendance at the Bell Atlantic annual meeting will not in itself constitute the revocation of a proxy.

How Proxies Are Counted

If you return a signed and dated proxy card but do not indicate how the shares are to be voted, those shares represented by your proxy card will be voted as recommended by the Bell Atlantic Board of Directors. A valid proxy also gives the individuals named as proxies authority to use their discretion when voting the shares on any other matters that are properly presented for action at the Bell Atlantic annual meeting. Shares of Bell Atlantic common stock which are present at the Bell Atlantic annual meeting but not voted, either by abstention or non-vote (including "broker non-votes"), will be counted as present for purposes of determining whether there is a quorum, which consists of a majority of the outstanding shares of common stock entitled to vote, but will not be counted to determine whether the Bell Atlantic merger proposal is approved. Broker non-votes occur when nominees, such as brokers, holding shares on behalf of beneficial owners, do not receive voting instructions from the beneficial owners by ten days before the annual meeting. In this event, the nominees may vote those shares only on matters deemed routine by the New York Stock Exchange, such as the election of directors and the ratification of the appointment of independent accountants. On non-routine matters, such as the Bell Atlantic merger proposal, if the nominee does not receive specific instructions from the beneficial owner of the shares which the nominee holds, the nominee cannot vote those shares and there is a so-called "broker non-vote" on that matter.

Generally, proposals must be approved by a majority of the votes cast. Accordingly, broker non-votes and abstentions will have no effect on the outcome of those proposals. However, since directors are elected by a plurality of the votes cast, votes withheld from nominees for director could have an effect on the outcome of the election. In the case of the Bell Atlantic merger proposal, which requires the approval of a majority of all outstanding shares, broker non-votes and abstentions will have the same effect as a vote against the proposal.

If a shareholder is a participant in Bell Atlantic's Direct Invest Plan, the proxy card represents the number of full shares in such participant's plan account and will serve as voting instructions for such shares.

If a shareholder is a participant in Bell Atlantic's 1976 Employee Stock Ownership Plan, Savings Plan for Salaried Employees or the Savings and Security Plan (Non-Salaried Employees), the proxy card will similarly serve as voting instructions for the trustees of those plans, if accounts are registered in the same name. Shares in the Bell Atlantic Direct Invest Plan cannot be voted unless the proxy card is signed and returned. If proxy cards representing shares in the Bell Atlantic Savings Plan for Salaried Employees, the Bell Atlantic Savings and Security Plan (Non-Salaried Employees) or the Bell Atlantic 1976 Employee Stock Ownership Plan are not executed and returned, those shares will be voted by the trustee in the same proportion as the shares for which executed proxy cards are returned by other participants in those plans.

Confidential Voting

It is the policy of Bell Atlantic to keep confidential proxy cards, ballots and voting tabulations that identify individual shareholders, except where disclosure is mandated by law and in other limited circumstances.

Cost of Solicitation

Bell Atlantic will pay the cost of soliciting Bell Atlantic proxies. However, GTE and Bell Atlantic will share equally the cost of printing this document. In addition to solicitation by mail, telephone, the Internet or other means, Bell Atlantic will make arrangements with brokerage houses and other custodians, nominees and fiduciaries to send proxy material to beneficial owners, and Bell Atlantic, upon request, will reimburse them for their reasonable expenses. Bell Atlantic has retained Georgeson & Co. to aid in the solicitation of proxies and to verify certain records related to the solicitation for a fee of $22,500 plus expenses. Bell Atlantic may request the return of proxy cards by telephone to the extent necessary in order to ensure sufficient representation at the Bell Atlantic annual meeting. The extent to which this will be necessary depends entirely upon how promptly proxy cards are returned. Bell Atlantic urges its shareholders to send in their proxies without delay.

Bell Atlantic shareholders should not send in stock certificates with their proxy cards.

CHAPTER III—OTHER GTE ANNUAL MEETING PROPOSALS

ITEM 1—ELECTION OF GTE DIRECTORS

GTE Board of Directors

The GTE Board of Directors manages GTE's business. It establishes the overall policies and standards for GTE and reviews management's performance. The directors are kept informed of GTE's operations at meetings of the GTE Board of Directors and committees of the GTE Board of Directors and through reports and analyses and discussions with management.

The GTE Board of Directors meets on a regularly scheduled basis and also holds special meetings. During 1998, they met on fourteen occasions. Significant communications between the directors and the corporation also occur apart from regularly scheduled meetings of the GTE Board of Directors and the board committees. Accordingly, management does not regard attendance at meetings to be the primary criterion in evaluating the contributions a director makes to GTE. For the GTE Board of Directors as a whole, average attendance at meetings of the GTE Board of Directors and the board committees during 1998 was approximately 95%. During 1998, none of the incumbent directors attended less than 75% of the aggregate of the total number of GTE Board of Directors meetings and board committee meetings on which he or she served.

Committees of the GTE Board of Directors

The GTE Board of Directors established six standing committees and assigned certain responsibilities to each of those committees.

Audit Committee

The Audit Committee had five meetings in 1998. One of the functions of the Audit Committee includes recommending the appointment of independent auditors for GTE. It also reviews the scope of audits proposed by the auditors, reviews internal audit reports on various aspects of corporate operations and periodically consults with the auditors on matters relating to internal financial controls and procedures.

Executive Compensation and Organizational Structure Committee

The Executive Compensation and Organizational Structure Committee had ten meetings during 1998. The functions of this board committee include the review and approval of compensation of employees above a certain salary level, the review of management recommendations relating to executive incentive compensation plans, the administration of GTE's executive incentive compensation plans, the review of and recommendations concerning directors' compensation, and consultation on senior executive continuity and matters of organizational structure.

Nominating Committee

The Nominating Committee had three meetings during 1998. Its responsibilities include consideration of the size and composition of the GTE Board of Directors, review and recommendation of individuals for election as directors or officers of GTE, review of criteria for selecting directors, evaluation of directors as appropriate and consideration of policies and practices with respect to the functioning of the GTE Board of Directors. In carrying out its responsibilities for recommending candidates to fill vacancies on the GTE Board of Directors and in recommending a slate of directors for election by the shareholders at the annual meeting, this board committee will consider candidates suggested by other directors, employees and shareholders. Individuals suggested as candidates should have high level management experience in a large, relatively complex organization or have experience dealing with complex problems. A candidate also must indicate a willingness to attend scheduled meetings of the GTE Board of Directors and its committees.

Pension Trust Coordinating Committee

The Pension Trust Coordinating Committee is responsible for reviewing the performance of the portfolios of and investment advisors to GTE's pension plans, approving overall investment policy relating to the assets of the pension plans and monitoring the actuarial soundness of those plans. This committee had three meetings during 1998.

Public Policy Committee

The Public Policy Committee, which had two meetings during 1998, reviews GTE's policies and practices regarding corporate contributions, employee safety and health and other matters and assumes other duties as directed by the GTE Board of Directors.

Strategic Issues, Planning and Technology Committee

The Strategic Issues, Planning and Technology Committee reviews the long-term strategic objectives and goals of GTE and the external and internal issues related to those goals and to technology. This committee had two meetings during 1998.

GTE Directors' Compensation

Annual Compensation

During 1998, each non-employee GTE director participated in a compensation program that has both stock-based and cash-based components. By using stock-based compensation, the financial interests of GTE's non-employee directors are aligned with its shareholders. Employee directors of GTE are not paid for serving on the GTE Board of Directors or any of the board committees.

During 1998, the GTE Board of Directors granted each non-employee director 1,000 hypothetical shares of GTE common stock, which GTE refers to as deferred stock units, under the Deferred Stock Unit Plan for Non-Employee Members of the Board of Directors of GTE Corporation. The plan permits a non-employee director to receive distributions in shares of GTE common stock, as well as cash, as soon as the non-employee director ceases to be an officer or director of GTE. There are no voting rights attached to deferred stock units.

The deferred stock units are held in an account for the non-employee director. Deferred stock units increase or decrease in value based on the market value of an equivalent number of shares of GTE common stock. Each time a dividend is paid on GTE common stock, an equivalent amount is converted to deferred stock units and credited to the non-employee director's individual account based on the number of deferred stock units held as of the dividend date. These awards are not payable until the non-employee director terminates service as a director or officer of GTE.

With respect to the cash-based component, each non-employee GTE director also received an annual retainer in the amount of $60,000, and each non-employee director who chaired a GTE board committee received an additional annual retainer of $2,500.

Deferred Compensation

Under the Deferred Compensation Plan for Non-Employee Members of the Board of Directors of GTE, any non-employee GTE director may elect annually to defer all or any part of the cash portion of the compensation and receive payments in the future. The plan permits a non-employee director to hold the deferred amount in deferred stock units or in an interest-bearing cash account, or both. The number of deferred stock units is determined by dividing the amount deferred for the calendar quarter by the average closing price of GTE common stock, as reported on the New York Stock Exchange Composite Transactions Tape, for the most recent 20 business-day period ending on or before the last day of the quarter. Deferred stock units change in value based on the value of an equivalent number of shares of GTE common stock. Each time a dividend is paid on GTE common stock, an equivalent amount is converted into deferred stock units and credited to the non-employee director's account based on the number of deferred stock units held as of the dividend date.

After the non-employee GTE director's service terminates, he or she may elect to receive the amounts deferred and held in deferred stock units under this plan in cash or shares of GTE common stock. If the amount deferred is held in a cash account, payments will be made in cash, and the non-employee director may elect to receive payments either before or after his or her service ends. After he or she leaves the GTE Board of Directors, a non-employee director may also elect to invest the balance of his or her plan account in a variety of investment options.

Charitable Awards Program

Non-employee directors and designated senior executives of GTE, including the individuals named in the "GTE Executive Compensation Tables—Summary Compensation Table" in this Chapter III, participate in a charitable awards program. Under this program, GTE will donate an aggregate of $1,000,000 to as many as four tax-exempt educational institutions or public charities designated by the participant. The donations will be made in five equal annual installments after a participant's death. Generally, the donations will be made only if: (1) the participant dies while a director or a designated senior officer; or (2) the participant was either (a) a director who separated from service with GTE after completing five or more years of service as a director, or (b) a designated senior officer who separated from service after reaching age 65 and completing five or more years of service as an employee of GTE and who was not involuntarily separated from service for cause; or (3) a change in control occurs while the participant is a director or designated senior executive of GTE. The program is financed through the purchase of life insurance by GTE. Participants do not receive individual financial benefits from this program since all charitable deductions accrue solely to GTE.

GTE Executive Compensation Committee Report

The GTE Executive Compensation and Organizational Structure Committee reviews and approves annual salary range adjustments for GTE's executive employee group and administers GTE's executive short- and long-term incentive plans, including the approval of grant and payout targets and awards under those plans. The committee also evaluates the performance of senior management, including the chief executive officer, and approves changes to the base salaries of senior management of GTE and its related companies. This committee annually reports to the GTE Board of Directors on its activities.

Compensation Philosophy

The committee is responsible for GTE's executive compensation philosophy and policies, which form the basis for the committee's decisions. GTE's executive compensation philosophy relates the level of compensation to GTE's success in meeting its annual and long-term performance goals and achieving long-term returns for shareholders, rewards individual achievement, and seeks to attract and retain executives of the highest caliber. GTE's philosophy is to pay average compensation (including base, bonus and long-term incentives) for average results and above average compensation for outstanding results. GTE benchmarks its compensation (including salary and incentive pay) by comparing its practices with those of a select group of companies. GTE's comparison group for benchmarking competitiveness includes other major companies, both in telecommunications and general industry. During 1998, GTE re-evaluated the companies included in its comparison group and made changes to reflect business combinations and the announced growth strategy of GTE's businesses, to accurately reflect the competition for executive talent. These changes more closely align GTE with its peer companies in the high-technology, consumer products and telecommunications industries. The companies that are currently included in the comparison group have a reputation for excellence and are comparable to GTE in terms of such quantitative measures as revenues, net income, assets and market value. Moreover, they are viewed as competitors for executive talent in the overall labor market. Compensation data for the comparison companies are obtained from benchmarking surveys conducted by nationally recognized independent compensation consultants. In reviewing survey data, GTE takes into account how its compensation policies and overall performance compare to those of the comparison group. These surveys encompass companies that are not included in the GTE Performance Graph.

GTE has compared its ratio of base salary to total executive compensation to the practices of the comparison companies. Under GTE's compensation philosophy, base salary is intended to represent less than 40% of compensation for top executives. The remaining compensation is paid under incentive plans. Payments under these incentive plans are based upon the achievement of annual and long-term performance goals and are at risk.

Executive Compensation

In keeping with GTE's stated compensation philosophy, the committee compares the total compensation of GTE's executives to that of its comparison group. The committee determines whether it is advisable to approve adjustments in salary ranges and incentives. In doing so, the committee evaluates each executive's performance, the performance of the operations directed by that executive, and the ranking of the executive's compensation in relation to the established salary range for that position. In evaluating whether an executive's total compensation package (base salary plus incentive compensation) should be adjusted, the committee also takes into account changes in the executive's responsibilities and GTE's compensation philosophy.

During 1998, the committee reviewed the current position of GTE's targeted base salary and the annual and long-term incentives and compared the level and mix of pay opportunities to similar categories for the comparison group. Based on this review, the committee adjusted GTE's base salary and annual incentives for 1998. On average, total annual compensation opportunities were increased 4.4% in order to maintain GTE's competitive position. GTE's long-term performance-based award schedules, including stock options and performance bonus units, were adjusted downward by 8% and 13%, respectively, as a result of the increase in GTE's stock value. This represents the first change to GTE's stock option and performance bonus grant schedules in two years.

After evaluating Mr. Lee's performance and comparing his performance and salary to those of chief executive officers of the comparison group, the committee in early 1998 determined that Mr. Lee's base salary should be increased by 5.8% to remain at a competitive level. Mr. Lee's base compensation is within the salary range previously approved by the committee for the position of chief executive officer.

Incentive Compensation

Certain GTE employees are eligible to receive awards under two incentive plans in addition to their base salary.

Under the GTE Executive Incentive Plan, a participating employee is eligible to receive an award based on GTE's performance during the prior fiscal year, the performance of the individual's business unit and his or her achievement of previously established individual objectives. At the conclusion of each plan year, the committee compares GTE's performance and that of its business units to established objectives. The committee then arrives at an overall rating of GTE and the business units to determine the percentage payout of incentive awards for each unit and the individual awards for certain senior executives.

Mr. Lee's GTE Executive Incentive Plan award for 1998 is based upon GTE's overall performance and Mr. Lee's individual performance with respect to critical qualitative and quantitative objectives approved by the committee. Although GTE does not formally weight the factors comprising the performance measures, the committee considered GTE's financial and operational performance in 1998 and Mr. Lee's achievement of qualitative objectives. Specifically, Mr. Lee's 1998 objectives included quantitative goals related to: revenues; operating and net income; earnings per share; earnings before interest, taxes, depreciation, and amortization (''EBITDA''); return on equity; return on investment; and operating cash flow.

In addition to these quantitative goals, Mr. Lee's goals included significant qualitative objectives such as:

- continuing to transition GTE into a growth company while still maintaining a high level of earnings;
- continuing to strategically position GTE for the future through alliances with other major telecommunications providers, both domestically and internationally;
- optimizing GTE's competitive position and image as a quality provider of service;
- continuing to shape the regulatory landscape at both the federal and state levels, ensuring that an equitable environment has been created to achieve maximum flexibility and business potential; and
- continuing to renew and develop GTE's workforce.

In the committee's assessment, Mr. Lee performed well with respect to GTE's performance and his objectives and the committee approved his GTE Executive Incentive Plan award.

The GTE Executive Incentive Plan awards paid to the five most highly compensated employees of GTE are included in the ''Bonus'' column of the Summary Compensation Table. See ''GTE Executive Compensation Tables—Summary Compensation Table'' in this Chapter III.

Selected GTE employees also have an opportunity to earn incentive payments under the GTE Long-Term Incentive Plan. The primary purpose of the GTE Long-Term Incentive Plan is to help assure superior long-term financial and operating performance by offering participants an incentive for achieving those results. The GTE Long-Term Incentive Plan provides for two types of grants—performance bonuses and stock options. In approving the grants awarded under the GTE Long-Term Incentive Plan, the committee compares GTE's grant levels to competitive practices in the comparison group. GTE's objective is to link an increasing amount of compensation to long-term performance. GTE's philosophy is to be at the 60th percentile of the market of the comparison group of companies in this area.

Senior executives of GTE, including the five executives named in the Summary Compensation Table, are eligible to receive annual grants of performance bonuses under the GTE Long-Term Incentive Plan. These grants are earned during a performance cycle that is typically three years in duration. Awards for the three-year performance cycle ending in 1998 were based on GTE's actual financial performance during the 1996-1998 cycle. GTE's actual financial performance is compared to pre-established target levels for the following key measures: revenues growth, earnings per share growth, EBITDA growth, relative total shareholder return, and return on investment.

In establishing the targeted performance levels for the five key measures, the committee considered GTE's past performance, the performance of its principal competitors, its strategic goals, and its plans for implementing those goals. The targets established by the committee with respect to these key measures are designed to facilitate implementing GTE's strategic plans and to improve GTE's performance relative to its peers.

At the time the targeted performance bonus levels for each cycle under the GTE Long-Term Incentive Plan were established, a common stock equivalent unit account was set up for each participant. Each equivalent unit account represents an initial dollar amount for each account, which is referred to as a target award, based on the competitive performance bonus grant practices of the market comparison group. The value of the account was increased or decreased based on the market price of GTE common stock. Each time a dividend was paid on GTE common stock, an amount equal to the dividend paid on an equivalent number of shares of GTE common stock was added to the account. This amount was then converted into a number of equivalent units, obtained by dividing the amount of the dividend by the average of the high and low prices of GTE common stock on the New York Stock Exchange Composite Transactions Tape on the dividend payment date. The resulting number of equivalent units was then credited to the account.

Under the performance criteria approved for the 1996-1998 and 1997-1999 and 1998-2000 cycles, the committee established the minimum level of performance, or threshold, for each of the key measures. If this threshold is not met for a particular key measure, no award is paid for that key measure. If performance for a key measure is at the threshold, participants receive a payment of 20% of the target award for that key measure. However, if GTE's performance for the total shareholder return key measure is at the threshold, a payment of 50% of the award is made. The committee determined that this key measure was critical to GTE's success and set an exceptionally demanding goal for total shareholder return. Accordingly, they determined that if the threshold were met, a 50% payment would be made with respect to total shareholder return. If GTE's performance meets the target for the key measure, participants will receive the full value associated with achieving that key measure. If GTE's performance exceeds the target, the award for that key measure will exceed 100% of the target award, based upon the formula explained under the table entitled "Long-Term Incentive Plan—Awards in Last Fiscal Year" in this Chapter III. The formula is applied separately for each key measure. The committee anticipates that performance bonus awards will be based in equal proportion on the attainment of the target established for each of the five key measures. The cumulative attainment level is called the "Guideline Performance Percentage." The value of the equivalent unit account is then adjusted by the Guideline Performance Percentage. To see the grants for the 1998-2000 cycle see "GTE Executive Compensation Tables—Long-Term Incentive Plan—Awards in Last Fiscal Year" in this Chapter III.

The committee normally approves grants of stock options under the GTE Long-Term Incentive Plan. These options are granted to the five executives named in the Summary Compensation Table and to a substantially larger group of executives than those who are eligible to receive performance bonuses under the GTE Long-Term Incentive Plan.

The committee did not take into account the number of options currently held by any individual participant in determining individual grants for 1998. Mr. Lee and the other four most highly compensated officers received the grants shown in the Summary Compensation Table. To see the grants awarded, see "GTE Executive Compensation Tables—Summary Compensation Table" in this Chapter III. Mr. Lee's grant level was tied to competitive long-term compensation practices for companies in GTE's comparison group.

In addition, GTE has established stock ownership guidelines for all executives who are eligible to receive GTE Long-Term Incentive Plan performance bonuses. Under the guidelines, the chief executive officer is encouraged to have an ownership interest in GTE common stock with a value at least six times his annual base salary. Other executives identified by the committee are encouraged to maintain stock holdings with a value ranging from one to four times their annual base salaries. Compliance with the stock ownership guidelines is monitored annually. Overall, ownership by the executive population significantly exceeded these guidelines.

GTE executives also participate in the GTE Equity Participation Program. Under this program, a portion of certain executives' cash bonuses under the Executive Incentive Plan and Long-Term Incentive Plan must be deferred and held in restricted stock units for a minimum of three years, after which they will be payable in GTE common stock. Participants may also irrevocably elect to defer an additional percentage of their GTE Executive Incentive Plan and GTE Long-Term Incentive Plan cash bonuses into restricted stock units, provided that their mandatory and voluntary deferrals do not exceed 25% of the combined GTE Executive Incentive Plan and GTE Long-Term Incentive Plan awards. GTE will provide a matching contribution in restricted stock units in the amount of one unit for every four units deferred by the participant. These matching restricted stock units were designed as an inducement to encourage full participation in the program and to compensate the executives for their agreement not to realize the economic value associated with the restricted stock units for a minimum of three years.

Internal Revenue Service Rules Relating to Deductibility of Compensation

In late December 1995, the Internal Revenue Service issued final regulations that apply to Section 162(m) of the Internal Revenue Code of 1986, as amended, limiting the tax deduction a publicly held corporation may take for compensation paid to the executives listed on the Summary Compensation Table. The Internal Revenue Service regulations limit the annual amount that GTE may deduct for each of these executives to $1,000,000 unless the compensation is performance-based.

Both the GTE Executive Incentive Plan and GTE Long-Term Incentive Plan include provisions to provide for the deductibility of future amounts received under these plans. The provisions include, but are not limited to, limiting positive discretion, establishing the maximum aggregate awards payable, limiting the number of stock options that may be granted to any one individual, and limiting the maximum individual awards that may be paid to these executives.

Based on these requirements, the Executive Incentive Plan provides that if GTE's return on equity exceeds 8%, then an amount equal to 5% of GTE's consolidated net income is available for awards to participants. In calculating consolidated net income under the terms of the Executive Incentive Plan, the committee excludes losses from unusual or extraordinary items such as the impact of accounting changes or unusual charges related to business combinations or discontinued operations. In addition, the committee established individual award limits with respect to the Executive Incentive Plan awards. Each individual award limit is a percentage of the total available amount. The applicable percentage depends on the individual's base salary at the end of the calendar year and, in all cases, may not exceed 3.5%. GTE's 1998 return on equity exceeded 8%, and awards under the Executive Incentive Plan were paid for 1998.

Based on these requirements, the Long-Term Incentive Plan provides that if for each 3-year performance cycle GTE's cumulative consolidated net income exceeds $5 billion, awards can be made. In calculating cumulative consolidated net income under the terms of the Long-Term Incentive Plan, the committee excludes losses from unusual or extraordinary items such as the impact of accounting changes or unusual charges relating to business combinations or discontinued operations. If cumulative consolidated net income exceeds $5 billion, then an amount equal to 3% of cumulative consolidated net income is available for awards to participants. Amounts of cumulative consolidated net income in excess of $15 billion are not counted in determining the size of the total available amount. In addition, the committee established individual award limits with respect to the award of the performance bonus. The individual award limit is a percentage of the total available amount. The applicable percentage depends on the individual's base salary at the end of the cycle and, in all cases, may not exceed 3.5%.

Other Compensation Plans

GTE also has various broad-based employee benefit plans. Executives participate in these plans on the same terms as eligible, non-executive employees, subject to any legal limits on the amounts that may be contributed or paid to executives under the plans. The GTE Savings Plan and the GTE Hourly Savings Plan, pursuant to the provisions of Section 401(k) of the Internal Revenue Code, permit employees to invest in a variety of funds on a pre-tax or after-tax basis. Matching contributions under those plans are made in GTE common stock. GTE also maintains pension, insurance and other benefit plans for its employees.

Russell E. Palmer, Chairman
James R. Barker
Edward H. Budd
James L. Ketelsen

April 13, 1999

GTE Executive Compensation Tables

Summary Compensation Table

The following table sets forth information about the compensation of the chief executive officer and each of the other four most highly compensated executive officers of GTE for services in all capacities to GTE and its subsidiaries.

		Annual Compensation			Long Term Compensation			
					Awards		Payouts	
Name and Principal Position(1)	Year	Salary ($)(2)	Bonus($)(3)	Other Annual Compensation($)	Restricted Stock Awards($)(4)	Securities Underlying Options/ SARs(#)	LTIP Payouts ($)(3)	All Other Compensation ($)(5)
Charles R. Lee	1998	1,098,846	1,424,300	2,202	169,813	221,100	1,292,700	49,448
Chairman & Chief	1997	1,039,500	1,508,800	60,095	246,156	248,600	2,429,700	11,320
Executive Officer	1996	975,000	1,553,100	16	252,210	248,600	2,481,800	10,613
Kent B. Foster	1998	897,942	963,800	23,278	119,519	130,900	948,500	40,407
President(6)	1997	843,538	1,011,500	58,084	172,781	182,800	1,753,000	11,320
	1996	784,000	1,041,300	679	176,243	182,800	1,778,800	10,613
Michael T. Masin	1998	783,135	918,900	3,403	107,894	109,300	807,400	33,981
Vice Chairman and	1997	742,391	843,200	61,841	144,956	155,400	1,476,100	7,200
President—International(7)	1996	679,466	868,000	—	147,952	155,400	1,499,200	6,490
Thomas W. White	1998	517,231	500,700	80	61,350	69,100	480,900	23,275
Senior Executive	1997	503,591	533,700	—	84,756	91,700	822,400	11,320
Vice President—Market Operations, GTE Service Corporation(8)	1996	463,115	533,700	—	81,511	183,400	770,000	10,613
William P. Barr	1998	478,462	420,800	64	46,988	61,200	331,000	21,531
Executive Vice President—	1997	445,442	394,500	—	1,936,588	304,000	510,900	11,320
Government and Regulatory Advocacy and General Counsel(9)	1996	407,500	343,200	—	26,349	101,600	499,800	10,613

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

(2) The data in the salary column of the table include fees that certain executives receive for serving as directors of BC TELECOM Inc., a Canadian company in which GTE owned a 50.8% interest during 1998. Mr. Masin's salary for 1998, 1997, and 1996 includes fees of $28,000, $17,182, and $18,466, respectively. Mr. White's salary for 1997 and 1996 includes fees of $7,280 and $15,692. During 1997, Mr. Masin and Mr. White also received BC TELECOM Inc. deferred stock units then valued at $14,593 and $10,695, respectively, which are included in this column.

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

(4) The data in this column represent the dollar value of the matching restricted stock units based upon the average closing price described in footnote 3 above. Matching restricted stock units are received on the basis of one additional restricted stock unit for every four restricted stock units deferred through the bonus

deferrals described in footnote 3 above. GTE grants executives matching restricted stock units on the basis of one stock unit for every four stock units deferred. The matching stock units were designed to increase focus on shareholder value and to compensate the executive for agreeing not to realize the economic value associated with deferred bonus amounts. Additional restricted stock units are received on each dividend payment date based upon the amount of the dividend paid and the closing price of GTE common stock on the New York Stock Exchange Composite Transactions Tape on the dividend declaration date. Messrs. Lee, Foster, Masin, White and Barr each hold a total of 64,493, 45,209, 38,517, 21,823 and 40,222 restricted stock units, respectively, which had a dollar value of $4,192,045, $2,938,585, $2,503,605, $1,418,495 and $2,614,406, respectively, based solely upon the closing price of GTE common stock on December 31, 1998.

(5) The column ''All Other Compensation'' includes, for 1998, contributions by GTE and its subsidiaries to the GTE Savings Plan of $7,200 for each of Messrs. Lee, Foster, Masin, White and Barr, and contributions by GTE and its subsidiaries to the GTE Executive Salary Deferral Plan of $42,248, $33,207, $26,781, $16,075 and $14,331 for each of Messrs. Lee, Foster, Masin, White and Barr.

(6) Mr. Foster was elected President in June 1995. He served as Vice Chairman and President-GTE Telephone Operations Group from October 1993 until June 1995. He had been President-GTE Telephone Operations Group since 1989.

(7) Mr. Masin joined GTE as Vice Chairman effective October 1993. He was also elected President-International in June 1995.

(8) Mr. White was elected Senior Executive Vice President-Market Operations of GTE Service Corporation in June 1997. He served as President-GTE Telephone Operations Group from July 1995 until June 1997, and before that as an Executive Vice President of GTE Telephone Operations Group from 1991.

(9) Mr. Barr was elected Executive Vice President-Government and Regulatory Advocacy and General Counsel in June 1997 and before that served as Senior Vice President and General Counsel from July 1994. Prior to joining GTE, he was a partner in the Washington, D.C. office of the law firm of Shaw, Pittman, Potts & Trowbridge since 1993. He served as Attorney General of the United States from 1991 to 1993.

Option/SAR Grants in Last Fiscal Year

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

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term		
Name	Number of Securities Underlying Options/SARs Granted	% of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price ($/Sh)	Expiration Date	0%	5%	10%
Charles R. Lee	221,100	1.58%	54.375	2/17/08	$0	$7,560,724	$19,160,440
Kent B. Foster	130,900	.94%	54.375	2/17/08	0	4,476,249	11,343,743
Michael T. Masin	109,300	.78%	54.375	2/17/08	0	3,737,617	9,471,890
Thomas W. White	69,100	.49%	54.375	2/17/08	0	2,362,940	5,988,175
William P. Barr	61,200	.44%	54.375	2/17/08	0	2,092,792	5,303,568

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

Aggregated Option/SAR Exercises in Last Fiscal Year and FY-End Option/SAR Values

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

			Number of Securities Underlying Unexercised Options/SARs at FY-End(#)		Value of Unexercised In-The-Money Options/SARs At FY-End($)	
Name	Shares Acquired on Exercise(#)	Value Realized($)	Exercisable	Unexercisable	Exercisable	Unexercisable
Charles R. Lee	31,000	1,078,495	1,128,199	469,701	35,565,985	7,704,694
Kent B. Foster	0	0	733,699	313,701	22,508,557	5,269,420
Michael T. Masin	200,000	5,115,488	336,300	264,700	8,890,293	4,454,825
Thomas W. White	190,999	4,263,198	65,867	221,934	1,826,588	4,142,035
William P. Barr	57,600	1,540,390	152,132	314,668	3,042,616	5,675,569

Long-Term Incentive Plan — Awards in Last Fiscal Year

The GTE Long-Term Incentive Plan provides for awards to participating employees, including stock options, stock appreciation rights, performance bonuses and other stock-based awards. To see the stock options awarded under the plan to the five most highly compensated executive officers in 1998, see ''Summary Compensation Table'' in this Chapter III. See ''GTE Executive Compensation Committee Report—Incentive Compensation'' in this Chapter III for a description of the operation of the GTE Long-Term Incentive Plan.

Name	Number of Shares, Units or Other Rights(#)	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Stock Price-Based Plan		
			Threshold (# of Units)	Target (# of Units)	Maximum
Charles R. Lee	34,800	3 Years	9,865	37,941	
Kent B. Foster	20,600	3 Years	5,802	22,315	
Michael T. Masin	17,200	3 Years	4,876	18,753	
Thomas W. White	10,900	3 Years	3,090	11,884	
William P. Barr	9,600	3 Years	2,721	10,467	

GTE cannot predict future dividends. Accordingly, estimated equivalent unit accruals in the above table are calculated for illustrative purposes only and are based upon the dividend rate and price of GTE common stock at the close of business on December 31, 1998. The target award is the dollar amount derived by multiplying the equivalent unit balance credited to the participant at the end of the award cycle by the average closing price of GTE common stock, as reported on the New York Stock Exchange Composite Transactions Tape, during the last 20 business days of the award cycle.

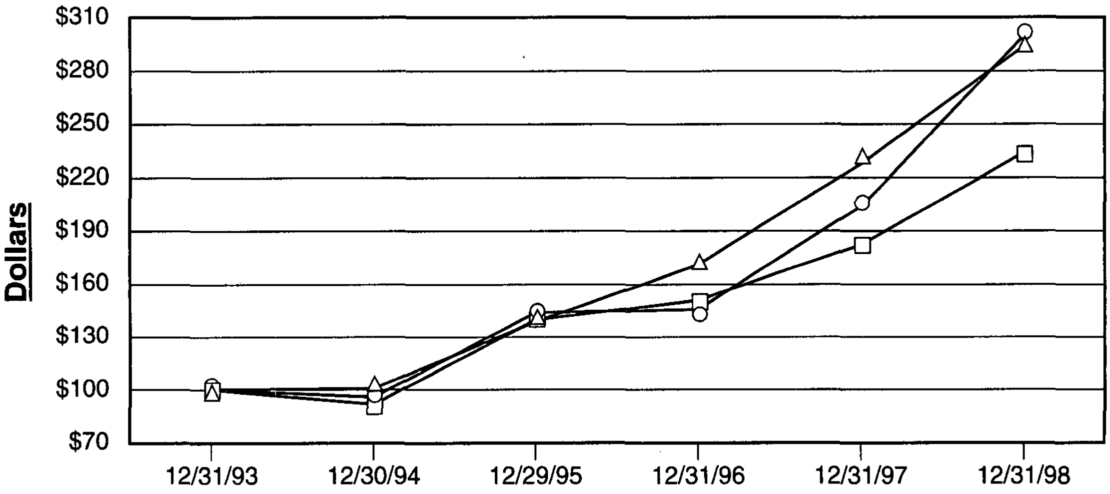
The column headed ''Maximum'' has intentionally been left blank because it is not possible to determine the maximum number of equivalent units until the award cycle has been completed. Subject to the award limit discussed above, the maximum amount of the award is limited by the extent to which GTE's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

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

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

GTE Performance Graph

The following table shows a comparison of five year cumulative total return to shareholders for GTE common stock, Standard & Poor's 500 Index, and Standard & Poor's Telephone Index. It assumes that $100 was invested on December 31, 1993. The S&P Telephone Index is comprised of the Regional Bell Holding Companies plus GTE, ALLTEL Corporation and Frontier Corporation.



	12/31/93	12/30/94	12/29/95	12/31/96	12/31/97	12/31/98
GTE COMMON STOCK	$100	$92	$140	$151	$182	$234
S&P 500 INDEX	$100	$101	$139	$171	$229	$294
S&P TELEPHONE INDEX	$100	$96	$144	$146	$204	$300

—□— GTE COMMON STOCK —△— S&P 500 INDEX —○— S&P TELEPHONE INDEX

GTE Retirement Programs

Pension Plans

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

Pension Plan Table

Final Average Earnings	Years of Service 15	20	25	30	35
$ 300,000	63,851	85,134	106,418	127,701	148,985
400,000	85,601	114,134	142,668	171,201	199,735
500,000	107,351	143,134	178,918	214,701	250,485
600,000	129,101	172,134	215,168	258,201	301,235
700,000	150,851	201,134	251,418	301,701	351,985
800,000	172,601	230,134	287,668	345,201	402,735
900,000	194,351	259,134	323,918	388,701	453,485
1,000,000	216,101	288,134	360,168	432,201	504,235
1,200,000	259,601	346,134	432,668	519,201	605,735
1,500,000	324,851	433,134	541,418	649,701	757,985
2,000,000	433,601	578,134	722,668	867,201	1,011,735
2,500,000	542,351	723,134	903,918	1,084,701	1,265,485
2,750,000	596,726	795,634	994,543	1,193,451	1,392,360
3,000,000	651,101	868,134	1,085,168	1,302,201	1,519,235
3,500,000	759,851	1,013,134	1,266,418	1,519,701	1,772,985

All executive officers of GTE are employees of GTE Service Corporation, a wholly-owned subsidiary, which maintains the GTE Service Corporation Plan for Employees' Pensions. The GTE Service Corporation plan is a noncontributory pension plan for the benefit of all employees of GTE Service Corporation and participating affiliates who are not covered by collective bargaining agreements. It provides a benefit based on a participant's years of service and earnings. Pension benefits provided by GTE Service Corporation and contributions to the GTE Service Corporation plan are related to basic salary and incentive payments, exclusive of overtime, differentials, certain incentive compensation and other similar types of payments. Under the GTE Service Corporation plan, pensions are computed on a two-rate formula basis of 1.15% and 1.45% for each year of service, with the 1.15% service credit being applied to that portion of the average annual salary for the five highest consecutive years that does not exceed $31,100, which is the portion of salary subject to the Federal Social Security Act, and the 1.45% service credit being applied to that portion of the average annual salary for the five highest consecutive years that exceeds this level up to the statutory limit on compensation. As of February 26, 1999, the credited years of service under the GTE Service Corporation plan for Messrs. Lee, Foster, Masin, White and Barr are 15, 28, 5, 30, and 4, respectively.

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

Executive Retired Life Insurance Plan

GTE's Executive Retired Life Insurance Plan provides Messrs. Lee, Foster, Masin, White and Barr a postretirement life insurance benefit of three times final base salary. Upon retirement, the Executive Retired Life Insurance Plan benefits may be paid as life insurance or, alternatively, an equivalent amount equal to the present value of the life insurance amount (based on actuarial factors and the interest rate then in effect), may be paid as a lump sum payment, as an annuity or in installment payments.

Certain Transactions

The investment banking firm of PaineWebber Incorporated received underwriting commissions and fees from GTE and its subsidiaries on the sale of securities during 1998. It is possible that PaineWebber Incorporated may have received additional brokerage commissions from trustees of the various pension, retirement, savings or similar plans of GTE and its subsidiaries. However, the commissions would not have been as a result of direction by GTE or its subsidiaries with regard to such orders. Mr. Richard W. Jones, a director of GTE until April 15, 1998, is a business consultant for PaineWebber Incorporated.

During 1998, GTE paid approximately $398,000 to subsidiaries of Citigroup Inc. and its predecessor corporations for commercial banking services. Mr. Masin, Vice Chairman and President-International and a director of GTE, is a member of the board of directors of Citigroup Inc.

The Boston Consulting Group, Inc. received fees from GTE's subsidiaries of approximately $292,000 for consulting services during 1998. Dr. Sandra O. Moose is a director of GTE and a director of The Boston Consulting Group, Inc.

During 1998, GTE's subsidiaries paid approximately $135,000 for various fees to CSX Corporation. Dr. John W. Snow is a director of GTE and the Chairman, President and Chief Executive Officer of CSX Corporation.

GTE's subsidiaries utilized the services of Thompson, Hine & Flory LLP during 1998. Mr. Robert D. Storey is a director of GTE and a partner in that law firm.

Ownership of Stock by GTE Directors, Nominees for Directors and Executive Officers

Voting Stock and Stock-Based Holdings

The table below sets forth (a) the shares of GTE common stock beneficially owned by each director, nominee for director, the chief executive officer and the other four most highly compensated executive officers, and by all directors and executive officers as a group; and (b) the total GTE stock-based holdings of the named individuals and the group. No director, nominee for director or executive officer owns as much as one-fifth of one percent of the total outstanding shares of GTE common stock, and all directors and executive officers as a group own less than one-half of one percent of the total outstanding shares of GTE common stock. Unless otherwise indicated, all persons named in the table have sole voting and investment power with respect to the shares shown in the table.

The last column of the table combines beneficial ownership of shares of GTE common stock (including shares which may be acquired within 60 days pursuant to the exercise of stock options) with holdings of (i) deferred stock units by non-employee directors (which are payable in cash or shares of GTE common stock, at the election of the director, and are accrued under the Deferred Stock Unit Plan and under the Deferred Compensation Plan) and by executive officers (which are payable in cash pursuant to deferrals under the GTE Executive Salary Deferral Plan, the Executive Incentive Plan and the Long-Term Incentive Plan); and (ii) restricted stock units by executive officers (which are payable in shares of GTE common stock under the Equity Participation Program). This column indicates the alignment of the named individuals and the group with the interests of GTE's shareholders because the value of their total holdings will increase or decrease in line with the price of GTE common stock.

Name of GTE Director or Nominee	GTE Shares Beneficially Owned as of February 26, 1999	GTE Stock-Based Holdings as of February 26, 1999
Edwin L. Artzt	2,785	15,498
James R. Barker	4,200	97,011
Edward H. Budd	4,969	29,443
Robert F. Daniell	2,970	10,618
Kent B. Foster(1)	955,108	1,042,985
James L. Johnson	59,143	68,942
James L. Ketelsen	1,800	13,572
Charles R. Lee(1)	1,461,690	1,602,189
Michael T. Masin(1)(2)	480,992	535,280
Sandra O. Moose	1,800	10,338
Russell E. Palmer	2,200	10,223
John W. Snow	2,100	4,100
Robert D. Storey	700	10,835
	2,980,457	3,451,034
GTE Executive Officers(1)		
Charles R. Lee	1,461,690	1,602,189
Kent B. Foster	955,108	1,042,985
Michael T. Masin(2)	480,992	535,280
Thomas W. White	163,565	186,007
William P. Barr	209,700	254,001
	3,271,055	3,620,462
All directors and executive officers as a group(1)	3,841,349	4,479,837

(1) Includes shares acquired through participation in the GTE Savings Plan. Also included in the number of shares beneficially owned by Messrs. Lee, Foster, Masin, White and Barr and all directors and executive officers as a group are 1,307,033; 899,199; 476,333; 150,034; 206,399 and 3,479,693, respectively, which such persons have the right to acquire within 60 days pursuant to the exercise of stock options.

(2) Mr. Masin participated in the Deferred Compensation Plan while he was a non-employee director of GTE. In October 1993, Mr. Masin became an employee of GTE and since that date he has not been eligible to receive or defer additional compensation under the Deferred Compensation Plan or to receive new grants under any plans for non-employee directors of GTE.

CANTV Stock

The following table indicates the number of Class D Common Shares of Compania Anonima Nacional Telefonos de Venezuela (''CANTV'') beneficially owned by each GTE director or nominee, the chief executive officer and each of the other four most highly compensated executive officers who beneficially own such shares, and by all directors and executive officers of GTE as a group as of February 26, 1999. A subsidiary of GTE owns approximately 8.5% of the Class D Common Shares of CANTV and the remaining Class D Common Shares of CANTV are owned by the public. GTE also indirectly owns 57.8% of the Class A Common Shares of CANTV through a consortium, and the other consortium partners indirectly own the remaining Class A Common Shares of CANTV. Only directors of GTE who own Class D Common Shares of CANTV are named in the table. Each of these amounts shown in the following table, and all of them in the aggregate, represented less than 1% of the outstanding Class D Common Shares of CANTV as of February 26, 1999. All of the following Class D Common Shares of CANTV are owned in the form of American Depositary Shares, each representing seven Class D Common Shares of CANTV.

Name	CANTV Class D Common Shares Beneficially Owned
Kent B. Foster	7,000
Charles R. Lee	77,000
Michael T. Masin	30,450
Russell E. Palmer	14,000
	128,450
All GTE directors and executive officers as a group	135,450

Election of GTE Directors

The GTE Board of Directors is divided into three classes. Each class of directors is elected for a three-year term. Messrs. Budd, Ketelsen, Lee and Snow are nominated for election by GTE's shareholders as Class I directors. The Class I directors elected in 1999 will serve for a term of three years which expires at the GTE annual meeting in 2002 or when their successors are elected and qualified. All nominees for Class I directors are currently directors and, other than Dr. Snow, were previously elected by the shareholders. Each nominee is at present available for election.

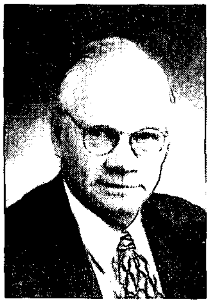
Mr. James L. Johnson, a Class I director, has reached the mandatory retirement age. Accordingly, he will retire from the GTE Board of Directors at the conclusion of the GTE annual meeting.

If all the nominees for directors are elected by GTE's shareholders at the GTE annual meeting, the GTE Board of Directors will consist of twelve directors—nine directors whose principal occupations are outside GTE and three directors who are presently employees of GTE.

The GTE Board of Directors recommends a vote FOR all nominees.

Biographical Information of GTE Directors

The following provides information about the nominees for directors.

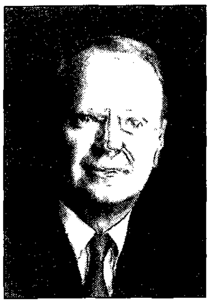
Nominee, Age and Year Elected a Director	Principal Occupation and Other Information
	Nominees for Class I Directors **Term Expiring at 2002 GTE Annual Meeting**
EDWARD H. BUDD **65 1985** 	Retired Chairman of the Board of The Travelers Corporation. From January 1994 to September 1994, Mr. Budd was Chairman of Travelers Insurance Group, Inc. Mr. Budd was elected President and Chief Operating Officer of The Travelers Corporation in 1976, Chief Executive Officer in 1981 and Chairman in 1982. He is a Director of Delta Air Lines, Inc. and a member of The Business Council. He is Chairman of the Audit Committee and a member of the Nominating Committee and the Executive Compensation and Organizational Structure Committee of GTE.
JAMES L. KETELSEN **68 1986** 	Retired Chairman of Tenneco Inc. Mr. Ketelsen retired as Chairman of Tenneco Inc. in 1992. He was elected Executive Vice President-Finance of Tenneco Inc. in 1972 and was appointed Chairman and Chief Executive Officer in 1978. He is a Director of J.P. Morgan & Co. Incorporated and its principal subsidiary, Morgan Guaranty Trust Company of New York, and of Sara Lee Corporation and a Trustee of Northwestern University. Mr. Ketelsen is Chairman of the Pension Trust Coordinating Committee and a member of the Executive Compensation and Organizational Structure Committee and the Public Policy Committee of GTE.

Nominee, Age and Year Elected a Director	Principal Occupation and Other Information
CHARLES R. LEE **59 1989** 	GTE Chairman and Chief Executive Officer. Mr. Lee joined GTE in 1983 as Senior Vice President-Finance and in 1986 he was named Senior Vice President-Finance and Planning. He was elected President and Chief Operating Officer, effective January 1, 1989, and became Chairman and Chief Executive Officer in 1992. Prior to joining GTE, he held various financial and management positions in the steel, transportation and entertainment industries. Mr. Lee is a Director of United Technologies Corporation, USX Corporation and The Procter & Gamble Company. He is a member of the Business Round Table, a Trustee of the Board of Trustees of Cornell University, a member of the New American Realities Committee of the National Planning Association, a member of The Conference Board, and a Director of the Stamford Hospital Foundation. Mr. Lee is a Personal Trustee of the GTE Foundation and a member of the Strategic Issues, Planning and Technology Committee of GTE.
JOHN W. SNOW **59 1998** 	Chairman, President and Chief Executive Officer of CSX Corporation. A Director of CSX Corporation since 1985, Dr. Snow has held the title of President and CEO of this global transportation company since April 1989 and became Chairman in February 1991. He also serves as a Director of Circuit City Stores, Inc.; Johnson & Johnson; and USX Corp. He is a member of the Business Council and the Business Round Table policy committee and serves on the Board of Trustees of Johns Hopkins University and The Darden Business School at the University of Virginia. Dr. Snow is a graduate of the George Washington University Law School and the University of Virginia with a Ph.D. in Economics.

The following provides information about the members of the GTE Board of Directors who are continuing in office, as well as Mr. Johnson, who will retire from the GTE Board of Directors at the conclusion of the GTE annual meeting.

Director, Age and Year Elected a Director	Principal Occupation and Other Information
	Class I Director **Term Expiring at 1999 GTE Annual Meeting**
JAMES L. JOHNSON **72 1985** 	Retired GTE Chairman and Chief Executive Officer. Mr. Johnson, who retired in 1992, has been designated Chairman Emeritus by the Board. He joined GTE in 1949 and held a variety of management positions within the Telephone Operations Group. He was elected President of the GTE Telephone Operations Group in 1981, Senior Vice President of GTE and President and Chief Operating Officer of its Telephone Operations Group in December 1983, President and Chief Operating Officer of GTE in March 1986 and became Chairman and Chief Executive Officer in May 1988. Mr. Johnson is a Director of MONY (The Mutual Life Insurance Company of New York), Valero Energy Corporation, Harte-Hanks Communications, Inc., The Finover Group, Walter Industries, Inc. and CellStar Corporation. He is also a Trustee of the Joint Council on Economic Education. Mr. Johnson is a member of the Audit Committee, the Pension Trust Coordinating Committee and the Strategic Issues, Planning and Technology Committee of GTE.

Director, Age and Year Elected a Director	Principal Occupation and Other Information
	Class II Directors **Term Expiring at 2000 GTE Annual Meeting**
JAMES R. BARKER **63 1976** 	Chairman of The Interlake Steamship Co. and Vice Chairman of Mormac Marine Group, Inc. and the Moran Towing Company. Mr. Barker is also a Director and a principal owner of Meridian Aggregates, Inc., a producer of aggregate products for the construction and railroad industries. Mr. Barker was formerly Chairman of the Board of Moore McCormack Resources, Inc. and Chairman of that company's operating subsidiaries since April 1971. He was also Chief Executive Officer of Moore McCormack Resources, Inc. from 1971 to January 1987. In 1969, Mr. Barker co-founded a management consulting firm, Temple, Barker & Sloane, Inc., and served in the capacity of Executive Vice President. He is Non-Executive Chairman and a Director of The Pittston Company, a Director of Eastern Enterprises, Chairman of the Board of Trustees of Stamford Hospital, and President of the Committee of SKULD (an Oslo, Norway based marine insurance company). Mr. Barker is Chairman of the Nominating Committee and a member of the Executive Compensation and Organizational Structure Committee and the Strategic Issues, Planning and Technology Committee of GTE.

Director, Age and Year Elected a Director	Principal Occupation and Other Information
ROBERT F. DANIELL 65 1996 	Retired Chairman, United Technologies Corporation. Mr. Daniell was elected Chairman, United Technologies Corporation, effective January 1, 1987 and retired in April 1997. He relinquished the offices of President and Chief Operating Officer in February 1992 and the office of Chief Executive Officer in April 1994. Mr. Daniell was elected President and Chief Operating Officer in 1984 and named to the additional post of Chief Executive Officer, effective January 1, 1986. He was elected Senior Vice President—Defense Systems in 1983 and had served as Vice President of United Technologies from 1982 to 1983 and President of Sikorsky Aircraft from 1981 to 1983. He is a Director of Shell Oil Co. Mr. Daniell is a member of the Audit Committee, the Pension Trust Coordinating Committee and the Public Policy Committee of GTE.
MICHAEL T. MASIN 54 1989 	GTE Vice Chairman of the Board and President-International. Mr. Masin was elected Vice Chairman in October 1993 and President-International in June 1995. Prior to that, he was Managing Partner of the New York office of the law firm of O'Melveny & Myers and Co-chair of the firm's International Practice Group. Mr. Masin joined the firm in 1969 and became a partner in 1977. He is a Director of Citigroup, BCT.Telus Communications Inc., Compania Anonima Nacional Telefonos de Venezuela (CANTV) and VenWorld. Mr. Masin is a member of the Board of Trustees and Executive Committee of Carnegie Hall, the Board of Directors and Executive Committee of the W. M. Keck Foundation, the Board of Directors of the China America Society, the Dean's Advisory Council of Dartmouth College, the Business Committee of the Board of Trustees of the Museum of Modern Art, the Council on Foreign Relations, and a Personal Trustee of the GTE Foundation.
ROBERT D. STOREY 62 1985 	Partner with the Cleveland law firm of Thompson, Hine & Flory LLP. Mr. Storey previously was a partner with the Cleveland law firm of McDonald, Hopkins, Burke & Haber Co., L.P.A. Mr. Storey joined its predecessor firm in 1967 and became a partner in 1971. In 1964 he began his career as an attorney with The East Ohio Gas Company and in 1966 he became Assistant Director of The Legal Aid Society of Cleveland. He is a Director of The Procter & Gamble Company and The May Department Stores Company. Mr. Storey is a Trustee of Case Western Reserve University, Spelman College, the Kresge Foundation and the George Gund Foundation and a former Trustee of Phillips Exeter Academy, Cleveland State University and Overseer of Harvard University. He is a member of the Audit Committee, the Nominating Committee and the Public Policy Committee of GTE.

Director, Age and Year Elected a Director	Principal Occupation and Other Information

Class III Directors
Term Expiring at 2001 GTE Annual Meeting

EDWIN L. ARTZT
68 1984

Chairman of the Executive Committee and Director of The Procter & Gamble Company. Mr. Artzt was Chairman of the Board and Chief Executive Officer from January 1990 until July 1995. Mr. Artzt had served as Vice Chairman of the Board of The Procter & Gamble Company and President of Procter & Gamble International since 1984. Prior to that, he was Executive Vice President since 1980 and had served as Group Vice President for European operations. Mr. Artzt is Chairman of the Board of Spalding Holdings Corporation and a Director of Delta Air Lines, Inc., American Express Company and Evenflo Company, Inc. He is also a member of the Business Council. Mr. Artzt is Chairman of the Strategic Issues, Planning and Technology Committee and a member of the Nominating Committee and the Pension Trust Coordinating Committee of GTE.

KENT B. FOSTER
55 1992

GTE President. Mr. Foster served as Vice Chairman of the Board of Directors from October 1993 until June 1995 and President of GTE Telephone Operations Group from January 1989 until June 1995. Since joining GTE in 1970, Mr. Foster served in a number of positions of increasing responsibility throughout the GTE system. Mr. Foster serves on the Board of Directors of Campbell Soup Company, New York Life Insurance Company and J.C. Penney Company, Inc. He is a member of the Board of Governors of the Dallas Symphony Association and a member of The Dallas Opera Executive Board. Mr. Foster is also a Personal Trustee of the GTE Foundation.

SANDRA O. MOOSE
57 1978

Senior Vice President and Director of The Boston Consulting Group, Inc. Dr. Moose is a Director of Rohm and Haas Company and 27 investment companies sponsored by The New England Funds, an Overseer of the Beth Israel Deaconess Medical Center, a Trustee of the Boston Public Library Foundation, an Overseer of the Museum of Fine Arts, a member of Visiting Committee of the Harvard School of Public Health and a Director of the Harvard University Graduate School Alumni Association. She is Chairperson of the Public Policy Committee and a member of the Audit Committee and the Strategic Issues, Planning and Technology Committee of GTE.

Director, Age and Year Elected a Director	Principal Occupation and Other Information
RUSSELL E. PALMER 64 1984 	Chairman and Chief Executive Officer, The Palmer Group. Mr. Palmer was formerly Dean, The Wharton School, University of Pennsylvania from 1983 until June 1990. Prior to that, he was Managing Director and Chief Executive Officer of Touche Ross International (now Deloitte and Touche), a worldwide accounting firm. Mr. Palmer joined Touche Ross in 1956 and was elected Managing Director of Touche Ross International in 1974. Mr. Palmer is a Director of Bankers Trust New York Corporation and its subsidiary, Bankers Trust Company, The May Department Stores Company, Allied-Signal, Inc., Safeguard Scientifics, Inc. and Federal Home Loan Mortgage Corporation. He has been President of the Financial Accounting Foundation and a member of the Board of Directors of the American Institute of Certified Public Accountants. Mr. Palmer is a former member of the Presidential Commission on Management Improvement and serves on the boards of a number of charitable and civic organizations. He is Chairman of the Executive Compensation and Organizational Structure Committee and a member of the Nominating Committee and the Strategic Issues, Planning and Technology Committee of GTE.

ITEM 2 — GTE MERGER PROPOSAL

For summary and detailed information regarding the GTE merger proposal, see Chapter I—"The Merger."

ITEM 3 — RATIFICATION OF APPOINTMENT OF AUDITORS

The following resolution will be offered by the GTE Board of Directors at the GTE annual meeting:

RESOLVED: That the appointment of Arthur Andersen LLP by the GTE Board of Directors to conduct the annual audit of the financial statements of GTE Corporation and its subsidiary companies for the year ending December 31, 1999 is ratified, confirmed and approved.

The GTE Board of Directors recommends a vote FOR the foregoing proposal for the following reasons:

The GTE Board of Directors first appointed Arthur Andersen LLP, an independent public accounting firm, as GTE's auditors in 1935. After a diligent review, the GTE Board of Directors has reappointed the firm as auditors each succeeding year. Arthur Andersen has a good reputation in the auditing field and knows GTE's operations. The GTE Board of Directors is convinced that the firm has the necessary personnel, professional qualifications and independence to act as GTE's auditors. Accordingly, the GTE Board of Directors has again selected Arthur Andersen as GTE's auditors for the year 1999 and recommends that you approve the selection. Arthur Andersen's fees for recurring auditing and tax services for GTE and all of its subsidiaries for the year ended December 31, 1998 are estimated at $10.1 million.

If this resolution does not receive the necessary votes for adoption, or if Arthur Andersen ceases to act as auditors for GTE, the GTE Board of Directors will appoint other independent public accountants as auditors. Representatives of Arthur Andersen will attend the annual meeting and have the opportunity to make a statement as well as be available to respond to your questions at the GTE annual meeting.

ITEM 4 — SHAREHOLDER PROPOSAL ON FOREIGN MILITARY SALES

GTE has been notified by the Sisters of Charity of St. Vincent DePaul, Halifax, 150 Bedford Highway, Halifax, Nova Scotia, Canada, stating that it is the owner of 6,000 shares of GTE common stock; the Congregation of the Sisters of Charity of the Incarnate Word, Houston, 6510 Lawndale, Houston, Texas 77223-

0969, stating that it is the owner of 1,400 shares of GTE common stock; the Sisters of St. Francis of Philadelphia Religious Charitable Trusts, 609 South Convent Road, Ashton, Pennsylvania 19014-1207, stating that it is the owner of at least $2,000 of GTE common stock; Miller/Howard Investments, Inc., 141 Upper Byrdcliffe Road, Woodstock, New York 12498, stating that it is the owner of 5,000 shares of GTE common stock; Delcy L. Steffy, 54 Plochman Lane, Woodstock, New York 12498, stating that she is the owner of 25 shares of GTE common stock; and that they intend to propose the following resolution at the GTE annual meeting. The proposed resolution and supporting statement, for which the GTE Board of Directors and GTE accept no responsibility, are as follows:

''WHEREAS, in fiscal year 1997, the United States supplied $8.4 billion worth of weapons and technology in actual delivery of arms sales abroad.

WHEREAS, the last three times the U.S. sent troops into combat in significant numbers (Panama, Iraq, and Somalia), they faced adversaries that received U.S. weapons or military technology in the period leading to the conflict.

WHEREAS, U.S. weapons supplied to anti-Communist rebels in Angola and Afghanistan under the Reagan Doctrine have been used in devastating civil wars; in the Afghan case, U.S.-supplied Stinger missiles turned up on the international black market as prized items sought by all manner of rebel groups and terrorist organizations. 'U.S. Weapons at War: United States Arms Deliveries to Regions in Conflict' (World Policy Institute, 1995) shows that the U.S. was a major arms supplier in one-third of the 50 ethnic and territorial conflicts currently raging. The study says that some 45 parties involved in the conflicts purchased over $42 billion in U.S. arms sales in the previous ten years.

WHEREAS, our company ranked eleventh among Department of Defense-leading corporations with contracts of almost $1 billion. This amount includes $142.1 million in foreign military sales.

WHEREAS, this resolution received 21% of the shareholder vote last year.

RESOLVED, that shareholders request the Board of Directors to provide a comprehensive report on GTE's foreign military sales. The report, prepared at reasonable cost, should be available to all shareholders by December 1999, and may omit classified and proprietary information.''

The following is the statement submitted in support of this proposal:

''Global security is security of people. The cold-war notion of using arms and technology sales to maintain balances of power or to support allies has been discredited by 1990's experience, when alliances, governments and boundaries in large parts of the world are in flux.

We are disturbed by the industry's claims and lobbying efforts asserting that the only way to keep jobs is to promote foreign military sales. We believe such statements are inconsistent with co-production agreements and transfers of technology to foreign companies. Offset arrangements on major sales often give business to overseas suppliers. Such contracts with foreign companies/governments have harsh repercussions on U.S. workers during this time of accelerated downsizing of our workforce.

Therefore, it is reasonable for shareholders to ask:

1. Criteria used to promote foreign military sales.

2. Procedures used to negotiate sales, directly with foreign governments or through the U.S. government. For example, what determines which weapons are direct commercial arms sales and what must be negotiated through the Pentagon? What percentage is commercial military sales?

3. Categories of military equipment exported for the past three years, with as much statistical information as is permissible; contracts for servicing/maintaining equipment; offset agreements; and licensing and/or co-production with foreign governments.

4. Analysis of legislation establishing a code for U.S. arms transfers (e.g., no sales to governments that violate human rights of their own citizens, engage in aggression against neighbors, come to power through undemocratic means or ignore international arms-control agreements).''

The GTE Board of Directors recommends a vote AGAINST the foregoing proposal for the following reasons:

GTE is a telecommunications company that offers a wide variety of products and services including local and long distance telephone service, wireless communications service and telecommunications systems and design services. GTE does not manufacture or sell weapons to any government in the United States or abroad.

The sales of telecommunication products and service to the U.S. Government is currently only a very small part of GTE's business. The vast majority of GTE's sales to the U.S. Government are through its Government Systems Corporation subsidiary. On January 25, 1999, GTE announced its plans to sell this subsidiary as part of an effort to further sharpen GTE's overall strategic focus.

As of December 31, 1998, GTE's total assets were approximately $44 billion, its total revenues and sales were more than $25 billion and its net income was approximately $2.2 billion. For the 1998 calendar year, GTE's sales of products and services that GTE believes could possibly be characterized as foreign military sales within the scope of this proposal amounted to considerably less than one-half of one percent of each of GTE's total assets and total revenues and sales, and approximately 5% of its net income. Again, none of those sales involved weapons.

GTE acts as a socially responsible and ethical corporate citizen not only in its military contracting but in all its business activities. GTE has in place a comprehensive ethics program which requires compliance with all applicable laws. These laws include stringent federal regulations governing contracts with foreign governmental and military entities, as well as laws of any foreign country with which it does or proposes to do business. GTE also conducts ongoing training programs to ensure that its employees understand and are aware of the requirements under this program.

GTE believes that the defense needs and foreign policy of the United States are properly the responsibility of our government and our duly elected public officials. As a responsible corporate citizen, however, GTE is proud to be able to supply communications and electronic systems which help to protect the United States, its military forces and our allies and expects to continue to support the U.S. Government and to offer its products and services in defense of the United States, the American people and their interests. For the reasons cited above, GTE does not believe that the kind of reporting proposed is warranted, or that it would provide significant, relevant information to shareholders in any case. Accordingly, the GTE Board of Directors recommends you vote against this proposal.

ITEM 5 — SHAREHOLDER PROPOSAL ON EXECUTIVE BONUSES

GTE has been notified by Fred Wilson and Mazie M. Wilson, 3011 Miles Drive, Edmond, Oklahoma 73034-4112, representing 200 shares of GTE common stock, that they intend to propose the following resolution at the GTE annual meeting. The proposed resolution and supporting statement, for which the Board of Directors and GTE accept no responsibility, are as follows:

''RESOLVED: That all bonuses be voted on by the shareholders and limited to 10% of the annual salaries of the executive officer's compensation. The executive officers are identified as those filling the positions as follows: 1) Chairman and Chief Executive Officer; 2) President; 3) Vice Chairman and President; 4) Senior Executive Vice President-Market Operations, GTE Service Corporation; and 5) Executive Vice President-Government and Regulatory Advocacy and General Counsel.''

The following is the statement submitted in support of this resolution:

"It is my opinion that the executive officers are grossly overpaid. I believe that any man can live very comfortably on a lot less than what the executive officers are currently being paid. I am currently retired and on a fixed income with little or no incentive income prospects. These executives are not unique; as they all have great staffs and/or assistants at their disposal to advise them in all their decision making. It is therefore my opinion that the executives are not justified in receiving the unusually large bonuses which are apparently spontaneously awarded by the Board of Directors. It seems that the fine salaries should be sufficient justification and incentive for doing a good job."

The GTE Board of Directors recommends a vote AGAINST the foregoing proposal for the following reasons:

The Executive Compensation and Organizational Structure Committee of the GTE Board of Directors has adopted a compensation philosophy that relates the level of executive compensation to GTE's success in meeting annual and long-term goals, rewards individual achievement and is competitive with other major companies in the telecommunications field, as well as other industries. In determining the compensation of GTE's five most highly compensated executive officers, the Committee reviews and relies heavily on competitive data on executive compensation and then carefully assesses both GTE's overall performance and the individual achievement of each executive. The objectives of this compensation philosophy are accomplished through an appropriate mix of base salary, annual bonus and long-term compensation. The resulting mix places approximately 80% of these officers' target compensation at risk. The at-risk portion fluctuates based on GTE's performance and can significantly affect cash compensation.

GTE and the committee believe that this philosophy and mix of compensation enable GTE to appropriately reward superior performance and facilitate GTE's ability to attract and retain the most qualified individuals to lead its business undertakings. Reducing executive compensation and not maintaining competitive pay practices may result in a short-term savings for GTE. However, over the long-term, GTE would experience an erosion of management talent as other companies continue to pay competitively and attract our highest caliber executives. GTE recognizes that in a rapidly changing industry like telecommunications, this cannot be permitted to happen.

OTHER MATTERS

The GTE Board of Directors does not intend to bring any matters before the GTE annual meeting other than those listed in the notice of the annual meeting and does not know of any other matters to be brought before the GTE annual meeting by others. If any other matters properly come before the GTE annual meeting, the persons named in the accompanying proxy card will vote any proxies GTE receives as recommended by the GTE Board of Directors.

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CHAPTER IV—OTHER BELL ATLANTIC ANNUAL MEETING PROPOSALS

ITEM 1—ELECTION OF BELL ATLANTIC DIRECTORS

Corporate Governance

In accordance with the Delaware General Corporation Law and the Bell Atlantic certificate of incorporation and bylaws, Bell Atlantic's business, property and affairs are managed under the direction of the Bell Atlantic Board of Directors. Although directors are not involved in Bell Atlantic's day-to-day operations, they are regularly kept informed of Bell Atlantic's business through written reports and documents, as well as operating, financial and other reports presented by the Chairman and other officers of Bell Atlantic at meetings of the Bell Atlantic Board of Directors and its committees.

Meetings of the Board

The Bell Atlantic Board of Directors held 16 meetings in 1998. Each of the incumbent directors attended at least 75% of the Bell Atlantic Board of Directors and committee meetings to which the director was assigned, with the exception of Mr. Pfeiffer, who attended 68%. The incumbent directors in the aggregate attended 94% of the Bell Atlantic Board of Directors meetings, including the meetings of the various committees on which those directors sit.

Committees of the Board

Effective January 1, 1999, the Bell Atlantic Board of Directors restructured its committees. The former Governance and Board Affairs Committee was merged with the Public Responsibility Committee and renamed the Policy and Organization Committee. The Finance Committee was dissolved and its responsibilities were assumed by the full Bell Atlantic Board of Directors. The following is a description of the four standing committees of the Bell Atlantic Board of Directors:

Executive Committee

The Executive Committee may exercise the full power and authority of the Bell Atlantic Board of Directors to the extent permitted by Delaware law. This committee generally meets if action is necessary between scheduled board meetings when time is limited and a quorum of the full Bell Atlantic Board of Directors is not readily available. This committee held no meetings in 1998.

Audit Committee

The Audit Committee monitors the auditing, accounting and financial reporting of Bell Atlantic and oversees Bell Atlantic's Security Organization and Office of Ethics and Corporate Compliance. The committee makes recommendations to the Bell Atlantic Board of Directors concerning the accounting firm to be employed as independent accountants and consults with these accountants regarding the adequacy of internal controls and the scope and results of their audits. In addition, the committee reviews Bell Atlantic's processes for monitoring its minority investments, joint ventures and financial risk. The Audit Committee met five times in 1998.

Human Resources Committee

The Human Resources Committee is responsible for overseeing the management of the human resource activities of Bell Atlantic, including employee benefit plans and diversity programs. The committee reviews and approves senior management development and succession plans, oversees senior management performance and the senior management salary, incentive and stock award plans. The Human Resources Committee met six times in 1998.

Policy and Organization Committee

The Policy and Organization Committee is responsible for reviewing and recommending the organization, structure, size and composition of the Bell Atlantic Board of Directors and its committees, as well as the compensation, benefits and stock ownership requirements for non-employee directors. The committee reviews the qualifications of candidates for board membership, considers nominees recommended by shareholders and management and recommends director nominations. In addition, the Policy and Organization Committee provides oversight and guidance to the Bell Atlantic Board of Directors on public and social policy issues and trends and reviews Bell Atlantic's charitable policies and practices. The predecessor committees met an aggregate of five times in 1998.

Director Compensation

Non-employee director compensation is divided into cash and stock components. The cash component consists of an annual retainer of $30,000 and a fee of $1,500 for each Bell Atlantic Board of Directors or committee meeting attended. Committee chairpersons each receive an additional annual retainer of $5,000. Directors may defer the receipt of all or part of these retainers and fees into cash or share equivalents. The stock component of non-employee director compensation provides for an annual option grant to purchase 2,000 shares of Bell Atlantic common stock and the choice of an additional option grant to purchase 3,000 shares or a grant of shares equivalent in value to the 3,000 options.

The Bell Atlantic Retirement Plan for Outside Directors provides retirement benefits for some non-employee directors. The normal benefit is an annual amount equal to ten percent of the annual Bell Atlantic Board of Directors retainer payable to a participating director at the date of retirement, multiplied by the director's aggregate years of service as a non-employee director up to a maximum of ten years. A participating director is eligible to receive a retirement benefit at the later of age 65 or the date of retirement. Benefits beginning before age 65, or deferred to age 70, are actuarially adjusted. In November 1995, the Bell Atlantic Board of Directors voted to discontinue this retirement plan, effective for non-employee directors initially elected to the Bell Atlantic Board of Directors after January 1, 1996. In January 1996, each non-employee director who was a participant in the retirement plan was given a one-time election to forfeit all benefits accrued under the retirement plan in exchange for additional stock options.

Outside directors are provided business-related travel accident insurance coverage and may elect life insurance coverage. The total premiums paid by the company for this insurance coverage for all participating non-employee directors in 1998 were $3,042.

Bell Atlantic directors elected before 1992 participate in a charitable giving program for which Bell Atlantic is obligated to contribute, upon the director's death, an aggregate of one-half million dollars to one or more qualifying charitable or educational organizations designated by each eligible director. Directors who formerly served as directors of NYNEX Corporation participate in a similar program for which the aggregate contribution is one million dollars, payable on the director's retirement or death. Both of these charitable programs are closed to future participants.

Employee directors receive no compensation for their Bell Atlantic Board of Directors service.

Other Matters

The Bell Atlantic bylaws establish 70 years as the mandatory retirement age. A director who reaches retirement age must retire at or prior to the next annual meeting.

The law firm of Skadden, Arps, Slate, Meagher & Flom LLP is providing ongoing legal services to Bell Atlantic in connection with various matters. Helene L. Kaplan, a director of Bell Atlantic, is of counsel to that firm.

Election of Bell Atlantic Directors

The twenty one nominees named on the following pages have been recommended to the Bell Atlantic Board of Directors by the Policy and Organization Committee and nominated by the Bell Atlantic Board of

Directors to serve as directors until the next Bell Atlantic annual meeting or until their successors have been elected and qualified. The Proxy Committee intends to vote for these nominees unless otherwise instructed. Shareholders who do not wish their shares to be voted for a particular nominee may so indicate in the space provided on the proxy card. Each nominee has consented to stand for election and the Bell Atlantic Board of Directors does not anticipate that any nominee will be unavailable to serve. In the event that one or more of the nominees should become unavailable to serve at the time of the Bell Atlantic annual meeting, the shares represented by proxy will be voted for the remaining nominees and any substitute nominee(s) designated by the Bell Atlantic Board of Directors. If no substitute nominee(s) are designated, the size of the Bell Atlantic Board of Directors will be reduced. Director elections are determined by a plurality of the votes cast.

The following biographies provide a brief description of each nominee's principal occupation and business experience, age and directorships held in other public corporations (all as of April 9, 1999).

The Bell Atlantic Board of Directors recommends a vote FOR each of the listed nominees.

LAWRENCE T. BABBIO, JR.

President and Chief Operating Officer, Bell Atlantic Corporation, since December 1998; President and Chief Executive Officer—Network Group and Chairman—Global Wireless Group (1997-1998); Vice Chairman (1995-1997); Executive Vice President and Chief Operating Officer (1994-1995); Chairman, Chief Executive Officer and President, Bell Atlantic Enterprises International, Inc. (1991-1994). Director of Compaq Computer Corporation; Grupo Iusacell, S.A. de C.V. Director of Bell Atlantic since 1995. Age 54.

RICHARD L. CARRION

Chairman, President and Chief Executive Officer, Popular, Inc. (bank holding company), since 1990; Chairman, President and Chief Executive Officer, Banco Popular de Puerto Rico, since 1993. Director of the Federal Reserve Bank of New York. Director of Bell Atlantic since 1997 (Director of NYNEX Corporation 1995-1997); member of Human Resources Committee. Age 46.

JAMES G. CULLEN

President and Chief Operating Officer, Bell Atlantic Corporation, since December 1998; President and Chief Executive Officer—Telecom Group (1997-1998); Vice Chairman (1995-1997); President (1993-1995). Director of Johnson & Johnson; Prudential Life Insurance Company. Director of Bell Atlantic since 1995. Age 56.

LODEWIJK J.R. DE VINK

President and Chief Operating Officer, Warner-Lambert Company (pharmaceuticals), since 1991 (elected Chairman and Chief Executive Officer, effective May 1, 1999). Director of Warner-Lambert Company; member, Supervisory Board of Royal Ahold. Director of Bell Atlantic since 1997 (Director of NYNEX Corporation 1995-1997); member of Policy and Organization Committee. Age 54.

JAMES H. GILLIAM, JR.

Attorney and Consultant. Executive Vice President and General Counsel, Beneficial Corporation (financial services) (1994-1998). Director of Household International, Inc. Trustee of Howard Hughes Medical Institute. Director of Bell Atlantic since 1989; member of Audit Committee. Age 53.

STANLEY P. GOLDSTEIN

Chairman of the Board, CVS Corporation (drugstore chain), since 1987; Chief Executive Officer (1987-1998). Director of Footstar, Inc.; Linens 'N Things, Inc. Director of Bell Atlantic since 1997 (Director of NYNEX Corporation 1990-1997); member of Audit Committee. Age 64.

HELENE L. KAPLAN

Of Counsel to the law firm of Skadden, Arps, Slate, Meagher & Flom LLP, since 1990. Director of The Chase Manhattan Corporation; The May Department Stores Company; Metropolitan Life Insurance Company; Mobil Corporation. Director of Bell Atlantic since 1997 (Director of NYNEX Corporation 1990-1997); Chair of Policy and Organization Committee and member of Executive Committee. Age 65.

THOMAS H. KEAN

President, Drew University, since 1990. Governor, State of New Jersey (1982-1990). Director of Amerada Hess Corporation; ARAMARK Corporation; Fiduciary Trust Company International; United Healthcare Corporation. Chairman of Carnegie Corporation. Director of Bell Atlantic since 1990; member of Human Resources Committee. Age 63.

ELIZABETH T. KENNAN

President Emeritus, Mount Holyoke College, since 1995; President (1978-1995). Director of Kentucky Home Mutual Life Insurance Company; Kentucky Home Capital Company; Northeast Utilities; Putnam Funds, Inc.; The Talbots, Inc. Director of Bell Atlantic since 1997 (Director of NYNEX Corporation 1984-1997); member of Human Resources Committee. Age 61.

JOHN F. MAYPOLE

Managing Partner, Peach State Real Estate Holding Company; Corporate Director and Consultant, since 1984. Director of Church & Dwight Co., Inc.; Dan River, Inc.; Massachusetts Mutual Life Insurance Company. Director of Bell Atlantic since 1983; Chair of Audit Committee and member of Executive Committee. Age 59.

JOSEPH NEUBAUER

Chairman and Chief Executive Officer, ARAMARK Corporation (managed services), since 1984; President (1983-1997). Director of CIGNA Corporation; Federated Department Stores; First Union Corporation. Director of Bell Atlantic since 1995; member of Audit Committee. Age 57.

THOMAS H. O'BRIEN

Chairman and Chief Executive Officer, PNC Bank Corp., since 1988; President (1988-1991). Director of Hilb, Rogal and Hamilton Company. Director of Bell Atlantic since 1987; Chair of Human Resources Committee and member of Executive Committee. Age 62.

ECKHARD PFEIFFER

President and Chief Executive Officer, Compaq Computer Corporation, since 1991. Director of Compaq Computer Corporation; Deutsche Bank Advisory Board; General Motors Corporation; Hughes Electronics Corporation. Director of Bell Atlantic since 1996; member of Policy and Organization Committee. Age 57.

HUGH B. PRICE

President and Chief Executive Officer, National Urban League, since 1994. Vice President of Rockefeller Foundation (1988-1994). Director of Metropolitan Life Insurance Company; Sears, Roebuck and Co. Director of Bell Atlantic since 1997 (Director of NYNEX 1995-1997); member of Policy and Organization Committee. Age 57.

ROZANNE L. RIDGWAY

Former Assistant Secretary of State for Europe and Canada (1985-1989). Co-Chair, The Atlantic Council of The United States (private foreign policy institute) (1993-1996). Director of The Boeing Company; Emerson Electric Company; Minnesota Mining and Manufacturing Company; RJR Nabisco Holdings Corp.; Sara Lee Corporation; Union Carbide Corporation. Director of Bell Atlantic since 1990; member of Audit Committee. Age 63.

FREDERIC V. SALERNO

Senior Executive Vice President and Chief Financial Officer/Strategy and Business Development, Bell Atlantic Corporation, since 1997; NYNEX Corporation Vice Chairman—Finance and Business Development (1994-1997) and President—Worldwide Services Group, Inc. (1991-1994). Director of Avnet Inc.; The Bear Stearns Companies, Inc.; The Hartford Financial Services Group, Inc; Keyspan Energy Corp.; Viacom, Inc. Director of Bell Atlantic since 1997 (Director of NYNEX 1991-1997). Age 55.

IVAN G. SEIDENBERG

Chairman of the Board, Bell Atlantic Corporation, since December 31, 1998 and Chief Executive Officer, since June 1, 1998; Vice Chairman, President and Chief Operating Officer (1997-1998); NYNEX Corporation Chairman and Chief Executive Officer (1995-1997), President and Chief Executive Officer (January-March, 1995), Chief Operating Officer (March-December, 1994) and Vice Chairman (1991-1995). Director of AlliedSignal Inc.; American Home Products Corporation; Boston Properties, Inc.; CVS Corporation; Viacom, Inc. Director of Bell Atlantic since 1997 (Director of NYNEX Corporation 1991-1997); member of Executive Committee. Age 52.

WALTER V. SHIPLEY

Chairman and Chief Executive Officer, The Chase Manhattan Corporation, 1983-1992 and 1994 to the present. Director of Champion International Corporation; Exxon Corporation. Director of Bell Atlantic since 1997 (Director of NYNEX Corporation 1983-1997); member of Human Resources Committee. Age 63.

JOHN R. STAFFORD

Chairman, President and Chief Executive Officer, American Home Products Corporation (healthcare and agriculture products), since 1986 (did not hold the title of President for the period 1990-1993). Director of AlliedSignal Inc.; The Chase Manhattan Corporation; Deere & Company. Director of Bell Atlantic since 1997. Director of Bell Atlantic since 1997 (Director of NYNEX Corporation 1989-1997); Chair of Executive Committee. Age 61.

MORRISON DES. WEBB

Executive Vice President—External Affairs and Corporate Communications, Bell Atlantic Corporation, since 1997; NYNEX Corporation Executive Vice President, General Counsel and Secretary (1995-1997), Vice President—Law (1994-1995) and Vice President—General Counsel—New England Telephone and Telegraph Company (1991-1994). Director of Bell Atlantic since 1997. Age 51.

SHIRLEY YOUNG

Vice President, China Strategic Development, General Motors Corporation, since 1996; Vice President, Consumer Market Development (1988-1996). Director of BankAmerica Corporation. Director of Bell Atlantic since 1986; member of Executive Committee and Policy and Organization Committee. Age 63.

Report of the Bell Atlantic Human Resources Committee on Executive Compensation

This report is made by the Human Resources Committee of the Bell Atlantic Board of Directors, which is the committee charged with establishing and administering the policies and plans which govern compensation for the executive officers listed in the compensation tables in this joint proxy statement and prospectus. For these named executive officers who are also members of the Bell Atlantic Board of Directors, the committee makes compensation recommendations that are subject to approval by the non-employee members of the board.

Philosophy

Compensation for the named executive officers of Bell Atlantic is set at levels that are intended to be sufficiently competitive with similarly-sized companies operating in similar markets to permit Bell Atlantic to attract and retain the best possible individuals. When considering Bell Atlantic's compensation program, the committee maintains a "total compensation" perspective that takes into account various components, including cash and equity-based compensation, deferred compensation and retirement programs, health and welfare benefits, and perquisites.

The committee periodically engages independent consultants to review total compensation and component pay levels at comparable companies. Bell Atlantic's compensation program is designed to be consistent with median pay levels of the four "peer group" companies identified in the Stock Performance Graph in this Chapter IV, as well as other companies considered by independent consultants to be appropriate for comparison after adjusting the compensation paid at the smallest of these companies to take into account their smaller size.

The compensation of each of the named executive officers is based upon both individual and company performance, and the program emphasizes a pay-for-performance philosophy. The compensation plans have been structured to provide incentives for executive officer performance that will result in continuing improvements in Bell Atlantic's financial results, customer satisfaction, and stock price over both the short term and the long term. The plans have also been designed to emphasize the creation of shareholder value, by providing for payment of a significant portion of incentive compensation in the form of stock options. Thus, the value generated for Bell Atlantic's shareholders is a key factor in determining the value ultimately realized by the named executive officers under the compensation plans.

Compensation Structure

The compensation structure for the named executive officers has three principal components:

- salary,
- a short term performance-based incentive paid in cash, and
- a long term incentive in the form of stock options.

Two of the three principal components of the compensation program are performance-based and at risk, meaning that the ultimate value of the total compensation depends on factors such as company financial performance, customer satisfaction, individual performance, and stock price. The long term incentive component, in the form of stock options, is entirely tied to the performance of Bell Atlantic common stock. The short term incentive component, which consists of a cash bonus paid under Bell Atlantic's Short Term Incentive Plan, is performance-based and tied to the achievement of business, financial and customer satisfaction objectives, as well as individual performance. The salary component, once established, is not subject to contingency and is paid in cash. The committee regularly reviews each of these components of executive compensation.

The committee's decisions affecting compensation of the named executive officers for 1998 were based on an extensive market study which had been conducted by the committee's independent consultants in 1995 and brought up to date for purposes of determining whether there should be any change in the 1998 compensation structure. The committee decided not to change the overall compensation structure for 1998 from the structure in effect during 1997.

Bell Atlantic's compensation structure provides for a set of four broad, market-based compensation bands for executive officers, plus two categories above the four bands for the Chairman and Chief Executive Officer and for the Vice Chairman, President and Chief Operating Officer. For each of the named executive officers and for other executive officers in the two highest bands, the committee approved an annual salary rate effective January 1, 1998. For executive officers in the two lower bands, the committee authorized the Executive Vice President—Human Resources to approve an annual salary rate effective January 1, 1998. For each of the four broad bands and two categories, the committee approved a short term incentive percentage and a long term incentive percentage for 1998. For each executive officer, the applicable short term percentage, multiplied by the individual's actual annual salary rate, determined the maximum short term incentive award for the performance year. Likewise, the long term percentage, multiplied by the individual's actual salary, formed the base value for the aggregate number of stock options granted in 1998. Under the short term and long term incentive programs, however, the committee reserves the discretion to increase or decrease the short term award or the number of options based on individual performance.

It is expected that the committee will continue to review annually, with the advice of independent consultants, what adjustments to make in the existing salary structure for the executive officer group.

Components of Compensation

Salary. Salaries shown in column (c) of the Summary Compensation Table represent the non-contingent portion of cash compensation for the named executive officers for 1998. Changes in salary depend upon such factors as individual performance, the period of time the executive officer has been in his current position, market changes in the value of that position, and the economic and business conditions affecting the Company at the time.

Short Term Incentive. The amounts shown under ''Bonus'' in column (d) of the Summary Compensation Table in this Chapter IV represent the amount of the short term incentive awarded to each of the named executive officers for the 1998 performance period.

The amount of the short term incentive awarded to each named executive officer depends in part on growth in earnings per share and in part on customer satisfaction indicators over the applicable performance period. Furthermore, for a named executive officer who has management responsibilities for a particular line of business or business sector, the short term incentive also depends on certain additional financial results and strategic accomplishments of that line of business or business sector.

During the year, the committee may decide to exclude from the determination of earnings per share growth the effects of changes in accounting methods or other items considered extraordinary, unusual, or infrequently occurring. The committee reviews the earnings per share growth and potential adjustments at each of its meetings and reports regularly to the Bell Atlantic Board of Directors on any adjustments.

For the Chief Executive Officer and most other executive officers, the success of Bell Atlantic and its subsidiaries in achieving customer satisfaction had a 25% weighting when determining an individual's short term incentive award for 1998, while financial and other strategic objectives generally had a 75% weighting.

Stock Options. The long term incentive component of compensation consists solely of stock options granted under Bell Atlantic's Incentive Stock Option Plan. For 1998, the committee generally set the number of options to be granted based on the recipient's actual base salary multiplied by a long term incentive percentage applicable to the recipient's compensation band. In certain cases, the committee then increased or decreased the size of the grant as it deemed appropriate.

All stock options are granted with exercise prices equal to the fair market value of the stock on the date of grant and, therefore, any value which ultimately accrues to executive officers is based entirely on Bell Atlantic's stock performance and bears a direct relationship to value realized by Bell Atlantic's shareholders.

1998 Compensation for the Chief Executive Officers

The plans and policies discussed above were the basis for the compensation of Bell Atlantic's Chief Executive Officers during 1998. Raymond W. Smith served as Chairman and Chief Executive Officer of Bell Atlantic through May 31, 1998. On that date, he resigned as Chief Executive Officer, but continued to serve as Chairman through the end of the year. On June 1, 1998, Ivan G. Seidenberg became Chief Executive Officer. On December 31, 1998, Mr. Smith resigned as Chairman and retired from Bell Atlantic, and Mr. Seidenberg became Chairman of Bell Atlantic.

The annual salaries shown for both Mr. Smith and Mr. Seidenberg in column (c) of the Summary Compensation Table were in effect throughout 1998. Mr. Smith and Mr. Seidenberg were also awarded short term incentive awards shown under ''Bonus'' in column (d) of this table. Mr. Smith's award for 1998 was $1,800,000 out of a possible range of zero to $1,800,000 established for him. Mr. Seidenberg's short term incentive award for 1998 was $1,210,400 out of a possible range of zero to $1,360,000 established for him. In determining each award, the committee (a) determined Bell Atlantic's earnings per share growth from 1997 to 1998, after eliminating the financial consequences of several extraordinary, unusual or infrequent events, and (b) reviewed performance against customer satisfaction benchmarks. These criteria resulted in preliminary awards of $1,602,000 for Mr. Smith and $1,210,400 for Mr. Seidenberg. The committee then increased Mr. Smith's award to $1,800,000 for his individual performance. During 1998, the committee granted a total of 590,046 stock options to Mr. Smith and 333,340 stock options to Mr. Seidenberg.

Applicable Tax Code Provision

The committee has reviewed the potential consequences for Bell Atlantic of Section 162(m) of the Internal Revenue Code, which imposes a limit on tax deductions for annual compensation in excess of one million dollars paid to any of the five most highly compensated executive officers. In 1994, shareholders approved an amendment to the Stock Option Plan to qualify compensation provided under that plan as ''performance-based'' compensation which is excluded for purposes of the one million dollar limit. In the committee's opinion, the modifications to the short term incentive plan which would be necessary to similarly qualify payments under that plan would not be in Bell Atlantic's best interest. In 1998, the limitation under Section 162(m) had a net tax effect on Bell Atlantic of approximately $1.1 million, which the committee does not consider to be material to Bell Atlantic's overall financial status. Section 162(m) is not expected to have a material effect on Bell Atlantic in 1999.

Respectfully submitted,

Human Resources Committee

Thomas H. O'Brien, Chairman
Richard L. Carrion
Thomas H. Kean
Elizabeth T. Kennan
Walter V. Shipley

Compensation Committee Interlocks and Insider Participation

Mr. Seidenberg, Chairman and Chief Executive Officer of Bell Atlantic, is a director of CVS Corporation and served as a member of its Compensation Committee until May 13, 1998. Mr. Goldstein, Chairman of the Board and former Chief Executive Officer of CVS Corporation, serves on Bell Atlantic's Board of Directors but does not serve on Bell Atlantic's Human Resources Committee.

Bell Atlantic Executive Compensation Tables

The following tables contain compensation data for both of the individuals who held the position of Chief Executive Officer of Bell Atlantic during 1998 and the four other most highly compensated executive officers of Bell Atlantic; compensation paid prior to August 14, 1997 by NYNEX Corporation to Messrs. Seidenberg and Salerno is included in the Summary Compensation Table.

Summary Compensation Table
(Dollars in Thousands)

					Long Term Compensation		
		Annual Compensation			Awards	Payouts	
(a)	(b)	(c)	(d)	(e)	(g)	(h)	(i)
Name and Principal Position	Year	Salary($)	Bonus($)	Other Annual Compensation($)	Securities Underlying Options/ SARs(#)(3)	LTIP Payouts($)	All Other Compensation($)
Raymond W. Smith	1998	1,000.0	1,800.0	759.4(2)	590,046	—	912.4(5)
Chairman and Chief	1997	940.8	1,566.1	146.1	491,622	—	4,008.0
Executive Officer(1)	1996	905.4	1,200.0	—	460,388	—	7.5
Ivan G. Seidenberg	1998	850.0	1,210.4	101.7(2)	333,340	—	965.5(5)
Chairman and Chief	1997	787.5	1,799.3	184.6	322,052(4)	648.9	3,480.2
Executive Officer(1)	1996	695.0	1,603.4	40.9	191,998(4)	332.8	446.3
Frederic V. Salerno	1998	718.8	962.4	108.3(2)	300,129	—	5,473.7(5)
Senior Executive Vice	1997	593.7	1,001.1	111.5	177,048(4)	646.9	1,370.7
President and Chief	1996	530.0	604.2	41.7	134,398(4)	339.9	287.4
Financial Officer/Strategy & Business Development							
James G. Cullen	1998	718.8	962.4	160.1(2)	387,794	—	4,808.8(5)
President and Chief	1997	632.7	903.6	—	330,826	—	1,510.5
Operating Officer	1996	555.4	—	802.5	308,630	—	7.5
Lawrence T. Babbio, Jr.	1998	718.8	962.4	133.6(2)	305,304	—	4,811.5(5)
President and Chief	1997	626.9	903.6	—	306,870	—	1,510.5
Operating Officer	1996	531.5	—	802.5	300,418	—	7.5
James R. Young	1998	443.8	465.5	—	112,604	—	542.8(5)
Executive Vice President and	1997	364.0	420.4	—	97,132	—	—
General Counsel	1996	305.0	297.2	—	94,232	—	—

(1) Mr. Smith resigned as Chief Executive Officer on May 31, 1998 and retired from Bell Atlantic on December 31, 1998. Mr. Seidenberg became Chief Executive Officer on June 1, 1998 and Chairman on December 31, 1998.

(2) These amounts include: relocation services for Mr. Smith in the amount of $392,502; incremental costs for personal use of Bell Atlantic aircraft by Messrs. Smith, Seidenberg, Salerno, Cullen and Babbio in the amounts of $263,611, $61,150, $50,958, $68,388 and $36,766, respectively; reimbursement of taxes related to the conversion to the Senior Management Income Deferral Plan for Messrs. Smith, Salerno, Cullen and Babbio in the amounts of $56,790, $23,010, $64,459 and $61,067, respectively; monthly flexible spending allowances for Messrs. Smith, Seidenberg, Salerno, Cullen and Babbio in the amounts of $18,000, $19,500, $16,250, $15,000 and $15,000, respectively; reimbursement of financial counseling costs for Messrs. Smith, Seidenberg, Salerno, Cullen and Babbio; wireless services for Mr. Cullen; and costs for personal use of Bell Atlantic autos for Messrs. Smith, Seidenberg, Salerno, Cullen and Babbio.

(3) All numbers of options have been adjusted to reflect the two-for-one stock split on June 1, 1998.

(4) Numbers reflect the conversion of all NYNEX stock options to Bell Atlantic stock options at the ratio of .768 Bell Atlantic option for each NYNEX option.

(5) These amounts include: company contributions to qualified plans for Messrs. Smith, Seidenberg, Salerno, Cullen, Babbio and Young in the amounts of $17,744, $19,200, $19,761, $18,634, $18,695 and $17,600, respectively, and to the non-qualified Bell Atlantic Income Deferral Plan in the amounts of $892,007, $921,884, $577,391, $690,344, $702,934 and $313,554, respectively; the value of premiums paid for executive life insurance coverage for Messrs. Smith, Seidenberg, Salerno, Cullen, Babbio and Young in the amounts of $2,633, $24,457, $25,653, $1,159, $742 and $261, respectively; stay incentive bonus payments received by Messrs. Cullen and Babbio, each in the amount of $3,207,200, pursuant to employment agreements; special company contributions to their accounts under the Bell Atlantic Income Deferral Plan for Messrs. Cullen, Babbio and Young pursuant to employment agreements valued at $891,512, $881,906 and $211,397, respectively; and special company contributions to Mr. Salerno's account under the Bell Atlantic Income Deferral Plan in the amount of $4,850,838 pursuant to his employment agreement.

Option/SAR Grants in Last Fiscal Year

	Individual Grants				
Name	Number of Securities Underlying Options/SARs Granted(#)	% of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price ($/Sh)	Expiration Date	Grant Date Value(3) ($000)
Raymond W. Smith	588,240(1)	2.46%	$46.0000	1/2008	$4,641,213.6
	1,806(2)	0.01%	$55.3438	1/2007	$ 14,249.3
Ivan G. Seidenberg	333,340(1)	1.40%	$46.0000	1/2008	$2,630,052.6
Frederic V. Salerno	291,060(1)	1.22%	$46.0000	1/2008	$2,296,463.4
	1,813(2)	0.01%	$55.0938	1/2000	$ 14,304.6
	1,814(2)	0.01%	$55.0938	1/2001	$ 14,312.5
	1,813(2)	0.01%	$55.0938	3/2002	$ 14,304.6
	1,814(2)	0.01%	$55.0938	1/2003	$ 14,312.5
	1,815(2)	0.01%	$55.0938	1/2004	$ 14,320.4
James G. Cullen	291,060(1)	1.22%	$46.0000	1/2008	$2,296,463.4
	10,372(2)	0.04%	$47.5782	1/2001	$ 81,835.1
	19,020(2)	0.08%	$47.5782	1/2005	$ 150,067.8
	2,906(2)	0.01%	$47.5782	1/1999	$ 22,928.3
	820(2)	0.00%	$52.3750	1/2001	$ 6,469.8
	11,545(2)	0.05%	$52.3750	1/2003	$ 91,090.1
	21,182(2)	0.09%	$52.3750	6/2004	$ 167,126.0
	30,889(2)	0.13%	$52.3750	1/2004	$ 243,714.2
Lawrence T. Babbio, Jr.	291,060(1)	1.22%	$46.0000	1/2008	$2,296,463.4
	330(2)	0.00%	$48.4375	1/2002	$ 2,603.7
	13,914(2)	0.06%	$48.4375	1/2005	$ 109,781.5
James R. Young	100,000(1)	0.42%	$46.0000	1/2008	$ 789,000.0
	11,770(1)	0.05%	$52.3750	10/2008	$ 92,865.3
	834(2)	0.00%	$55.0938	1/2001	$ 6,580.3

Note: All numbers of shares and exercise prices have been adjusted to reflect the two-for-one stock split on June 1, 1998.

(1) 33% exercisable on first anniversary of grant date; 33% exercisable on second anniversary of grant date; remainder exercisable on third anniversary of grant date; eligible for reload options.

(2) Reload options granted in connection with a stock-for-stock exercise; exercisable six months from the date of grant; eligible for reload options.

(3) Black-Scholes calculation making the following assumptions: 5-year historic dividend yield; 5-year historic volatility; 10-year zero coupon bond rate as risk-free rate of return; and all options exercised at end of term.

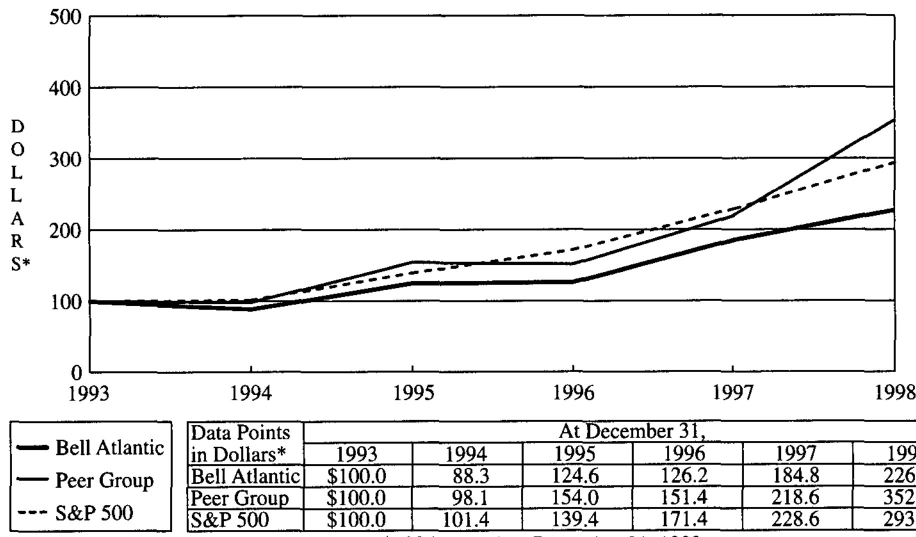
Aggregated Option/SAR Exercises in Last Fiscal Year and FY-End Option/SAR Values

Name	Shares Acquired on Exercise(#)	Value Realized($)	Number of Securities Underlying Unexercised Options/SARs at FY-End(#)		Value of Unexercised In-the-Money Options/SARs at FY-End($)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Raymond W. Smith	3,044	68.5	3,618,458	5,403,934	93,811.1	3,890.4
Ivan G. Seidenberg	192,918	3,726.4	498,084	349,306	11,633.2	3,439.8
Frederic V. Salerno	157,842	3,187.2	287,242	328,561	6,705.1	3,264.2
James G. Cullen	441,576	10,523.7	986,912	258,476	21,406.2	2,036.7
Lawrence T. Babbio, Jr.	284,197	7,033.6	1,163,971	194,040	27,076.4	1,837.3
James R. Young	79,523	2,244.6	601,329	81,206	15,372.6	702.3

Note: All numbers of shares and options have been adjusted to reflect the two-for-one stock split on June 1, 1998.

Bell Atlantic Stock Performance Graph

Comparison of Five-Year Cumulative Total Return Among Bell Atlantic, Peer Group, and S&P 500



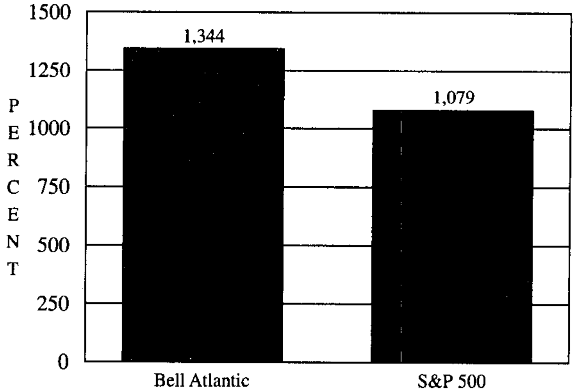
Data Points in Dollars*	At December 31,					
	1993	1994	1995	1996	1997	1998
Bell Atlantic	$100.0	88.3	124.6	126.2	184.8	226.5
Peer Group	$100.0	98.1	154.0	151.4	218.6	352.6
S&P 500	$100.0	101.4	139.4	171.4	228.6	293.8

* Assumes $100 invested on December 31, 1993

Bell Atlantic's peer group is comprised of Ameritech Corporation, BellSouth Corporation, SBC Communications Inc., and U S WEST, Inc., Regional Bell Holding Companies which, like Bell Atlantic, commenced operations on January 1, 1984, following a court-approved divestiture of certain assets of the Bell System. For purposes of the total return calculation, data for U S WEST, Inc. common stock includes the performance of its predecessor tracking stocks (U S WEST Communications Group common stock and U S WEST Media Group common stock), as well as of the common stock of MediaOne Group, Inc., which resulted from a June 12, 1998 spin-off.

The following supplemental table presents a comparison of Bell Atlantic's common stock performance with that of the S&P 500 since Bell Atlantic commenced operations. None of the elements of executive compensation reported above were determined on the basis of this comparison.

Comparison of Cumulative Total Return
of Bell Atlantic and S&P 500
From Divestiture Through December 31, 1998



Security Ownership of Bell Atlantic Directors and Named Executive Officers

The Bell Atlantic Board of Directors has instituted stock ownership requirements for all executive officers and directors. Under these requirements, by the end of a five-year period each of the Chairman and any Vice Chairman of Bell Atlantic is required to acquire and hold Bell Atlantic shares with a value of five times his base salary then in effect; other executive officers, depending upon their position, are required to acquire and hold shares having a value of one to four times salary. The Human Resources Committee of the Bell Atlantic Board of Directors monitors compliance with these stock ownership requirements on an annual basis. Directors of Bell Atlantic must hold a minimum of 5,000 shares, to be acquired over a period of not longer than five years.

On February 28, 1999, there were approximately 1,553,197,066 shares of Bell Atlantic common stock outstanding. The following table sets forth information as of February 28, 1999, regarding ownership of Bell Atlantic's common stock by the named executive officers and other directors. These shares represent, in the aggregate, less than one percent of the outstanding shares of Bell Atlantic's common stock. Except as otherwise noted, each individual or his or her family member(s) have sole or shared voting and/or investment power with respect to the securities.

Name	Shares Beneficially Owned	Options Exercisable within 60 Days	Shares Held Under Deferral Plans(1)	Total
Named Executive Officers:				
Raymond W. Smith	170,240	3,982,924	2,678	4,155,842
Ivan G. Seidenberg*	98,394	609,196	3,862	711,452
Frederic V. Salerno*	55,132	384,262	67,099	506,493
James G. Cullen*	110,968	1,051,348	2,471	1,164,787
Lawrence T. Babbio, Jr.*	83,100	1,095,726	47,730	1,226,556
James R. Young	9,982	601,329	20,421	631,732
Other Directors:				
Richard L. Carrion	1,692	6,250	1,825	9,767
Lodewijk J.R. de Vink	1,950	6,250	1,792	9,992
James H. Gilliam, Jr	529	11,000	9,918	21,447
Stanley P. Goldstein	10,520	6,250	1,993	18,763
Helene L. Kaplan	11,159	6,250	459	17,868
Thomas H. Kean	43,388	11,000	6,064	60,452(2)
Elizabeth T. Kennan	9,068	6,250	—	15,318
John F. Maypole	4,788	12,000	23,164	39,952
Joseph Neubauer	502	42,000	17,141	59,643
Thomas H. O'Brien	2,331	39,000	25,071	66,402
Eckhard Pfeiffer	6,000	15,000	4,009	25,009
Hugh B. Price	1,239	6,250	752	8,241
Rozanne L. Ridgway	1,951	35,000	14,275	51,226
Walter V. Shipley	12,454	6,250	—	18,704
John R. Stafford	12,902	6,250	1,992	21,144
Morrison DeS. Webb	17,953	230,119	15,851	263,923
Shirley Young	2,534	11,000	31,108	44,642
All of the above and other executive officers as a group (31 persons)	777,157	8,881,083	374,141	10,032,381

(*) Also serves as a director.

(1) These shares may not be voted or transferred.

(2) Includes 29,500 Bell Atlantic shares held in family trusts with respect to which Gov. Kean shares voting and investment power and as to which Gov. Kean disclaims beneficial ownership.

Section 16(a) Beneficial Ownership Reporting Compliance

Securities and Exchange Commission rules require Bell Atlantic to disclose late filings of stock transaction reports by its executive officers and directors. Based solely on a review of reports filed by Bell Atlantic on these individuals' behalf and written representations from them that no other reports were required, all Section 16(a) filing requirements have been met during calendar year 1998, with the exception of one late filing to reflect a single transaction by a family trust in which Thomas H. Kean, a director of Bell Atlantic, has an interest.

Bell Atlantic Retirement Plans

Bell Atlantic Qualified Pension Plan

During 1997, Messrs. Babbio, Cullen, Smith and Young participated in the Bell Atlantic Cash Balance Plan, and Messrs. Salerno and Seidenberg participated in the NYNEX Management Pension Plan. Effective January 1, 1998, the NYNEX Management Pension Plan was amended to a cash balance design substantially identical to the Bell Atlantic Cash Balance Plan. Thus, during 1998, each named executive participated in one of two substantially identical cash balance pension plans. Effective December 31, 1998, the NYNEX plan was merged into the Bell Atlantic plan. This single plan, in which each named executive officer now participates, is referred to in the following discussion as the qualified pension plan.

The qualified pension plan is a noncontributory, qualified pension plan for salaried employees. Under this plan, a participant may commence benefits upon resigning or retiring if certain conditions are met. Pension benefits under the qualified pension plan are generally stated as a lump-sum amount, but may be distributed as a lump-sum or as an annuity. Benefits are computed using a cash balance methodology, which provides for pay credits equal to 4 percent to 7 percent (depending on age and service) of the first $160,000 worth of salary per annum, and monthly interest credits on the participant's account balance (based on prevailing market yields on certain U.S. Treasury obligations). For this and other record keeping purposes, a hypothetical account balance is maintained for each participant. The account balance for each named executive, as of January 1, 1998, is shown in the following table.

Executive	Account Balance
Lawrence T. Babbio, Jr.	$ 864,660
Jame G. Cullen	$1,005,705
Frederic V. Salerno	$ 918,937
Ivan G. Seidenberg	$ 903,174
Raymond W. Smith	$1,391,198
James R. Young	$ 160,384

Pension benefits under the qualified pension plan are not subject to reduction for Social Security benefits or other offset amounts. Section 415 of the Internal Revenue Code places certain limitations on pension benefits which may be paid from the trusts of tax-qualified plans such as the qualified pension plan. Pension amounts for certain executive officers which exceed such Section 415 limitations will be paid from Bell Atlantic assets under the Bell Atlantic Senior Management Income Deferral Plan discussed below.

Bell Atlantic Income Deferral Plan

During 1997, Messrs. Babbio, Cullen, Smith and Young also participated in a noncontributory, nonqualified pension plan for Bell Atlantic executives, and Messrs. Salerno and Seidenberg participated in a noncontributory, nonqualified pension plan for former NYNEX executives. Effective January 1, 1998, Bell Atlantic established a new, nonqualified retirement plan known as the Bell Atlantic Senior Management Income Deferral Plan. The account balances of the named executives under the Bell Atlantic and NYNEX non-qualified pension plans were transferred to the income deferral plan, and each of these executives participated in the income deferral plan during 1998.

The income deferral plan is a nonqualified, unfunded, supplemental retirement and deferred compensation plan under which an individual account is maintained for each participant. The plan allows the named executive officers and other executive officers to defer voluntarily the receipt of certain compensation, and also provides retirement and other benefits to participants through Bell Atlantic credits to the participant's account under the plan. Participants are allowed to defer up to 100% of their eligible compensation, which consists of (i) a participant's base salary in excess of the Internal Revenue Code limit on compensation for qualified retirement plans (currently $160,000), plus (ii) all of the participant's annual incentive award under the Bell Atlantic short term incentive plan, plus (iii) retention awards or other bonuses which the plan administrator determines are eligible for deferral. If a participant defers income through the plan, Bell Atlantic provides a matching contribution equal to the rate of match under the qualified savings plan for management employees. In most cases, that rate is 83⅓% of the first 6% of eligible compensation that is deferred. In addition, Bell Atlantic automatically makes retirement contributions to a participant's account equal to 32% of eligible compensation for the first 20 years of participation in the plan and 7% of eligible compensation thereafter.

Bell Atlantic maintains an individual account for each participant in the income deferral plan. The following table shows, for each named executive officer, the portion of the executive officer's account attributable to Bell Atlantic contributions as of January 1, 1998, including contributions made under the Bell Atlantic and NYNEX non-qualified pension plans that were transferred to the income deferral plan.

Executive	Bell Atlantic Contributions
Lawrence T. Babbio, Jr.	$ 4,312,642
James G. Cullen	$ 5,444,399
Frederic V. Salerno	$ 3,279,474
Ivan G. Seidenberg	$ 2,731,276
Raymond W. Smith	$12,950,589
James R. Young	$ 384,649

Bell Atlantic Employment Agreements

Mr. Smith retired from Bell Atlantic on December 31, 1998. During 1998, his employment agreement provided for base salary, a bonus under the Bell Atlantic short term incentive plan, and other compensation which is reported in the Summary Compensation Table in this Chapter IV.

With respect to the other named executive officers, Bell Atlantic has entered into new employment agreements which supersede their prior agreements. Each of the new employment agreements took effect during 1998, except for Mr. Seidenberg's which took effect on January 1, 1999. The employment agreements with Mr. Babbio and Mr. Seidenberg are for a period of five years, and the agreements with Mr. Cullen, Mr. Salerno and Mr. Young are for a period of three years.

Each employment agreement provides for an annual base salary, an annual bonus under the Bell Atlantic short term incentive plan, an annual grant of stock options, participation in the Bell Atlantic income deferral plan, a retention incentive payable if the executive remains employed through the term of his agreement or for other specified periods, and a special implementation incentive relating to the proposed merger of Bell Atlantic and GTE. The following table shows the annual salary, maximum annual bonus, value of the annual stock option grant, and other annual compensation payable to each executive under these agreements.

Executive	Base Salary	Maximum Annual Bonus	Stock Option Grant	Other Annual Compensation
Lawrence T. Babbio, Jr.	$ 750,000	$1,125,000	$1,200,000	$ 684,000
James G. Cullen	$ 750,000	$1,125,000	$1,200,000	$ 684,000
Frederic V. Salerno	$ 750,000	$1,125,000	$1,200,000	$ 684,000
Ivan G. Seidenberg	$1,200,000	$2,700,000	$3,000,000	$1,439,000
James R. Young	$ 475,000	$ 570,000	$ 570,000	$ 370,000

At the end of the term of their employment agreements, each of Messrs. Cullen, Salerno, and Young is entitled to receive a retention incentive payment. Retention incentives are also payable to each of Messrs. Babbio and Seidenberg at the end of the third, fourth, and fifth years of their employment agreements. The amount of these retention incentives will vary, depending (in the case of Messrs. Babbio, Cullen, Salerno, and Young) on the price of Bell Atlantic common stock, or (in the case of Mr. Seidenberg) on the earnings performance of Bell Atlantic. The following table shows the value of each retention incentive (including the total value of the incentives payable to Messrs. Babbio and Seidenberg) as of March 31, 1999.

Executive	Retention Incentive
Lawrence T. Babbio, Jr.	$ 7,397,000
James G. Cullen	$ 3,170,000
Frederic V. Salerno	$ 3,170,000
Ivan G. Seidenberg	$10,040,000
James R. Young	$ 1,057,000

Each employment agreement provides that if, during the period of the agreement, Bell Atlantic terminates the executive's employment without cause, or the executive terminates his employment on grounds of "constructive discharge," the executive is entitled to receive specified payments and benefits that are substantially equivalent to the remaining payments and benefits he would have received had he remained employed through the term of his agreement. Under each agreement except for Mr. Seidenberg's, the executive will be entitled to terminate his employment on grounds of constructive discharge following Charles R. Lee's election as Chairman of the Board, as provided in the merger agreement between Bell Atlantic and GTE.

Upon completion of the merger, each executive will become entitled to receive an implementation incentive projected to be equal to the following amounts.

Executive	Implementation Incentive
Lawrence T. Babbio, Jr.	$1,969,000
James G. Cullen	$1,969,000
Frederic V. Salerno	$1,969,000
Ivan G. Seidenberg	$3,825,000
James R. Young	$1,140,000

The agreements with Messrs. Babbio, Cullen, Salerno and Seidenberg further provide that each shall be nominated for election to the Bell Atlantic Board of Directors at each Bell Atlantic annual meeting of shareholders during the term of his agreement. Mr. Seidenberg's agreement also provides that he shall serve as Chairman of the Board until completion of the merger. While Mr. Seidenberg will serve on the board of directors of the combined company, it has not been determined whether any other employees of the combined company will serve on the board of directors. Moreover, the combined company board of directors, in accordance with its certificate of incorporation, will determine the individuals to be nominated for election as directors.

ITEM 2—BELL ATLANTIC MERGER PROPOSAL

For summary and detailed information regarding the Bell Atlantic merger proposal, see Chapter I—"The Merger."

ITEM 3—RATIFICATION OF APPOINTMENT OF INDEPENDENT ACCOUNTANTS

Subject to shareholder ratification, the Bell Atlantic Board of Directors, acting upon the recommendation of the Audit Committee, has reappointed the firm of PricewaterhouseCoopers LLP, certified public accountants, as independent accountants to examine the financial statements of Bell Atlantic for the fiscal year 1999. Ratification requires the affirmative vote of a majority of eligible shares present at the annual meeting, in person or by proxy, and voting on the matter of ratification. If this appointment is not ratified by shareholders, the Audit Committee may reconsider its recommendation.

One or more representatives of PricewaterhouseCoopers are expected to be at the annual meeting. They will have an opportunity to make a statement and will be available to respond to appropriate questions.

The Bell Atlantic Board of Directors recommends a vote FOR ratification.

ITEM 4—AMENDMENT TO BELL ATLANTIC INCENTIVE STOCK OPTION PLAN

At Bell Atlantic's 1985 Annual Meeting, Bell Atlantic shareholders voted to approve the Bell Atlantic 1985 Incentive Stock Option Plan. At Bell Atlantic's 1994 Annual Meeting, Bell Atlantic shareholders approved amendments to the Stock Option Plan which, among other things, increased from 14 million to 25 million the number of shares of Bell Atlantic common stock, par value $.10 per share, that are authorized to be distributed under the Stock Option Plan. In accordance with the provisions of the Stock Option Plan, this aggregate limit was adjusted to reflect Bell Atlantic's two-for-one stock split effected on June 29, 1998. Shareholders are now being asked to approve an amendment to the Stock Option Plan which would increase to 100 million the aggregate number of shares of Bell Atlantic common stock that are authorized to be distributed under the Stock Option Plan.

Stock Option Plan Administration and Participation

Under the Stock Option Plan, approximately 261 senior managers and 1,510 middle managers were granted options to purchase shares of Bell Atlantic common stock in 1998. The granting of stock options is administered by the Human Resources Committee of the Bell Atlantic Board of Directors. The committee selects those Bell Atlantic employees to whom options are granted, the times at which options are granted and expire, and the number of shares which may be purchased upon the exercise of options. The purchase price of stock subject to options is equal to the market value of the stock on the date the option is granted.

Options may be granted as incentive stock options, which are intended to qualify for favorable federal tax treatment, or as nonqualified options. Options may have a term of up to ten years as determined by the committee. The committee, in its discretion, may permit the purchase price to be paid in cash, in shares of Bell Atlantic common stock or in a combination of cash and stock. The Stock Option Plan provides for "reload" options to be granted at the discretion of the committee. If an eligible option holder tenders previously owned Bell Atlantic shares to exercise options which include the "reload" feature, the individual will automatically be granted a number of nonqualified "reload" options equal to the number of shares tendered. "Reload" options have an exercise price equal to the fair market value on the date of the "reload" grant, and expire on the date on which the options exercised would have expired.

Tax Consequences

There are no tax consequences to the option holder or Bell Atlantic upon the grant of a stock option under the Stock Option Plan. On exercising a nonqualified stock option, the option holder realizes ordinary income to the extent the market value of the stock exceeds the exercise price, and Bell Atlantic may claim a tax deduction of equal amount. On exercising an incentive stock option, the option holder realizes no ordinary income for tax purposes, and Bell Atlantic receives no tax deduction. When incentive stock option shares are sold more than one year after the date of exercise and two years after the date of grant, the difference between the proceeds of sale and the exercise price is a long-term capital gain (or loss) for the option holder. Such a sale within one year of exercising an incentive stock option (or two years of the grant date), however, is a ''disqualifying disposition'' resulting in ordinary income for the option holder on the spread between the exercise price and the lesser of the market value on exercise date or the proceeds of the sale. In that event, Bell Atlantic may also claim a deduction of equal amount. If the proceeds of sale from the disqualifying disposition exceed the market value on the date of exercise, the option holder realizes a short-term capital gain on that excess, but the excess is not deductible by Bell Atlantic. In the absence of a ''disqualifying disposition,'' the spread between the exercise price of an incentive stock option and the market value of the stock on the date of exercise is a tax preference which, under certain circumstances, is subject to alternative minimum tax.

Amendment

The Stock Option Plan may not be amended, without shareowner approval, to: (a) increase the aggregate number of shares of Bell Atlantic common stock available for distribution under the Stock Option Plan or the number of options which may be granted to an individual in a single calendar year (except for adjustments to reflect stock dividends, stock splits or other recapitalizations); (b) decrease the purchase price of option stock; or (c) extend the period during which options may be exercised.

On March 23, 1999, the Board of Directors amended the Stock Option Plan, subject to shareholder approval, to increase the number of shares of Bell Atlantic common stock authorized to be distributed under the Stock Option Plan to 100 million. Shareholder approval requires the affirmative vote of the majority of the eligible shares present at the annual meeting, in person or by proxy.

1998 Grants and Stock Price Information

The number of options granted in 1998 to the six most highly compensated individuals is set forth in column (g) of the Summary Compensation Table in this Chapter IV. The following table sets forth the number of options granted in 1998 to the following groups:

All Executive Officers	2,695,716
All Other Employees	21,365,752

The closing price per share of Bell Atlantic common stock on April 9, 1999, as reported on the New York Stock Exchange Composite Tape, was $55.88.

Stock options constitute the sole long term incentive component of executive officer compensation. The Bell Atlantic Board of Directors believes that this proposal, which is necessary for the continuation of the Stock Option Plan, is in the best interests of Bell Atlantic's shareholders and recommends its approval.

The Bell Atlantic Board of Directors recommends a vote FOR this proposal.

ITEMS 5 THROUGH 9—SHAREHOLDER PROPOSALS

The shareholders named below have told us that they intend to have the following proposals presented at the Bell Atlantic annual meeting. Approval of a shareholder proposal requires the affirmative vote of a majority of eligible shares present at the Bell Atlantic annual meeting, in person or by proxy, and voting on the matter. The Bell Atlantic Board of Directors has concluded that it cannot support these proposals for the reasons given.

Item 5 on Proxy Card:

Mrs. Evelyn Y. Davis, Watergate Office Building, Suite 215, 2600 Virginia Avenue, NW, Washington DC 20037, record owner of 424 shares of Bell Atlantic common stock, proposes the following:

"**RESOLVED:** That the shareholders recommend that the Board take the necessary step that Bell Atlantic specifically identify by name and corporate title in all future proxy statements those executive officers, not otherwise so identified, who are contractually entitled to receive in excess of $250,000 annually as a base salary, together with whatever other additional compensation bonuses and other cash payments were due them.

REASONS:

In support of such proposed Resolution it is clear that the shareholders have a right to comprehensively evaluate the management in the manner in which the Corporation is being operated and its resources utilized. At present only a few of the most senior executive officers are so identified, and not the many other senior executive officers who should contribute to the ultimate success of the Corporation. Through such additional identification the shareholders will then be provided an opportunity to better evaluate the soundness and efficacy of the overall management. Last year the owners of 132,659,422 shares, representing approximately 12.3% of shares voting, voted FOR this proposal. If you AGREE, please mark your proxy FOR this proposal."

BELL ATLANTIC BOARD OF DIRECTORS' POSITION:

The Bell Atlantic Board of Directors does not believe the adoption of this proposal would impart any meaningful additional information to shareholders. The Bell Atlantic Board of Directors believes that the disclosure requirements of the Securities and Exchange Commission currently provide shareholders with sufficient information with respect to compensation matters. In accordance with the Securities and Exchange Commission's rules, Bell Atlantic already provides detailed information in this joint proxy statement and prospectus regarding the compensation of its most highly compensated executive officers, including the terms and conditions of any contractual agreements.

The Bell Atlantic Board of Directors recommends a vote AGAINST this proposal.

Item 6 on Proxy Card:

Mr. Robert S. Kopach, 4309 San Carlos Drive, Fairfax, VA 22030, who owns 2,000 shares of Bell Atlantic common stock, proposes the following:

"**RESOLVED:** I recommend that the current Short and Long Term Incentive Awards for executive officers be abolished. The new Short Term Incentive Award, I propose, will be tied proportionally to the price of the stock at year's end. For example if the stock price were up 20% at the end of the year then the incentive would be 20% of the executive officers' salaries.

REASONS:

1. Management is adequately compensated by the salary alone as illustrated in the Summary Compensation table. As shareholders our money is at risk as are the Executive Officers' bonuses. Under my short term incentive plan executive officers' salaries would be aligned with shareholders' returns. This would be achieved by tying their bonuses to the stock price appreciation. This would be clear and fair.

2. There is no need for any Long Term Incentive Award. Under the current incentive package the officers are getting rich at the expense of the customers, employees, and shareholders. In 1997 the executive officers were compensated from 140% to over 225%. These compensation plans keep going up and up. It has gotten completely out of control. When and where will it end? My plan would put a necessary limit on this abuse of these compensation packages. We need to bring justice and equity back

into the workplace. There is too big a gap between the pay of the average worker and the pay of the Executive Officers. The salary an Executive Officer makes in a few years far exceeds an average worker's lifetime earnings. Bell Atlantic needs to set an example by installing my proposal and becoming a leader in this reform.

3. The only reason management gets away with this abuse of power is that most shareholders do not take the time to read the proxies or vote. They are trusting management to do the right thing. The media needs to do more to expose their high salaries and excessive compensation packages. They should not fear the loss of the corporate advertising dollar. They should fulfill their obligation to inform and educate the public.

4. Management needs to be held accountable. A vote for my proposal will send a clear message to management that they work for us, the shareholders. Let's make it right and make management walk the talk!!''

BELL ATLANTIC BOARD OF DIRECTORS' POSITION:

As explained in detail in the Report of the Human Resources Committee on Executive Compensation, compensation of executive officers is set at levels which are intended to be sufficiently competitive with companies of similar size and complexity to permit Bell Atlantic to attract and retain the best possible individuals. Bell Atlantic's compensation plans are structured to provide incentives for executive officer performance that results in continuing improvements in Bell Atlantic's financial and operational results and total return to shareholders over both the short term and long term. Since a significant portion of incentive compensation is in the form of Bell Atlantic stock options, the amount of value generated for Bell Atlantic's shareholders is a key factor — but not the only factor — in determining the value ultimately realized by executive officers under the plans. In addition to stock price, executive officer compensation is based on a number of other factors, including Bell Atlantic financial performance, customer satisfaction and individual performance. The Human Resources Committee believes that this combination of incentives for executive officer performance is in the best interest of shareholders.

The Bell Atlantic Board of Directors recommends a vote AGAINST this proposal.

Item 7 on Proxy Card:

Edwin J. Ward, 32 Angela Lane, Bay Shore, New York 11706, owner of 3,442 shares of Bell Atlantic common stock, and Robert A. Rehm, 5 Erie Court, Jericho, New York 11753, owner of 3,575 shares of Bell Atlantic common stock, propose the following:

''RESOLVED: That the shareholders of Bell Atlantic urge their Board of Directors to seek shareholder approval for all future or renewed severance agreements with the Company's executive officers, including so-called ''golden parachute'' and ''golden good-bye'' severance agreements, that provide more generous pay-outs than the Senior Management Retirement Income Plan available to other senior managers.

For the purposes of this resolution, ''golden parachutes'' are defined as severance agreements triggered when executives are terminated or resign after a change in corporate control; and ''golden good-byes'' are defined as severance payments made to executives who terminate their employment voluntarily, including early retirement, or who are terminated without good cause.

Supporting Statement: ''Golden parachute'' and ''golden good-bye'' severance agreements are among the most lucrative and anti-shareholder executive compensation benefits. The Company's principal executive officers are covered by multi-million dollar ''golden good-bye'' agreements triggered not just by a threatened change in control, but by contingencies including the departure of CEO Ivan Seidenberg, or their own termination for reasons not rising to the level of ''grossly incompetent performance,'' fraud or conviction. Without shareholder consent, such severance agreements create potential conflicts of interest and undermine shareholder confidence that executive pay is properly aligned with the interests of shareholders.

At last year's Annual Meeting, nearly 350 million shares (32.4 percent of the votes cast) were voted in favor of this proposal. Resolutions requesting advance shareholder approval of golden parachute agreements have been approved by a *majority* of stockholders voting at six public companies since 1990.

Requiring shareholder approval of golden severance agreements is popular for a very good reason. Directors, including outside directors, typically owe their lucrative board appointments to incumbent management. Shareholder approval is even more critical at Bell Atlantic because six directors are Company officers covered by golden severance agreements — and only a minority of the board (9 of 22 directors) are outside and independent directors free of financial conflicts with those officers.

In last year's proxy, management opposed this proposal, stating that the Company entered into "special, limited agreements with the six employee Directors relating to their possible departures following the Company's merger" with NYNEX. Yet subsequently, the Company's Form 10-Q filed last August 13 reveals new agreements with six top executives that are more lucrative and anti-shareholder than the 1997 agreements.

For example, although management suggests the parachutes were necessitated by the NYNEX merger, the new agreements promise three executives (Babbio, Cullen and Salerno) continued nomination to the Board of Directors during their Term of Employment. In addition, these officers (and three others) are promised millions of dollars in liquidated damages if (among other contingencies) "Ivan Seidenberg is not elected Chairman of the Board by December 31, 1998, or is removed from or resigns from that position during the Term of Employment . . . or there has been a "change of control" of Bell Atlantic" (with "change of control" defined broadly to include any acquisition of 20 percent or more of the company's voting stock without Board approval).

Apart from the outrageous terms of these parachutes, golden severance agreements have proven to be extremely costly to shareholders. A 1996 IRRC study of 55 recently merged companies that disclosed cash-only severance pay-outs triggered by a change in control, total payments by each company ranged from $750,000 to $75.5 million — with a median pay-out of $11 million. For example, in 1995 Scott Paper's board awarded CEO Albert Dunlap a golden good-bye severance package valued at between $90 and $100 million.

A 1990 study of 1,000 major U.S. firms by the United Shareholders Association found that the average annualized two-year return was 20 percent higher for the 559 companies without executive golden parachutes.

We urge all shareholders to VOTE FOR this proposal."

BELL ATLANTIC BOARD OF DIRECTORS' POSITION:

The Bell Atlantic Board of Directors continues to believe that a blanket prohibition on the use of employment and severance agreements with executive officers without prior shareowner approval would unduly restrict the key Bell Atlantic Board of Directors' function of hiring, retaining and, when necessary, terminating executive officers of the company. Bell Atlantic does not enter into such agreements on a routine basis or with large numbers of executives. Agreements are based on case-by-case assessments, by the Bell Atlantic Board of Directors' Human Resources Committee, of an executive's past and future value, current business circumstances, and other strategic considerations.

As noted by the proponents, Bell Atlantic has entered into employment agreements with its most senior executive officers in connection with the pending merger with GTE. The Bell Atlantic Board of Directors believes that these agreements are reasonable and appropriate to ensure completion of the merger, an effective integration process and realization of the merger's benefits.

The Bell Atlantic Board of Directors firmly believes that agreements of this type, when used judiciously under appropriate circumstances, promote shareholders' interests by enabling the company to recruit and retain the most qualified executive officers to lead our business. In many cases (*e.g.*, mergers, unexpected executive departures, etc.), it would simply not be feasible for Bell Atlantic to wait the several months necessary to seek shareholder approval before acting. Accordingly, the Bell Atlantic Board of Directors has concluded it should retain the flexibility to use such agreements, where they are appropriate, without the requirement of shareholder approval.

The Bell Atlantic Board of Directors recommends a vote AGAINST this proposal.

Item 8 on Proxy Card:

The Association of BellTel Retirees, 157 Main Street/P.O. Box 33, Cold Spring Harbor, New York 11724, which owns 214 shares of Bell Atlantic's common stock, and John A. Parente, 2805 Granville Avenue, Schenectady, New York 12306-2225, who owns 11,014 shares of Bell Atlantic's common stock, propose the following:

''***Resolved***: The shareholders of Bell Atlantic urge the Company's Board of Directors to take the steps necessary to amend the Company's By-Laws, after the 1999 annual meeting, to provide that the Board of Directors shall consist of a *majority of independent directors* and that no more than two directors shall be current or former senior executive officers (''insiders'').

For these purposes, the definition of independent director shall mean a director who:

has not been employed by the Company or an affiliate in the previous five years;

is not a relative of any member of the Company's management;

provides no other personal or professional services for pay to the Company;

is not employed by a significant supplier or provider of professional services to the Company;

is not employed by a foundation, university or other nonprofit institution that has received a grant or endowment from the Company within the last five years;

is not an officer of a company on which any of the Company's top five executive officers also serves as a board member.

Supporting Statement: Only 9 of the Company's 22 directors — 41 percent — are independent, making Bell Atlantic one of the least independent boards among Fortune 500 companies. By comparison, an average 66 percent of the directors of U.S. companies with market capitalizations over $10 billion are independent, according to the 1997 *Board Practices* study by the impartial Investor Responsibility Research Center. Of the 1,165 companies in that study, only 2 percent (27) had as many inside (employee) directors as Bell Atlantic.

According to IRRC's 1998 analysis of the Company's governance: ''Bell Atlantic's board is unusually large, and it includes an unusually large number of employee directors for a large-cap company.'' To effectively perform their role as monitors of management performance, directors must not be management employees who report to the CEO and whose careers are at his mercy.

In addition to the six employee directors, seven outside directors are nonindependent due to board interlocks, or because their own organizations receive substantial grants or fees from Bell Atlantic. Specifically, three outside directors (Stafford, Goldstein and Pfeiffer) hold interlocking directorships with company officers. Ivan Seidenberg, our Company's CEO, sits on the boards that employed and set salaries of board members Stafford and Goldstein.

Three other outside directors (Price, Kennan and Kean) head nonprofits that receive substantial grants from the Bell Atlantic Foundation. A seventh outside director (Kaplan) is Of Counsel to one of the Company's primary law firms. And, although not technically within the widely-accepted definition of board independence restated above, an eighth outside director (Shipley) could be influenced by another nonindependent director (Stafford) who sits on his company's board (Chase Manhattan Corporation).

There is a widespread consensus that a majority of truly independent directors is critical to ensure investor confidence that top management is being held accountable to shareholders. Among the business and shareholder groups that endorse a majority of independent directors are the Business Roundtable, the National Association of Corporate Directors (NACD), the Council of Institutional Investors (CII), the California Public Employees Retirement System (CalPERS), the Investor Rights Association of America (IRAA) and the Association of BellTel Retirees.

In November 1996, the NACD published a Blue Ribbon Commission Report on *Director Professionalism* that took a strong stand against board candidates who have business relationships or interlocking directorships with Company officers. ''Boards should ensure that any director candidate under consideration, with the exception of their own CEO or senior managers, is independent,'' the NACD report stated.

Financial studies support the argument that independent directors can enhance share value. Companies with independent boards receive higher initial tender offer premiums, concludes a 1996 study by Professor James Cotter in the *Journal of Financial Economics*. Target company gains are ''about 20 percentage points greater when the board is independent,'' he found.

An amendment to the Company's by-laws is the only way to ensure that the Board will at all times tend to operate independent of management control.

We urge you to please **VOTE FOR** *this proposal.*''

BELL ATLANTIC BOARD OF DIRECTORS' POSITION:

The Bell Atlantic Board of Directors wholeheartedly agrees with the main premise of this proposal — that the Bell Atlantic Board of Directors should consist of a majority of independent directors. In fact, the Bell Atlantic Board of Directors *has* consisted of a majority of such independent directors, under any reasonable definition of independence, at all times since the company was founded in 1983. The Bell Atlantic Board of Directors is confident that the types of relationships referred to by the proponents do not impair in any way the independence of the individual directors named, and believes that there is no basis for the proponents' statement that the Bell Atlantic Board of Directors is ''insufficiently independent of management''. There is no need to include the Bell Atlantic Board of Directors' established commitment to independence in the bylaws.

Furthermore, the Bell Atlantic Board of Directors does not believe that a commitment to an independent board leads to the conclusion that the number of employee directors must be limited to an arbitrary number. In connection with Bell Atlantic's 1997 merger of equals with NYNEX Corporation, the Bell Atlantic Board of Directors was restructured to include three employee Directors from each of the two companies. The management and boards of both companies believed that it was important that the new board have a maximum exposure to, and business information from, the most senior executive officers of each company. It is expected that both the size of the Bell Atlantic Board of Directors and the number of employee directors will be reviewed at the time of completion of the GTE merger.

Given the Bell Atlantic Board of Directors' history of independence, and concerns that any bylaw arbitrarily limiting the number of employee directors would unnecessarily restrict its flexibility to tailor the number of employee directors (currently five) to changing business circumstances, the Bell Atlantic Board of Directors has concluded that it cannot support this proposal.

The Bell Atlantic Board of Directors recommends a vote AGAINST this proposal.

Item 9 on Proxy Card:

Mr. William A. Cook, Jr., 3008 Lofton Rd. SW, Roanoke, VA 24018, record holder of 554 shares of Bell Atlantic's common stock, proposes the following:

''***Request:*** That the Board of Directors take the steps necessary to assure that no person shall serve on the Board of Directors unless such person owns directly at least Two Thousand (2,000) shares of the Company's common stock at all times while a member of or nominee to the Board of Directors. This ownership requirement shall apply to the Board of Directors at meetings subsequent to the 1999 annual meeting.

Reasons: If a Director does not have enough confidence in and concern for the Company to invest a reasonable amount of money in the Company's stock, he/she may not have the Company's shareholders' best interest foremost in his/her decisions. If a Director's investment is small, any loss due to a poor decision will also be small.

The Proxy Statement for the 1998 Shareholders' Meeting showed the following beneficially owned shares:

Carrion	819
de Vink	943
Gilliam	254
Neubauer	241
O'Brien	594
Price	599
Ridgway	642
Young	672

The value of their stock is *less* than what they receive each year as annual retainer, meeting fees and stock options.''

BELL ATLANTIC BOARD OF DIRECTORS' POSITION:

The Bell Atlantic Board of Directors agrees that it is desirable for its members to hold a significant equity interest in the company, and has in place a requirement that is more stringent than this proposal's target. As stated in the section entitled ''Security Ownership of Directors and Officers'' of this joint proxy statement and prospectus, directors are required to hold a minimum of 5,000 shares of Bell Atlantic common stock, to be acquired over a period of not longer than five years after establishment of the requirement or the director's first election to the board. To assist directors in meeting this requirement, a portion of all directors' compensation is stock based and, in addition, directors may defer all or part of their cash compensation in share equivalents.

The shareholder proposal fails to take into account the substantial investment of director funds represented by voluntary deferrals into share equivalents, which carry the same economic risk as direct share holdings, and thereby significantly understates the interests which the named directors have in Bell Atlantic.

The proponent's suggestion to require director candidates to own 2,000 shares of Bell Atlantic common stock *prior* to their nomination could have the effect of reducing the pool of potential candidates to those who could afford such a significant immediate purchase. The Bell Atlantic Board of Directors believes that limiting a pool of candidates in such a manner would be inconsistent with the board's goal of maintaining a board of diverse, talented individuals.

The Bell Atlantic Board of Directors recommends a vote AGAINST this proposal.

SUBMISSION OF SHAREHOLDER PROPOSALS AND DIRECTOR NOMINATIONS

Shareholders wishing to have a proposal included in the Bell Atlantic Board of Directors' 2000 proxy statement must submit the proposal so that the Corporate Secretary receives it no later than December 14, 1999. The Securities and Exchange Commission's rules set forth standards as to which shareholder proposals are required to be included in a proxy statement. Also, in the case of shareholder proposals which are not included in the proxy statement, the Securities and Exchange Commission's rules specify that certain requirements contained in the company's bylaws need to be followed. The bylaws require any shareholder wishing to make a nomination for director, or wishing to introduce a proposal or other business, at the year 2000 Bell Atlantic Annual Meeting of Shareholders to give the company advance written notice thereof no later than 90 days prior to the anniversary date of the 1999 Bell Atlantic Annual Meeting of Shareholders, or February 19, 2000. Shareholders may request a copy of the bylaws from the Corporate Secretary, Bell Atlantic Corporation, 1095 Avenue of the Americas, 38th Floor, New York, New York 10036.

OTHER BUSINESS

Bell Atlantic is not aware of any other matters that will be presented at the annual meeting. If other matters are properly introduced, the persons named in the accompanying proxy will vote the shares they represent in accordance with their judgment.

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CHAPTER V—WHERE YOU CAN FIND MORE INFORMATION

GTE and Bell Atlantic file annual, quarterly and current reports, and proxy statements and other information with the Securities and Exchange Commission. You may read and copy any of those materials we file at the Securities and Exchange Commission's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference rooms and their copy charges. The Securities and Exchange Commission filings of GTE and Bell Atlantic are also available to the public from commercial document retrieval services and over the Internet at the Securities and Exchange Commission's web site at *http://www.sec.gov.*

Bell Atlantic has filed a Registration Statement on Form S-4 to register with the Securities and Exchange Commission the Bell Atlantic common stock to be issued to GTE shareholders in the merger. This document is a part of that registration statement and constitutes a prospectus of Bell Atlantic in addition to being part of the annual meeting proxy statement of GTE and Bell Atlantic. As allowed by the rules of the Securities and Exchange Commission, this joint proxy statement and prospectus does not contain all the information you can find in the registration statement or the exhibits to the registration statement.

The Securities and Exchange Commission allows us to "incorporate by reference" information into this joint proxy statement and prospectus. This means that we can disclose important information to you by referring you to another document filed separately with the Securities and Exchange Commission. The information incorporated by reference is deemed to be part of this joint proxy statement and prospectus, except for any information superseded by information in this joint proxy statement and prospectus. This joint proxy statement and prospectus incorporates by reference the documents set forth below that we have previously filed with the Securities and Exchange Commission. These documents contain important information about our companies and their finances.

GTE SEC Filing (File No. 1-2755)	**Period**
Annual Report on Form 10-K	Year ended December 31, 1998
Current Reports on Form 8-K	Filed on January 20, 1999, January 26, 1999 and April 5, 1999

Bell Atlantic SEC Filing (File No. 1-8606)	**Period**
Annual Report on Form 10-K	Year ended December 31, 1998
Current Reports on Form 8-K	Filed on January 4, 1999, January 19, 1999 and January 28, 1999

We are also incorporating by reference additional documents that we file with the Securities and Exchange Commission under the Securities Exchange Act of 1934 between the date of this joint proxy statement and prospectus and the dates of the meetings of our shareholders.

Bell Atlantic has supplied all information contained or incorporated by reference in this joint proxy statement and prospectus relating to Bell Atlantic and GTE has supplied all such information relating to GTE.

If you are a shareholder, we may have previously sent you some of the documents that are incorporated by reference. You can obtain any of the incorporated documents by contacting us or the Securities and Exchange Commission. If you would like to request documents from us, including any documents we may subsequently file with the Securities and Exchange Commission prior to the annual meetings, please do so as soon as possible so that you will receive them before your meeting. We will send you the documents incorporated by reference without charge, excluding exhibits, unless we have specifically incorporated the exhibit by reference in this joint proxy statement and prospectus.

Shareholders may obtain documents incorporated by reference in this joint proxy statement and prospectus by requesting them in writing or by telephone from the appropriate party at the following addresses:

GTE Corporation 1255 Corporate Drive SVC04A52 Irving, Texas 75038 Tel: (972) 507-5250 Attn: Director, Shareholder Operations and Securities Services	Bell Atlantic Corporation 1095 Avenue of the Americas New York, New York 10036 Tel: (212) 395-1525 Attn: Director, Shareowner Services 36th floor

You should rely only on the information contained or incorporated by reference in this joint proxy statement and prospectus to vote on the proposals described in this document. We have not authorized anyone to provide you with information that is different from what is contained in this joint proxy statement and prospectus. This joint proxy statement and prospectus is dated April 13, 1999. You should not assume that the information contained in this joint proxy statement and prospectus is accurate as of any date other than that date, and neither the mailing of this joint proxy statement and prospectus to shareholders nor the issuance of Bell Atlantic common stock in the merger shall create any implication to the contrary.

By order of the Board of Directors,
GTE Corporation
Marianne Drost
Secretary

By order of the Board of Directors,
Bell Atlantic Corporation
P. Alan Bulliner
Associate General Counsel and Corporate Secretary

APPENDICES

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AGREEMENT AND PLAN OF MERGER

DATED AS OF
JULY 27, 1998

AMONG

BELL ATLANTIC CORPORATION,

BETA GAMMA CORPORATION

AND

GTE CORPORATION

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AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this "Agreement"), dated as of July 27, 1998 ("the date hereof"), is entered into by and among Bell Atlantic Corporation, a Delaware corporation ("Bell Atlantic"), Beta Gamma Corporation, a New York corporation and a wholly owned subsidiary of Bell Atlantic ("Merger Subsidiary"), and GTE Corporation, a New York corporation ("GTE").

WHEREAS, the Board of Directors of each of Bell Atlantic, Merger Subsidiary and GTE has determined that it is in the best interests of its stockholders that Bell Atlantic and GTE enter into a business combination under which a subsidiary of Bell Atlantic will merge with and into GTE pursuant to the Merger (as defined in Section 1.1 hereof) and Bell Atlantic and GTE desire to enter into the "merger of equals" transaction contemplated hereby, and, in connection therewith, to make certain representations, warranties and agreements;

WHEREAS, as a condition to, and immediately after, the execution of this Agreement, and as a condition to the execution of the Bell Atlantic Option Agreement (as defined below), GTE and Bell Atlantic are entering into a stock option agreement (the "GTE Option Agreement") in the form attached hereto as Exhibit A;

WHEREAS, as a condition to, and immediately after, the execution of this Agreement, and as a condition to the execution of the GTE Option Agreement, GTE and Bell Atlantic are entering into a stock option agreement (the "Bell Atlantic Option Agreement", and together with the GTE Option Agreement, the "Option Agreements") in the form attached hereto as Exhibit B;

WHEREAS, the Board of Directors of each of Bell Atlantic, Merger Subsidiary and GTE has determined that the Merger and the other transactions contemplated hereby are consistent with, and in furtherance of, its business strategies and goals and has approved the Merger upon the terms and conditions set forth herein;

WHEREAS, for federal income tax purposes, it is intended that the Merger shall constitute a tax-free reorganization under Section 368 of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, for accounting purposes, it is intended that the Merger shall be accounted for as a pooling of interests under United States generally accepted accounting principles ("GAAP");

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

ARTICLE I—THE MERGER

SECTION 1.1—*The Merger.* At the Effective Time (as defined in Section 1.2 hereof) and subject to and upon the terms and conditions of this Agreement and the New York Business Corporation Law ("NYBCL"), Merger Subsidiary will be merged with and into GTE (the "Merger"), whereby the separate corporate existence of Merger Subsidiary shall cease and GTE shall continue as the surviving corporation which shall be a wholly-owned subsidiary of Bell Atlantic. GTE as the surviving corporation after the Merger is herein sometimes referred to as the "Surviving Corporation" and Merger Subsidiary as the non-surviving corporation after the Merger is herein sometimes referred to as the "Merged Corporation." GTE, Bell Atlantic and Merger Subsidiary are herein referred to collectively as the "Parties" and each individually as a "Party."

SECTION 1.2—*Effective Time.* As promptly as practicable after the satisfaction or waiver of the conditions set forth in Article VIII hereof and the consummation of the Closing referred to in Section 7.2(b) hereof, the Parties shall cause the Merger to be consummated by filing a Certificate of Merger with the Secretary of State of the State of New York with respect to the Merger, in such form as required by, and executed in accordance with, the relevant provisions of the NYBCL (the time of such filing being the "Effective Time").

SECTION 1.3—*Effect of the Merger.* At the Effective Time, the effect of the Merger shall be as provided in the applicable provisions of the NYBCL. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time all the property, rights, privileges, powers and franchises of GTE and Merger Subsidiary shall continue with, or vest in, as the case may be, GTE as the Surviving Corporation, and all debts, liabilities and duties of GTE and Merger Subsidiary shall continue to be, or become, as the case may be, the debts, liabilities and duties of GTE as the Surviving Corporation. As of the Effective Time, the Surviving Corporation shall be a direct wholly-owned subsidiary of Bell Atlantic.

SECTION 1.4—*Subsequent Actions.* If at any time after the Effective Time the Surviving Corporation shall consider or be advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to continue in, vest, perfect or confirm of record or otherwise in the Surviving Corporation its right, title or interest in, to or under any of the rights, properties, privileges, franchises or assets of either of its constituent corporations acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger or otherwise to carry out this Agreement, the officers and directors of the Surviving Corporation shall be directed and authorized to execute and deliver, in the name and on behalf of either of such constituent corporations, all such deeds, bills of sale, assignments and assurances and to take and do, in the name and on behalf of each of such corporations or otherwise, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties, privileges, franchises or assets in the Surviving Corporation or otherwise to carry out this Agreement.

SECTION 1.5—*Certificate of Incorporation; Bylaws; Directors and Officers of Surviving Corporation.* Unless otherwise agreed by GTE and Bell Atlantic before the Effective Time, at the Effective Time:

(a) the Certificate of Incorporation of GTE as the Surviving Corporation shall be the Certificate of Incorporation of GTE as in effect immediately prior to the Effective Time, until thereafter amended as provided by law and such Certificate of Incorporation;

(b) the Bylaws of GTE as the Surviving Corporation shall be the Bylaws of GTE immediately prior to the Effective Time, until thereafter amended as provided by law and the Certificate of Incorporation and the Bylaws of such Surviving Corporation; and

(c) the directors and officers of GTE immediately prior to the Effective Time shall continue to serve in their respective offices of the Surviving Corporation from and after the Effective Time, in each case until their successors are elected or appointed and qualified or until their resignation or removal. If at the Effective Time a vacancy shall exist on the Board of Directors or in any office of the Surviving Corporation, such vacancy may thereafter be filled in the manner provided by law and the Bylaws of the Surviving Corporation.

ARTICLE II—EFFECT ON STOCK OF THE SURVIVING CORPORATION AND THE MERGED CORPORATION

SECTION 2.1—*Conversion of Securities.* The manner and basis of converting the shares of common stock of the Surviving Corporation and of the Merged Corporation at the Effective Time, by virtue of the Merger and without any action on the part of any of the Parties or the holder of any of such securities, shall be as hereinafter set forth in this Article II.

SECTION 2.2—*Conversion of Shares.* (a) Subject to Section 2.7, each share of common stock, par value $0.05 per share, of GTE (''GTE Common Stock'') issued and outstanding immediately before the Effective Time (excluding those cancelled pursuant to Section 2.3) and all rights in respect thereof, shall at the Effective Time, without any action on the part of any holder thereof, be converted into and become 1.22 shares of common stock, par value $0.10 per share, of Bell Atlantic (''Bell Atlantic Common Stock''). Such ratio of GTE Common Stock to Bell Atlantic Common Stock is herein referred to as the ''Exchange Ratio.''

(b) As of the Effective Time, all shares of GTE Common Stock converted pursuant to Section 2.2(a) shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist, and each holder of a certificate (each, an "Old Certificate") representing any such shares of GTE Common Stock shall cease to have any rights with respect thereto, except the right to receive shares of Bell Atlantic Common Stock, in accordance with Section 2.2(a), certain dividends or other distributions in accordance with Section 2.5(b) and any cash in lieu of fractional shares of Bell Atlantic Common Stock to be issued or paid in consideration therefor upon surrender of such certificate in accordance with Section 2.5, without interest.

(c) For all purposes of this Agreement, unless otherwise specified, each share of GTE Common Stock held by employee stock ownership plans of GTE (i) shall be deemed to be issued and outstanding, (ii) shall not be deemed to be held in the treasury of GTE and (iii) shall be converted into shares of Bell Atlantic Common Stock in accordance with the Exchange Ratio.

SECTION 2.3—*Cancellation of Treasury Shares and Bell Atlantic-owned Shares.* At the Effective Time, each share of GTE Common Stock held in the treasury of GTE or owned by Bell Atlantic immediately prior to the Effective Time shall be cancelled and retired and no shares of stock or other securities of Bell Atlantic or the Surviving Corporation shall be issuable, and no payment or other consideration shall be made, with respect thereto.

SECTION 2.4—*Conversion of Common Stock of the Merged Corporation into Common Stock of the Surviving Corporation.* At the Effective Time, each share of common stock of Merger Subsidiary issued and outstanding immediately prior to the Effective Time, and all rights in respect thereof, shall, without any action on the part of Bell Atlantic, forthwith cease to exist and be converted into 1,000 validly issued, fully paid and nonassessable shares of common stock, par value $0.05 per share, of the Surviving Corporation (the "Surviving Corporation Common Stock"). Immediately after the Effective Time and upon surrender by Bell Atlantic of the certificate representing the shares of the common stock of Merger Subsidiary, GTE as the Surviving Corporation shall deliver to Bell Atlantic an appropriate certificate or certificates representing the Surviving Corporation Common Stock created by conversion of the common stock of Merger Subsidiary owned by Bell Atlantic.

SECTION 2.5—*Exchange Procedures.* (a) Subject to the terms and conditions hereof, at or prior to the Effective Time Bell Atlantic and GTE shall jointly appoint an exchange agent (the "Exchange Agent") to effect the exchange of Old Certificates for Bell Atlantic Common Stock in accordance with the provisions of this Article II. At the Effective Time, Bell Atlantic shall deposit, or cause to be deposited, with the Exchange Agent certificates representing Bell Atlantic Common Stock for exchange for Old Certificates in accordance with the provisions of Section 2.2 hereof (such certificates, together with any dividends or distributions with respect thereto, being herein referred to as the "Exchange Fund"). Commencing immediately after the Effective Time and until the appointment of the Exchange Agent shall be terminated, each holder of an Old Certificate may surrender the same to the Exchange Agent, and, after the appointment of the Exchange Agent shall be terminated, any such holder may surrender any such certificate to Bell Atlantic. Such holder shall be entitled upon such surrender to receive in exchange therefor a certificate or certificates representing the number of whole shares of Bell Atlantic Common Stock such holder has a right to receive in accordance with Section 2.2 hereof, certain dividends or other distributions in accordance with Section 2.5(b) hereof, and a cash payment in lieu of fractional shares, if any, in accordance with Section 2.7 hereof, and such Old Certificate shall forthwith be cancelled. The whole shares of Bell Atlantic Common Stock to be delivered to such holder shall be delivered in book entry form, unless such holder shall timely elect in writing to receive the certificates representing such shares.

Unless and until any such Old Certificate is so surrendered, and except as may be determined by Bell Atlantic for a period not to exceed six months after the Effective Time, no dividend or other distribution, if any, payable to the holders of record of Bell Atlantic Common Stock as of any date subsequent to the Effective Time shall be paid to the holder of such certificate in respect thereof. Except as otherwise provided in Section 2.6 hereof, upon the surrender of any such Old Certificate, however, the record holder of the certificate or certificates representing shares of Bell Atlantic Common Stock issued in exchange therefor shall receive from the Exchange Agent or from Bell Atlantic, as the case may be, payment of the amount of dividends and other distributions, if any, which as of any date subsequent to the Effective Time and until such surrender shall have become payable and were not paid with respect to such number of shares of Bell Atlantic Common Stock (''Pre-Surrender Dividends''). No interest shall be payable with respect to the payment of Pre-Surrender Dividends upon the surrender of Old Certificates. After the appointment of the Exchange Agent shall have been terminated, any holders of Old Certificates which have not received payment of Pre-Surrender Dividends shall look only to Bell Atlantic for payment thereof. Notwithstanding the foregoing provisions of this Section 2.5 (b), neither the Exchange Agent nor any Party shall be liable to a holder of an Old Certificate for any Bell Atlantic Common Stock, any dividends or distributions thereon or any cash payment for fractional shares as contemplated by Section 2.7, delivered to a public official pursuant to any applicable abandoned property, escheat or similar law or to a transferee pursuant to Section 2.6 hereof.

(b) Notwithstanding anything herein to the contrary, certificates surrendered for exchange by any ''affiliate'' of GTE shall not be exchanged until Bell Atlantic shall have received a signed agreement from such ''affiliate'' as provided in Section 7.14 hereof.

SECTION 2.6—*Transfer Books.* The stock transfer books of GTE shall be closed at the Effective Time and no transfer of any shares of GTE Common Stock will thereafter be recorded on any of such stock transfer books. In the event of a transfer of ownership of GTE Common Stock that is not registered in the stock transfer records of GTE at the Effective Time, a certificate or certificates representing the number of whole shares of Bell Atlantic Common Stock into which such shares of GTE Common Stock shall have been converted shall be issued to the transferee together with a cash payment in lieu of fractional shares, if any, in accordance with Section 2.7 hereof, and a cash payment in the amount of Pre-Surrender Dividends, if any, in accordance with Section 2.5 (b) hereof, if the Old Certificate therefor is surrendered as provided in Section 2.5 hereof, accompanied by all documents required to evidence and effect such transfer and by evidence of payment of any applicable stock transfer tax. The whole shares of Bell Atlantic Common Stock to be delivered to such holder shall be delivered in book entry form, unless such holder shall timely elect in writing to receive the certificates representing such shares.

SECTION 2.7—*No Fractional Share Certificates.* (a) No scrip or fractional share certificate for Bell Atlantic Common Stock will be issued in certificated or book entry form upon the surrender for exchange of Old Certificates, and an outstanding fractional share interest will not entitle the owner thereof to vote, to receive dividends or to any rights of a stockholder of Bell Atlantic or of the Surviving Corporation with respect to such fractional share interest.

(b) As promptly as practicable following the Effective Time, the Exchange Agent shall determine the excess of (i) the number of whole shares of Bell Atlantic Common Stock to be issued and delivered to the Exchange Agent pursuant to Section 2.5 hereof over (ii) the aggregate number of whole shares of Bell Atlantic Common Stock to be distributed to holders of GTE Common Stock pursuant to Section 2.5 hereof (such excess being herein called ''Excess Shares''). Following the Effective Time, the Exchange Agent, as agent for the holders of GTE Common Stock, shall sell the Excess Shares at then prevailing prices on the New York Stock Exchange (the ''NYSE''), all in the manner provided in subsection (c) of this Section 2.7.

(c) The sale of the Excess Shares by the Exchange Agent shall be executed on the NYSE through one or more member firms of the NYSE and shall be executed in round lots to the extent practicable. The Exchange Agent shall use all reasonable efforts to complete the sale of the Excess Shares as promptly following the Effective Time as, in the Exchange Agent's reasonable judgment, is practicable consistent with obtaining the best execution of such sales in light of prevailing market conditions. The Exchange Agent shall, out of the proceeds from the sale of the Excess Shares, pay all commissions, transfer taxes and other out-of-pocket transaction costs, including the expenses and compensation of the Exchange Agent, incurred in connection with such sale of the Excess Shares. Until the net proceeds of such sale or sales have been distributed to the holders of GTE Common Stock, the Exchange Agent will hold such proceeds in trust for the holders of GTE Common

Stock (the "Common Shares Trust"). The Exchange Agent shall determine the portion of the Common Shares Trust to which each holder of GTE Common Stock shall be entitled, if any, by multiplying the amount of the aggregate net proceeds comprising the Common Shares Trust by a fraction the numerator of which is the amount of fractional share interests to which such holder of GTE Common Stock is entitled (after taking into account all shares of GTE Common Stock held at the Effective Time by such holder) and the denominator of which is the aggregate amount of fractional share interests to which all holders of GTE Common Stock are entitled.

(d) Notwithstanding the provisions of subsections (b) and (c) of this Section 2.7, GTE and Bell Atlantic may agree at their option, exercised prior to the Effective Time, in lieu of the issuance and sale of Excess Shares and the making of the payments contemplated in such subsections, that Bell Atlantic shall pay to the Exchange Agent an amount sufficient for the Exchange Agent to pay each holder of GTE Common Stock an amount in cash equal to the product obtained by multiplying (i) the fractional share interest to which such holder would otherwise be entitled (after taking into account all shares of GTE Common Stock held at the Effective Time by such holder) by (ii) the closing price for a share of Bell Atlantic Common Stock on the NYSE Composite Transaction Tape on the first business day immediately following the Effective Time, and, in such case, all references herein to the cash proceeds of the sale of the Excess Shares and similar references shall be deemed to mean and refer to the payments calculated as set forth in this subsection (d). In such event, Excess Shares shall not be issued or otherwise transferred to the Exchange Agent pursuant to Section 2.5 (a) hereof or, if previously issued, shall be returned to Bell Atlantic for cancellation.

(e) As soon as practicable after the determination of the amounts of cash, if any, to be paid to holders of GTE Common Stock with respect to any fractional share interests, the Exchange Agent shall make available such amounts, net of any required withholding, to such holders of GTE Common Stock, subject to and in accordance with the terms of Section 2.5 hereof.

(f) Any portion of the Exchange Fund and the Common Shares Trust which remains undistributed for six months after the Effective Time shall be delivered to Bell Atlantic, upon demand, and any holders of GTE Common Stock who have not theretofore complied with the provisions of this Article II shall thereafter look only to Bell Atlantic for satisfaction of their claims for Bell Atlantic Common Stock, any cash in lieu of fractional shares of Bell Atlantic Common Stock and any Pre-Surrender Dividends.

SECTION 2.8—*Options to Purchase GTE Common Stock.* (a) At the Effective Time, each option or warrant granted by GTE to purchase shares of GTE Common Stock which is outstanding and unexercised immediately prior to the Effective Time shall be assumed by Bell Atlantic and converted into an option or warrant to purchase shares of Bell Atlantic Common Stock in such amount and at such exercise price as provided below and otherwise having the same terms and conditions as are in effect immediately prior to the Effective Time (except to the extent that such terms, conditions and restrictions may be altered in accordance with their terms as a result of the transactions contemplated hereby):

(i) the number of shares of Bell Atlantic Common Stock to be subject to the new option or warrant shall be equal to the product of (x) the number of shares of GTE Common Stock subject to the original option or warrant and (y) the Exchange Ratio;

(ii) the exercise price per share of Bell Atlantic Common Stock under the new option or warrant shall be equal to (x) the exercise price per share of the GTE Common Stock under the original option or warrant divided by (y) the Exchange Ratio; and

(iii) upon each exercise of options or warrants by a holder thereof, the aggregate number of shares of Bell Atlantic Common Stock deliverable upon such exercise shall be rounded down, if necessary, to the nearest whole share and the aggregate exercise price shall be rounded up, if necessary, to the nearest cent.

The adjustments provided herein with respect to any options which are "incentive stock options" (as defined in Section 422 of the Code) shall be effected in a manner consistent with Section 424(a) of the Code.

(b) At the Effective Time, each stock appreciation right ("SAR") with respect to GTE Common Stock which is outstanding and unexercised immediately before the Effective Time shall be converted into an SAR with respect to shares of Bell Atlantic Common Stock on the same terms and conditions as are in effect immediately prior to the Effective Time, with the adjustments set forth in subsection (a) of this Section 2.8.

SECTION 2.9—*Restricted Stock.* At the Effective Time, any shares of GTE Common Stock awarded pursuant to any plan, arrangement or transaction, and outstanding immediately prior to the Effective Time shall be converted into shares of Bell Atlantic Common Stock in accordance with Section 2.2 hereof, subject to the same terms, conditions and restrictions as in effect immediately prior to the Effective Time, except to the extent that such terms, conditions and restrictions may be altered in accordance with their terms as a result of the transactions contemplated hereby.

SECTION 2.10—*Certain Adjustments.* If between the date hereof and the Effective Time, the outstanding shares of GTE Common Stock or of Bell Atlantic Common Stock shall be changed into a different number of shares by reason of any reclassification, recapitalization, split-up, combination or exchange of shares, or any dividend payable in stock or other securities shall be declared thereon with a record date within such period, the Exchange Ratio shall be adjusted accordingly to provide to the holders of GTE Common Stock and Bell Atlantic Common Stock the same economic effect as contemplated by this Agreement prior to such reclassification, recapitalization, split-up, combination, exchange or dividend.

ARTICLE III—CERTAIN ADDITIONAL MATTERS

SECTION 3.1—*Certificate of Incorporation and Bylaws of Bell Atlantic.* At the Effective Time and subject to and upon the terms and conditions of this Agreement and the General Corporation Law of the State of Delaware ("DGCL"), Bell Atlantic shall cause the Certificate of Incorporation of Bell Atlantic and the Bylaws of Bell Atlantic to be amended and restated to incorporate the provisions set forth in Appendices I-A and I-B hereto, respectively. Such amendment and restatement of the Bell Atlantic Certificate of Incorporation and amendment and restatement of the Bell Atlantic Bylaws are referred to herein as the "Certificate Amendment" and the "Bylaws Amendment," respectively.

SECTION 3.2—*Dividends.* Each of GTE and Bell Atlantic shall coordinate with the other the declaration of, and the setting of record dates and payment dates for, dividends on GTE Common Stock and Bell Atlantic Common Stock so that holders of GTE Common Stock do not (i) receive dividends on both GTE Common Stock and Bell Atlantic Common Stock received in connection with the Merger in respect of any calendar quarter or (ii) fail to receive a dividend on either GTE Common Stock or Bell Atlantic Common Stock received in connection with the Merger in respect of any calendar quarter.

SECTION 3.3—*Headquarters.* GTE and Bell Atlantic agree that immediately following the Effective Time the headquarters of Bell Atlantic shall be located in New York, New York.

SECTION 3.4—*Corporate Identity.* GTE and Bell Atlantic agree that at the Effective Time, the corporate name of Bell Atlantic shall be as shall have been agreed by the Parties.

ARTICLE IV—REPRESENTATIONS AND WARRANTIES OF GTE

Except as expressly disclosed in the GTE Filed SEC Reports (as defined below) (including all exhibits referred to therein) or as set forth in the disclosure schedule delivered by GTE to Bell Atlantic on the date hereof (the "GTE Disclosure Schedule") (each section of which qualifies the correspondingly numbered representation and warranty or covenant as specified therein), GTE hereby represents and warrants to Bell Atlantic as follows:

SECTION 4.1—*Organization and Qualification; Subsidiaries.* Each of GTE and each of its Significant Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization. Each of the GTE Subsidiaries which is not a Significant Subsidiary is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, except for such failure which, when taken together with all other such failures, would not reasonably be expected to have a Material Adverse Effect on GTE. Each of GTE and its Subsidiaries has the requisite corporate power and authority and any necessary governmental authority, franchise, license, certificate or permit to own, operate or lease the properties that it purports to own, operate or lease and to carry on its business as it is now being conducted, and is duly qualified as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of its properties owned, operated or leased or the nature of its activities makes such qualification necessary, except for such failure which, when taken together with all other such failures, would not reasonably be expected to have a Material Adverse Effect on GTE.

SECTION 4.2—*Certificate of Incorporation and Bylaws.* GTE has heretofore furnished, or otherwise made available, to Bell Atlantic a complete and correct copy of the Certificate of Incorporation and the Bylaws, each as amended to the date hereof, of GTE. Such Certificate of Incorporation and Bylaws are in full force and effect. Neither GTE nor any of its Significant Subsidiaries is in violation of any of the provisions of its respective Certificate of Incorporation or, in any material respect, its Bylaws.

SECTION 4.3—*Capitalization.* (a) The authorized capital stock of GTE consists of (i) 9,217,764 shares of preferred stock, par value $50.00 per share, none of which are outstanding or reserved for issuance, (ii) 11,727,502 shares of preferred stock, no par value per share, none of which are outstanding and 700,000 of which have been reserved for issuance in accordance with the Rights Agreement (as defined below), and (iii) 2,000,000,000 shares of GTE Common Stock, of which, as of June 30, 1998, (A) 963,241,244 shares were issued and outstanding, (B) 25,658,980 shares were held in the treasury of GTE, (C) not more than 50,000,000 shares were issuable upon the exercise of options outstanding under the GTE option plans, and (D) 31,603,945 shares were reserved for issuance in connection with other GTE Plans (as defined in Section 4.11(b) below). Except for GTE Equity Rights issued to GTE employees in the ordinary course of business or, after the date hereof, as permitted by Section 6.2 hereof or pursuant to the Bell Atlantic Option Agreement, (i) since June 30, 1998, no shares of GTE Common Stock have been issued, except upon the exercise of options described in the immediately preceding sentence, and (ii) there are no outstanding GTE Equity Rights. For purposes of this Agreement, "GTE Equity Rights" shall mean subscriptions, options, warrants, calls, commitments, agreements, conversion rights or other rights of any character (contingent or otherwise) to purchase or otherwise acquire any shares of the capital stock of GTE from GTE or any of GTE's Subsidiaries at any time, or upon the happening of any stated event, except for rights granted under the Rights Agreement, dated as of December 7, 1989 (the "GTE Rights Agreement"), between GTE and the Rights Agent (as defined therein), and the Bell Atlantic Option Agreement. Section 4.3 of the GTE Disclosure Schedule sets forth a complete and accurate list of certain information with respect to all outstanding GTE Equity Rights as of June 30, 1998.

(b) Except as set forth in Section 4.3 of the GTE Disclosure Schedule, pursuant to the Bell Atlantic Option Agreement, or, after the date hereof, as permitted by Section 6.2 hereof, there are no outstanding obligations of GTE or any of GTE's Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of GTE.

(c) All of the issued and outstanding shares of GTE Common Stock are validly issued, fully paid and nonassessable.

(d) All of the outstanding capital stock of each of GTE's Significant Subsidiaries, and all of the outstanding capital stock of GTE's Subsidiaries owned directly or indirectly by GTE, is duly authorized, validly issued, fully paid and nonassessable. All of the outstanding capital stock of each of GTE's Significant Subsidiaries is owned by GTE free and clear of any liens, security interests, pledges, agreements, claims, charges or encumbrances. All of the outstanding capital stock of GTE's Subsidiaries owned directly or indirectly by GTE is owned free and clear of any liens, security interests, pledges, agreements, claims, charges or encumbrances, except where such liens, security interests, pledges, agreements, claims, charges or encumbrances would not, individually or in the aggregate, have a Material Adverse Effect on GTE. Except as hereafter issued or entered into in accordance with Section 6.2 hereof, there are no existing subscriptions, options, warrants, calls, commitments, agreements, conversion rights or other rights of any character (contingent or otherwise) to purchase or otherwise acquire from GTE or any of GTE's Subsidiaries at any time, or upon the happening of any stated event, any shares of the capital stock of any GTE Subsidiary, whether or not presently issued or outstanding (except for rights of first refusal to purchase interests in Subsidiaries which are not wholly owned by GTE), or any of GTE's direct or indirect interests in any Material Investment, and there are no outstanding obligations of GTE or any of GTE's Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of any of GTE's Subsidiaries or securities related to any investments, other than such as would not, individually or in the aggregate, have a Material Adverse Effect on GTE.

SECTION 4.4—*Authority Relative to this Agreement.* GTE has the necessary corporate power and authority to enter into this Agreement and, subject to obtaining the requisite approval of the Merger Agreement by GTE's stockholders required by the NYBCL (the "GTE Stockholder Approval"), to perform its obligations hereunder. The execution and delivery of this Agreement by GTE, and the consummation by GTE of the transactions contemplated hereby, have been duly authorized by all necessary corporate action on the part of GTE, subject to obtaining the GTE Stockholder Approval. This Agreement has been duly executed and delivered by GTE and, assuming the due authorization, execution and delivery thereof by each of Bell Atlantic and Merger Subsidiary, constitutes a legal, valid and binding obligation of GTE, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting the rights and remedies of creditors generally and to general principles of equity (regardless of whether considered in a proceeding in equity or at law).

SECTION 4.5—*No Conflict; Required Filings and Consents.* (a) Except as described in subsection (b) below, the execution and delivery of this Agreement by GTE do not, and the performance of this Agreement by GTE will not, (i) violate or conflict with the Certificate of Incorporation or Bylaws of GTE, (ii) conflict with or violate any law, regulation, court order, judgment or decree applicable to GTE or any of its Subsidiaries or by which any of their respective property or assets (including investments) is bound or affected, (iii) violate or conflict with the Certificate of Incorporation or Bylaws of any of GTE's Subsidiaries, (iv) result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination or cancellation of, or result in the creation of a lien or encumbrance on any of the properties or assets (including investments) of GTE or any of its Subsidiaries pursuant to, result in the loss of any material benefit under, or result in any modification or alteration of, or require the consent of any other party to, any contract, instrument, permit, license or franchise to which GTE or any of its Subsidiaries is a party or by which GTE, any of such Subsidiaries or any of their respective property or assets (including investments) is bound or affected, except, in the case of clauses (ii), (iii), and (iv) above, for conflicts, violations, breaches, defaults, results or consents which, individually or in the aggregate, would not have a Material Adverse Effect on GTE.

(b) Except for applicable requirements, if any, of state or foreign public utility commissions or laws or similar local or state or foreign regulatory bodies or laws, state or foreign antitrust or foreign investment laws and commissions, the Federal Communications Commission, stock exchanges upon which securities of GTE are listed, the Exchange Act, the premerger notification requirements of the HSR Act, filing and recordation of appropriate merger or other documents as required by the NYBCL and any filings required pursuant to any state securities or "blue sky" laws or the rules of any applicable stock exchanges, (i) neither GTE nor any of its Significant Subsidiaries is required to submit any notice, report or other filing with any federal, state, local or foreign government, any court, administrative, regulatory or other governmental agency, commission or authority or any non-governmental U.S. or foreign self-regulatory agency, commission or authority or any arbitral tribunal (each, a "Governmental Entity") in connection with the execution, delivery or performance of this Agreement and (ii) no waiver, consent, approval or authorization of any Governmental Entity is required to be obtained by GTE or any of its Significant Subsidiaries in connection with its execution, delivery or performance of this Agreement.

SECTION 4.6—*SEC Filings; Financial Statements.* (a) GTE has filed all forms, reports and documents required to be filed with the Securities and Exchange Commission (''SEC'') since January 1, 1995, and has heretofore delivered or made available to Bell Atlantic, in the form filed with the SEC, together with any amendments thereto, its (i) Annual Reports on Form 10-K for the fiscal years ended December 31, 1995, 1996 and 1997, (ii) all proxy statements relating to GTE's meetings of stockholders (whether annual or special) held since January 1, 1995, (iii) Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1998, and (iv) all other reports or registration statements filed by GTE with the SEC since January 1, 1995, including without limitation all Annual Reports on Form 11-K filed with respect to the GTE Plans (collectively, the ''GTE SEC Reports'', with such GTE SEC Reports filed with the SEC prior to the date hereof being referred to as ''GTE Filed SEC Reports''). The GTE SEC Reports (i) were prepared substantially in accordance with the requirements of the 1933 Act or the Exchange Act (as defined in Section 10.4 hereof), as the case may be, and the rules and regulations promulgated under each of such respective acts, and (ii) did not at the time they were filed contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(b) The financial statements, including all related notes and schedules, contained in the GTE SEC Reports (or incorporated by reference therein) fairly present the consolidated financial position of GTE and its Subsidiaries as at the respective dates thereof and the consolidated results of operations and cash flows of GTE and its Subsidiaries for the periods indicated in accordance with GAAP applied on a consistent basis throughout the periods involved (except for changes in accounting principles disclosed in the notes thereto) and subject in the case of interim financial statements to normal year-end adjustments.

SECTION 4.7—*Absence of Certain Changes or Events.* Except as disclosed in the GTE Filed SEC Reports and in Section 4.7 of the GTE Disclosure Schedule, since December 31, 1997, and except as permitted by this Agreement or consented to hereunder, GTE and its Subsidiaries have not incurred any material liability required to be disclosed on a balance sheet of GTE and its Subsidiaries or the footnotes thereto prepared in conformity with GAAP, except in the ordinary course of their businesses consistent with their past practices, and there has not been any change, or any event involving a prospective change, in the business, financial condition or results of operations of GTE or any of its Subsidiaries which has had, or is reasonably likely to have, a Material Adverse Effect on GTE, and GTE and its Subsidiaries have conducted their respective businesses in the ordinary course consistent with their past practices.

SECTION 4.8—*Litigation.* There are no claims, actions, suits, proceedings or investigations pending or, to GTE's knowledge, threatened against GTE or any of its Subsidiaries, or any properties or rights of GTE or any of its Subsidiaries, by or before any Governmental Entity, except for those that are not, individually or in the aggregate, reasonably likely to have a Material Adverse Effect on GTE or prevent, materially delay or intentionally delay the ability of GTE to consummate transactions contemplated hereby.

SECTION 4.9—*Permits; No Violation of Law.* The businesses of GTE and its Subsidiaries are not being conducted in violation of any statute, law, ordinance, regulation, judgment, order or decree of any Governmental Entity (including any stock exchange or other self-regulatory body) (''Legal Requirements''), or in violation of any permits, franchises, licenses, authorizations, certificates, variances, exemptions, orders, registrations or consents that are granted by any Governmental Entity (including any stock exchange or other self-regulatory body) (''Permits''), except for possible violations none of which, individually or in the aggregate, may reasonably be expected to have a Material Adverse Effect on GTE. No investigation or review by any Governmental Entity (including any stock exchange or other self-regulatory body) with respect to GTE or its Subsidiaries in relation to any alleged violation of law or regulation is pending or, to GTE's knowledge, threatened, nor has any Governmental Entity (including any stock exchange or other self-regulatory body) indicated an intention to conduct the same, except for such investigations which, if they resulted in adverse findings, would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on GTE. Except as set forth in Section 4.9 of the GTE Disclosure Schedule, neither GTE nor any of its Subsidiaries is subject to any cease and desist or other order, judgment, injunction or decree issued by, or is a party to any written Agreement, consent Agreement or memorandum of understanding with, or is a party to any commitment letter or similar undertaking to, or is subject to any order or directive by, or has adopted any board resolutions at the request of, any Governmental Entity that materially restricts the conduct of its business or which may reasonably be expected to have a Material Adverse Effect on GTE, nor has GTE or any of its Subsidiaries been advised that any Governmental Entity is considering issuing or requesting any of the foregoing. None of the representations and warranties made in this Section 4.9 are being made with respect to Environmental Laws.

SECTION 4.10—*Joint Proxy Statement.* None of the information supplied or to be supplied by or on behalf of GTE for inclusion or incorporation by reference in the registration statement to be filed with the SEC by Bell Atlantic in connection with the issuance of shares of Bell Atlantic Common Stock in the Merger (the ''Registration Statement'') will, at the time the Registration Statement becomes effective under the 1933 Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. None of the information supplied or to be supplied by or on behalf of GTE for inclusion or incorporation by reference in the joint proxy statement, in definitive form, relating to the meetings of GTE and Bell Atlantic stockholders to be held in connection with the Merger, or in the related proxy and notice of meeting, or soliciting material used in connection therewith (referred to herein collectively as the ''Joint Proxy Statement'') will, at the dates mailed to stockholders and at the times of the GTE stockholders' meeting and the Bell Atlantic stockholders' meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Registration Statement and the Joint Proxy Statement (except for information relating solely to Bell Atlantic) will comply as to form in all material respects with the provisions of the 1933 Act and the Exchange Act and the rules and regulations promulgated thereunder.

SECTION 4.11—*Employee Matters; ERISA.* (a) Except where the failure to be true would not, individually or in the aggregate, have a Material Adverse Effect on GTE, (i) each GTE Plan has been operated and administered in accordance with applicable law, including but not limited to the Employee Retirement Income Security Act of 1974, as amended (''ERISA''), and the Code, (ii) each GTE Plan intended to be ''qualified'' within the meaning of Section 401(a) of the Code is so qualified, (iii) except as required by COBRA, no GTE Plan provides death or medical benefits (whether or not insured), with respect to current or former employees of GTE or of any trade or business, whether or not incorporated, which together with GTE would be deemed a ''single employer'' within the meaning of Section 4001 of ERISA (a ''GTE ERISA Affiliate''), beyond their retirement or other termination of service, (iv) no liability under Title IV of ERISA has been incurred by GTE or any GTE ERISA Affiliate that has not been satisfied in full, and no condition exists that presents a material risk to GTE or any GTE ERISA Affiliate of incurring any such liability (other than PBGC premiums), (v) all contributions or other amounts due from GTE or any GTE ERISA Affiliate with respect to each GTE Plan have been paid in full, (vi) neither GTE nor any GTE ERISA Affiliate has engaged in a transaction in connection with which GTE or any of its Subsidiaries could reasonably be expected to be subject to either a civil penalty assessed pursuant to Section 409 or 502(i) of ERISA or a tax imposed pursuant to Section 4975 or 4976 of the Code, (vii) to the best knowledge of GTE there are no pending, threatened or anticipated claims (other than routine claims for benefits) by, on behalf of or against any GTE Plan or any trusts related thereto, and (viii) neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (A) result in any payment (including, without limitation, severance, unemployment compensation, golden parachute or otherwise) becoming due to any director or any employee of GTE or any of its Subsidiaries under any GTE Plan or otherwise, (B) materially increase any benefits otherwise payable under any GTE Plan or (C) result in any acceleration of the time of payment or vesting of any such benefits.

(b) For purposes of this Agreement, ''GTE Plan'' shall mean each deferred compensation, bonus or other incentive compensation, stock purchase, stock option or other equity compensation plan, program, agreement or arrangement; each severance or termination pay, medical, surgical, hospitalization, life insurance or other "welfare" plan, fund or program (within the meaning of section 3(1) of ERISA); each profit-sharing, stock bonus or other "pension" plan, fund or program (within the meaning of section 3(2) of ERISA); each employment, termination or severance agreement; and each other employee benefit plan, fund, program, agreement or arrangement, in each case, that is sponsored, maintained or contributed to or required to be contributed to by GTE or by any GTE ERISA Affiliate or to which GTE or any GTE ERISA Affiliate is party, whether written or oral, for the benefit of any employee or former employee of GTE or any GTE ERISA Affiliate.

SECTION 4.12—*Labor Matters.* Neither GTE nor any of its Subsidiaries is the subject of any material proceeding asserting that it or any of its Subsidiaries has committed an unfair labor practice or is seeking to compel it to bargain with any labor union or labor organization nor is there pending or, to the actual knowledge of its executive officers, threatened in writing, nor has there been for the past five years, any labor strike, dispute, walkout, work stoppage, slow-down or lockout involving it or any of its Subsidiaries, except in each case as is not, individually or in the aggregate, reasonably likely to have a Material Adverse Effect on GTE.

SECTION 4.13—*Environmental Matters.* Except for such matters that, individually or in the aggregate, are not reasonably likely to have a Material Adverse Effect on GTE: (i) each of GTE and its Subsidiaries has complied with all applicable Environmental Laws (as defined below); (ii) the properties currently owned or operated by it or any of its Subsidiaries (including soils, groundwater, surface water, buildings or other structures) are not contaminated with any Hazardous Substances (as defined below); (iii) the properties formerly owned or operated by it or any of its Subsidiaries were not contaminated with Hazardous Substances during the period of ownership or operation by it or any of its Subsidiaries; (iv) neither it nor any of its Subsidiaries is subject to liability for any Hazardous Substance disposal or contamination on any third party property; (v) neither it nor any Subsidiary has been associated with any release or threat of release of any Hazardous Substance; (vi) neither it nor any Subsidiary has received any notice, demand, letter, claim or request for information alleging that it or any of its Subsidiaries may be in violation of or liable under any Environmental Law (including any claims relating to electromagnetic fields or microwave transmissions); (vii) neither it nor any of its Subsidiaries is subject to any orders, decrees, injunctions or other arrangements with any Governmental Entity or is subject to any indemnity or other agreement with any third party relating to liability under any Environmental Law or relating to Hazardous Substances; and (viii) there are not circumstances or conditions involving it or any of its Subsidiaries that could reasonably be expected to result in any claims, liability, investigations, costs or restrictions on the ownership, use, or transfer of any of its properties pursuant to any Environmental Law.

As used herein and in Section 5.13, the term "Environmental Law" means any law relating to: (A) the protection, investigation or restoration of the environment, health, safety, or natural resources, (B) the handling, use, presence, disposal, release or threatened release of any Hazardous Substance or (C) noise, odor, wetlands, pollution, contamination or any injury or threat of injury to persons or property in connection with any Hazardous Substance.

As used herein and in Section 5.13, the term "Hazardous Substance" means any substance that is: listed, classified or regulated pursuant to any Environmental Law, including any petroleum product or by-product, asbestos-containing material, lead-containing paint or plumbing, polychlorinated biphenyls, radioactive materials or radon.

SECTION 4.14—*Board Action; Vote Required; Applicability of Section 912.* (a) The Board of Directors of GTE has unanimously determined that the transactions contemplated by this Agreement and the Option Agreements are in the best interests of GTE and its stockholders and has resolved to recommend to such stockholders that they vote in favor thereof.

(b) The approval of the Merger Agreement by two-thirds of the votes of all outstanding shares entitled to vote thereon by all holders of GTE Common Stock is the only vote of the holders of any class or series of the capital stock of GTE required to approve this Agreement, the Merger and the other transactions contemplated hereby. The provisions of Section 11.A of the Certificate of Incorporation of GTE will not apply to the transactions contemplated by this Agreement and the Option Agreements.

(c) The provisions of Section 912 of the NYBCL will not, assuming the accuracy of the representations contained in Section 5.20 hereof (without giving effect to the knowledge qualification therein), apply to this Agreement or any of the transactions contemplated hereby.

SECTION 4.15—*Opinions of Financial Advisors.* GTE has received the opinions of Goldman, Sachs & Co. ("Goldman Sachs"), and Salomon Smith Barney Inc. ("Salomon Smith Barney"), each dated July 27, 1998, to the effect that, as of such date, the Exchange Ratio is fair from a financial point of view to the holders of GTE Common Stock.

SECTION 4.16—*Brokers.* Except for Goldman Sachs, Salomon Smith Barney and Chase Securities Inc., the arrangements with which have been disclosed to Bell Atlantic prior to the date hereof, which have been engaged by GTE, no broker, finder or investment banker is entitled to any brokerage, finder's, investment banking or other fee or commission in connection with the transactions contemplated by this Agreement and the Option Agreements based upon arrangements made by or on behalf of GTE or any of its Subsidiaries.

SECTION 4.17—*Tax Matters.* Except as set forth in Section 4.17 of the GTE Disclosure Schedule:

(a) All material federal, state, local and foreign Tax Returns (as defined herein) required to have been filed by GTE or its Subsidiaries have been filed with the appropriate governmental authorities by the due date thereof including extensions;

(b) The Tax Returns referred to in subpart (a) of this Section 4.17 correctly and completely reflect all material Tax liabilities of GTE and its Subsidiaries required to be shown thereon;

(c) All material Taxes (as defined herein) shown as due on those Tax Returns referred to in subpart (a) of this Section 4.17 as well as any material foreign withholding Taxes imposed on or in respect of any amounts paid to or by GTE or any of its Subsidiaries, whether or not such amounts or withholding Taxes are referred to or shown on any Tax Returns referred to in Section 4.17 (a) hereof, have been fully paid or adequately reflected as a liability on GTE's or its Subsidiaries' financial statements included in the GTE SEC Reports;

(d) With respect to any period for which Tax Returns have not yet been filed, or for which Taxes are not yet due or owing, GTE and its Subsidiaries have made due and sufficient accruals for such Taxes in their respective books and records and financial statements;

(e) Neither GTE nor any of its affiliates has taken, agreed to take or omitted to take any action that would prevent or impede the Merger from qualifying as a tax-free reorganization under Section 368 of the Code;

(f) No deficiencies for any Taxes have been proposed, asserted or assessed against GTE or any of its Subsidiaries that are not adequately reserved for under GAAP, except for deficiencies that individually or in the aggregate would not have a Material Adverse Effect on GTE;

(g) GTE is not aware of any material liens for Taxes upon any assets of GTE or any of its Subsidiaries apart from liens for Taxes not yet due and payable; and

(h) As used in this Agreement, "Taxes" shall include all (x) federal, state, local or foreign income, property, sales, excise, use, occupation, service, transfer, payroll, franchise, withholding and other taxes or similar governmental charges, fees, levies or other assessments including any interest, penalties or additions with respect thereto, (y) liability for the payment of any amounts of the type described in clause (x) as a result of being a member of an affiliated, consolidated, combined or unitary group, and (z) liability for the payment of any amounts as a result of being party to any tax sharing agreement or as a result of any express or implied obligation to indemnify any other person with respect to the payment of any amounts of the type described in clause (x) or (y). As used in this Agreement, "Tax Return" shall include any declaration, return, report, schedule, certificate, statement or other similar document (including relating or supporting information) required to be filed or, where none is required to be filed with a taxing authority, the statement or other document issued by a taxing authority in connection with any Tax, including any information return, claim for refund, amended return or declaration of estimated Tax.

SECTION 4.18—*Intellectual Property; Year 2000.*

(a) As used in this Agreement, "GTE Intellectual Property" means all of the following which are necessary to conduct the business of GTE and its Subsidiaries as presently conducted or as currently proposed to be conducted: (i) trademarks, trade dress, service marks, copyrights, logos, trade names, corporate names and all registrations and applications to register the same; (ii) patents and pending patent applications; (iii) all computer software programs, databases and compilations (collectively, "Computer Software"); (iv) all technology, know-how and trade secrets; and (v) all material licenses and agreements to which GTE or any of its Subsidiaries is a party which relate to any of the foregoing.

(b) GTE or its Subsidiaries owns or has the right to use, sell or license all GTE Intellectual Property, free and clear of all liens or encumbrances, and all registrations of GTE Intellectual Property are valid and enforceable and have been duly recorded and maintained, except, in each case, as would not, individually or in the aggregate, have a Material Adverse Effect on GTE.

(c) To the knowledge of GTE, the conduct of GTE's and its Subsidiaries' business and the use of the GTE Intellectual Property does not materially infringe, violate or misuse any intellectual property rights or any other proprietary right of any person or give rise to any obligations to any person as a result of co-authorship, and neither GTE nor any of its Subsidiaries has received any notice, not satisfactorily resolved, of any claims or threats that GTE's or its Subsidiaries' use of any of the GTE Intellectual Property materially infringes, violates or misuses, or is otherwise in conflict with any intellectual property or proprietary rights of any third party or that any of the GTE Intellectual Property is invalid or unenforceable that would, individually or in the aggregate, have a Material Adverse Effect on GTE.

(d) GTE and its Subsidiaries have used reasonable efforts to maintain the confidentiality of their trade secrets and other confidential GTE Intellectual Property.

(e) GTE has undertaken a concerted effort to ensure that all of the Computer Software, computer firmware, computer hardware (whether general or special purpose), and other similar or related items of automated, computerized, and/or software system(s) that are to be used or relied on by GTE or by any of its Subsidiaries in the conduct of their respective businesses will not malfunction, will not cease to function, will not generate incorrect data, and will not provide incorrect results when processing, providing and/or receiving (i) date-related data into and between the twentieth and twenty-first centuries and (ii) date-related data in connection with any valid date in the twentieth and twenty-first centuries. GTE reasonably believes that such effort will be successful.

SECTION 4.19—*Insurance.* Except as set forth in Section 4.19 of the GTE Disclosure Schedule, each of GTE and each of its Significant Subsidiaries is, and has been continuously since January 1, 1987 (or such later date as such Significant Subsidiary was organized or acquired by GTE), insured with financially responsible insurers in such amounts and against such risks and losses as are customary for companies conducting the business as conducted by GTE and its Subsidiaries during such time period. Except as set forth in Section 4.19 of the GTE Disclosure Schedule, since January 1, 1995, neither GTE nor any of its Subsidiaries has received notice of cancellation or termination with respect to any material insurance policy of GTE or its Subsidiaries. The insurance policies of GTE and its Subsidiaries are valid and enforceable policies.

SECTION 4.20—*Ownership of Securities.* As of the date hereof, neither GTE nor, to GTE's knowledge, any of its affiliates or associates (as such terms are defined under the Exchange Act), (i) beneficially owns, directly or indirectly, or (ii) is party to any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of, in each case, shares of capital stock of Bell Atlantic, which in the aggregate represent 10% or more of the outstanding shares of Bell Atlantic Common Stock (other than shares held by GTE Plans and the Bell Atlantic Option Agreement).

SECTION 4.21—*Certain Contracts.* (a) All contracts described in Item 601(b)(10) of Regulation S-K to which GTE or its Subsidiaries is a party or may be bound (''GTE Contracts'') have been filed as exhibits to, or incorporated by reference in, GTE's Annual Report on Form 10-K for the year ended December 31, 1997. All GTE Contracts are valid and in full force and effect on the date hereof except to the extent they have previously expired in accordance with their terms or if the failure to be in full force and effect, individually and in the aggregate, would not reasonably be expected to have a Material Adverse Effect on GTE. Neither GTE nor any of its Subsidiaries has violated any provision of, or committed or failed to perform any act which with or without notice, lapse of time or both would constitute a default under the provisions of, any GTE Contract, except in each case for those GTE Contracts which, individually and in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on GTE.

(b) Set forth in Section 4.21 of the GTE Disclosure Schedule is a list of each contract, agreement or arrangement to which GTE or any of its Subsidiaries is a party or may be bound which is an arrangement limiting or restraining Bell Atlantic, GTE, any Bell Atlantic or GTE Subsidiary or any successor thereto from engaging or competing in any business which has, or could reasonably be expected to have in the foreseeable future, a Material Adverse Effect on GTE, or to GTE's knowledge, on Bell Atlantic.

SECTION 4.22—*Rights Agreement.* (a) Neither Bell Atlantic nor Merger Subsidiary shall be deemed to be an Acquiring Person (as such term is defined in the Rights Agreement) and the Distribution Date (as defined in the Rights Agreement) shall not be deemed to occur and the Rights will not separate from GTE Common Stock, as a result of entering into this Agreement or the Option Agreements or consummating the Merger and/or the other transactions contemplated hereby or thereby.

(b) GTE has taken all necessary action with respect to all of the outstanding Rights (as defined in the Rights Agreement) so that, as of immediately prior to the Effective Time, as a result of entering into this Agreement or consummating the Merger and/or the other transactions contemplated by this Agreement and the Option Agreements, (i) neither GTE nor Bell Atlantic will have any obligations under the Rights or the Rights Agreement and (ii) the holders of the Rights will have no rights under the Rights or the Rights Agreement.

ARTICLE V—REPRESENTATIONS AND WARRANTIES OF BELL ATLANTIC

Except as expressly disclosed in the Bell Atlantic Filed SEC Reports (as defined below) (including all exhibits referred to therein) or as set forth in the disclosure schedule delivered by Bell Atlantic to GTE on the date hereof (the ''Bell Atlantic Disclosure Schedule'' and together with the GTE Disclosure Schedule, the ''Disclosure Schedules'') (each section of which qualifies the correspondingly numbered representation and warranty or covenant as specified therein), Bell Atlantic hereby represents and warrants to GTE as follows:

SECTION 5.1—*Organization and Qualification; Subsidiaries.* Each of Bell Atlantic and each of its Significant Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization. Each of the Bell Atlantic Subsidiaries which is not a Significant Subsidiary is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, except for such failure which, when taken together with all other such failures, would not reasonably be expected to have a Material Adverse Effect on Bell Atlantic. Each of Bell Atlantic and its Subsidiaries has the requisite corporate power and authority and any necessary governmental authority, franchise, license or permit to own, operate or lease the properties that it purports to own, operate or lease and to carry on its business as it is now being conducted, and is duly qualified as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of its properties owned, operated or leased or the nature of its activities makes such qualification necessary, except for such failure which, when taken together with all other such failures, would not reasonably be expected to have a Material Adverse Effect on Bell Atlantic.

SECTION 5.2—*Certificate of Incorporation and Bylaws.* Bell Atlantic has heretofore furnished, or otherwise made available, to GTE a complete and correct copy of the Certificate of Incorporation and the Bylaws, each as amended to the date hereof, of Bell Atlantic. Such Certificate of Incorporation and Bylaws are in full force and effect. Neither Bell Atlantic nor any of its Significant Subsidiaries is in violation of any of the provisions of its respective Certificate of Incorporation or, in any material respect, its Bylaws.

SECTION 5.3—*Capitalization.* (a) The authorized capital stock of Bell Atlantic consists of (i) 250,000,000 shares of Series A Preferred Stock, par value $.10 per share, none of which are outstanding or reserved for issuance, and (ii) 2,250,000,000 shares of Bell Atlantic Common Stock, of which, as of June 30, 1998, (A) 1,553,473,710 shares were issued and outstanding, (B) 22,722,614 shares were held in the treasury of Bell Atlantic and (C) 80,392,512 shares were issuable upon the exercise of options outstanding under the Bell Atlantic option plans listed in Section 5.3 of the Bell Atlantic Disclosure Schedule. Except for Bell Atlantic Equity Rights issued to Bell Atlantic employees in the ordinary course of business or, after the date hereof, as permitted by Section 6.2 hereof or pursuant to the Bell Atlantic Option Agreement, (i) since June 30, 1998, no shares of Bell Atlantic Common Stock have been issued, except upon the exercise of options and rights described in the immediately preceding sentence, and (ii) there are no outstanding Bell Atlantic Equity Rights. For purposes of this Agreement, "Bell Atlantic Equity Rights" shall mean subscriptions, options, warrants, calls, commitments, agreements, conversion rights or other rights of any character (contingent or otherwise) to purchase or otherwise acquire, any shares of the capital stock of Bell Atlantic from Bell Atlantic or any of Bell Atlantic's Subsidiaries at any time, or upon the happening of any stated event, excluding the GTE Stock Option. Section 5.3 of the Bell Atlantic Disclosure Schedule sets forth a complete and accurate list of certain information with respect to all outstanding Bell Atlantic Equity Rights as of June 30, 1998.

(b) Except as set forth in Section 5.3 of the Bell Atlantic Disclosure Schedule, pursuant to the GTE Stock Option or, after the date hereof, as permitted by Section 6.2 hereof, there are no outstanding obligations of Bell Atlantic or any of Bell Atlantic's Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of Bell Atlantic.

(c) All of the issued and outstanding shares of Bell Atlantic Common Stock are validly issued, fully paid and nonassessable.

(d) All of the outstanding capital stock of each of Bell Atlantic's Significant Subsidiaries, and all of the outstanding capital stock of Bell Atlantic's Subsidiaries owned directly or indirectly by Bell Atlantic, is duly authorized, validly issued, fully paid and nonassessable. All of the outstanding capital stock of each of Bell Atlantic's Significant Subsidiaries is owned by Bell Atlantic free and clear of any liens, security interests, pledges, agreements, claims, charges or encumbrances. All of the outstanding capital stock of Bell Atlantic's Subsidiaries owned directly or indirectly by Bell Atlantic is owned free and clear of any liens, security interests, pledges, agreements, claims, charges or encumbrances, except where such liens, security interests, pledges, agreements, claims, charges or encumbrances would not, individually or in the aggregate, have a Material Adverse Effect on Bell Atlantic. Except as hereafter issued or entered into in accordance with Section 6.2 hereof, there are no existing subscriptions, options, warrants, calls, commitments, agreements, conversion rights or other rights of any character (contingent or otherwise) to purchase or otherwise acquire from Bell Atlantic or any of Bell Atlantic's Subsidiaries at any time, or upon the happening of any stated event, any shares of the capital stock of any Bell Atlantic Subsidiary, whether or not presently issued or outstanding (except for rights of first refusal to purchase interests in Subsidiaries which are not wholly owned by Bell Atlantic), or any of GTE's direct or indirect interests in any Material Investment, and there are no outstanding obligations of Bell Atlantic or any of Bell Atlantic's Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of any of Bell Atlantic's Subsidiaries or securities related to any investments, other than such as would not, individually or in the aggregate, have a Material Adverse Effect on GTE.

SECTION 5.4—*Authority Relative to this Agreement.* Bell Atlantic has the necessary corporate power and authority to enter into this Agreement and, subject to obtaining the requisite stockholder approval of the issuance (the ''Stock Issuance'') of Bell Atlantic Common Stock pursuant to the Merger Agreement and the Certificate Amendment (collectively, the ''Bell Atlantic Stockholder Approval''), to perform its obligations hereunder. The execution and delivery of this Agreement by Bell Atlantic and the consummation by Bell Atlantic of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Bell Atlantic, subject to obtaining the Bell Atlantic Stockholder Approval. This Agreement has been duly executed and delivered by Bell Atlantic and, assuming the due authorization, execution and delivery thereof by the other Parties, constitutes a legal, valid and binding obligation of Bell Atlantic, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting the rights and remedies of creditors generally and to general principles of equity (regardless of whether considered in a proceeding in equity or at law).

SECTION 5.5—*No Conflict; Required Filings and Consents.* (a) Except as described in subsection (b) below, the execution and delivery of this Agreement by Bell Atlantic do not, and the performance of this Agreement by Bell Atlantic will not, (i) violate or conflict with the Certificate of Incorporation or Bylaws of Bell Atlantic, (ii) conflict with or violate any law, regulation, court order, judgment or decree applicable to Bell Atlantic or any of its Subsidiaries or by which any of their respective property or assets (including investments) is bound or affected, (iii) violate or conflict with the Certificate of Incorporation or Bylaws of any of Bell Atlantic's Subsidiaries, or (iv) result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination or cancellation of, or result in the creation of a lien or encumbrance on any of the properties or assets (including investments) of Bell Atlantic or any of its Subsidiaries pursuant to, result in the loss of any material benefit under, or result in any modification or alteration of, or require the consent of any other party to, any contract, instrument, permit, license or franchise to which Bell Atlantic or any of its Subsidiaries is a party or by which Bell Atlantic, any of such Subsidiaries or any of their respective property or assets (including investments) is bound or affected, except, in the case of clauses (ii), (iii) and (iv) above, for conflicts, violations, breaches, defaults, results or consents which, individually or in the aggregate, would not have a Material Adverse Effect on Bell Atlantic.

(b) Except for applicable requirements, if any, of state or foreign public utility commissions or laws or similar local or state foreign regulatory bodies or laws, state or foreign antitrust or foreign investment laws and commissions, the Federal Communications Commission, stock exchanges upon which the securities of Bell Atlantic are listed, the Exchange Act, the premerger notification requirements of the HSR Act, filing and recordation of appropriate merger or other documents as required by the NYBCL and any filings required pursuant to any state securities or ''blue sky'' laws or the rules of any applicable stock exchanges, (i) neither Bell Atlantic nor any of its Significant Subsidiaries is required to submit any notice, report or other filing with any Governmental Entity in connection with the execution, delivery or performance of this Agreement and (ii) no waiver, consent, approval or authorization of any Governmental Entity is required to be obtained by Bell Atlantic or any of its Significant Subsidiaries in connection with its execution, delivery or performance of this Agreement.

SECTION 5.6—*SEC Filings; Financial Statements.* (a) Bell Atlantic has filed all forms, reports and documents required to be filed with the SEC since January 1, 1995, and has heretofore delivered or made available to GTE, in the form filed with the SEC, together with any amendments thereto, its (i) Annual Reports on Form 10-K for the fiscal years ended December 31, 1995, 1996 and 1997, (ii) all proxy statements relating to Bell Atlantic's meetings of stockholders (whether annual or special) held since January 1, 1995, (iii) Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1998, and (iv) all other reports or registration statements filed by Bell Atlantic with the SEC since January 1, 1995, including without limitation all Annual Reports on Form 11-K filed with respect to the Bell Atlantic Plans (collectively, the ''Bell Atlantic SEC Reports'', with such Bell Atlantic SEC Reports filed with the SEC prior to the date hereof being referred to as ''Bell Atlantic Filed SEC Reports''). The Bell Atlantic SEC Reports (i) were prepared substantially in accordance with the requirements of the 1933 Act or the Exchange Act, as the case may be, and the rules and regulations promulgated under each of such respective acts, and (ii) did not at the time they were filed contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(b) The financial statements, including all related notes and schedules, contained in the Bell Atlantic SEC Reports (or incorporated by reference therein) fairly present the consolidated financial position of Bell Atlantic and its Subsidiaries as at the respective dates thereof and the consolidated results of operations and cash flows of Bell Atlantic and its Subsidiaries for the periods indicated in accordance with GAAP applied on a consistent basis throughout the periods involved (except for changes in accounting principles disclosed in the notes thereto) and subject in the case of interim financial statements to normal year-end adjustments.

SECTION 5.7—*Absence of Certain Changes or Events.* Except as disclosed in the Bell Atlantic Filed SEC Reports and in Section 5.7 of the Bell Atlantic Disclosure Schedule, since December 31, 1997, and except as permitted by this Agreement or consented to hereunder, Bell Atlantic and its Subsidiaries have not incurred any material liability required to be disclosed on a balance sheet of Bell Atlantic and its Subsidiaries or the footnotes thereto prepared in conformity with GAAP, except in the ordinary course of their businesses consistent with their past practices, and there has not been any change, or any event involving a prospective change, in the business, financial condition or results of operations of Bell Atlantic or any of its Subsidiaries which has had, or is reasonably likely to have, a Material Adverse Effect on Bell Atlantic, and Bell Atlantic and its Subsidiaries have conducted their respective businesses in the ordinary course consistent with their past practices.

SECTION 5.8—*Litigation.* There are no claims, actions, suits, proceedings or investigations pending or, to Bell Atlantic's knowledge, threatened against Bell Atlantic or any of its Subsidiaries, or any properties or rights of Bell Atlantic or any of its Subsidiaries, by or before any Governmental Entity, except for those that are not, individually or in the aggregate, reasonably likely to have a Material Adverse Effect on Bell Atlantic or prevent, materially delay or intentionally delay the ability of GTE to consummate the transactions contemplated hereby.

SECTION 5.9—*Permits; No Violation of Law.* The businesses of Bell Atlantic and its Subsidiaries are not being conducted in violation of any Legal Requirements or in violation of any Permits, except for possible violations none of which, individually or in the aggregate, may reasonably be expected to have a Material Adverse Effect on Bell Atlantic. No investigation or review by any Governmental Entity (including any stock exchange or other self-regulatory body) with respect to Bell Atlantic or its Subsidiaries in relation to any alleged violation of law or regulation is pending or, to Bell Atlantic's knowledge, threatened, nor has any Governmental Entity (including any stock exchange or other self-regulatory body) indicated an intention to conduct the same, except for such investigations which, if they resulted in adverse findings, would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Bell Atlantic. Except as set forth in Section 5.9 of the Bell Atlantic Disclosure Schedule, neither Bell Atlantic nor any of its Subsidiaries is subject to any cease and desist or other order, judgment, injunction or decree issued by, or is a party to any written Agreement, consent Agreement or memorandum of understanding with, or is a party to any commitment letter or similar undertaking to, or is subject to any order or directive by, or has adopted any board resolutions at the request of, any Governmental Entity that materially restricts the conduct of its business or which may reasonably be expected to have a Material Adverse Effect on Bell Atlantic, nor has Bell Atlantic or any of its Subsidiaries been advised that any Governmental Entity is considering issuing or requesting any of the foregoing. None of the representations and warranties made in this Section 5.9 are being made with respect to Environmental Laws.

SECTION 5.10—*Joint Proxy Statement.* None of the information supplied or to be supplied by or on behalf of Bell Atlantic for inclusion or incorporation by reference in the Registration Statement will, at the time the Registration Statement becomes effective under the 1933 Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. None of the information supplied or to be supplied by or on behalf of Bell Atlantic for inclusion or incorporation by reference in the Joint Proxy Statement will, at the dates mailed to stockholders and at the times of the GTE stockholders' meeting and the Bell Atlantic stockholders' meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Registration Statement and the Joint Proxy Statement (except for information relating solely to GTE) will comply as to form in all material respects with the provisions of the 1933 Act and the Exchange Act and the rules and regulations promulgated thereunder.

SECTION 5.11—*Employee Matters; ERISA.* (a) Except where the failure to be true would not, individually or in the aggregate, have a Material Adverse Effect on Bell Atlantic, (i) each Bell Atlantic Plan has been operated and administered in accordance with applicable law, including but not limited to ERISA and the Code, (ii) each Bell Atlantic Plan intended to be "qualified" within the meaning of Section 401(a) of the Code is so qualified, (iii) except as required by COBRA, no Bell Atlantic Plan provides death or medical benefits (whether or not insured), with respect to current or former employees of Bell Atlantic or of any trade or business, whether or not incorporated, which together with Bell Atlantic would be deemed a "single employer" within the meaning of Section 4001 of ERISA (a "Bell Atlantic ERISA Affiliate"), beyond their retirement or other termination of service, (iv) no liability under Title IV of ERISA has been incurred by Bell Atlantic or any Bell Atlantic ERISA Affiliate that has not been satisfied in full, and no condition exists that presents a material risk to Bell Atlantic or any Bell Atlantic ERISA Affiliate of incurring any such liability (other than PBGC premiums), (v) all contributions or other amounts due from Bell Atlantic or any Bell Atlantic ERISA Affiliate with respect to each Bell Atlantic Plan have been paid in full, (vi) neither Bell Atlantic nor any Bell Atlantic ERISA Affiliate has engaged in a transaction in connection with which Bell Atlantic or any of its Subsidiaries could reasonably be expected to be subject to either a civil penalty assessed pursuant to Section 409 or 502(i) of ERISA or a tax imposed pursuant to Section 4975 or 4976 of the Code, (vii) to the best knowledge of Bell Atlantic there are no pending, threatened or anticipated claims (other than routine claims for benefits) by, on behalf of or against any Bell Atlantic Plan or any trusts related thereto, and (viii) neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (A) result in any payment (including, without limitation, severance, unemployment compensation, golden parachute or otherwise) becoming due to any director or any employee of Bell Atlantic or any of its Subsidiaries under any Bell Atlantic Plan or otherwise, (B) materially increase any benefits otherwise payable under any Bell Atlantic Plan G or (C) result in any acceleration of the time of payment or vesting of any such benefits.

(b) For purposes of this Agreement,"Bell Atlantic Plan" shall mean each deferred compensation, bonus or other incentive compensation, stock purchase, stock option or other equity compensation plan, program, agreement or arrangement; each severance or termination pay, medical, surgical, hospitalization, life insurance or other "welfare" plan, fund or program (within the meaning of section 3(1) of ERISA); each profit-sharing, stock bonus or other "pension" plan, fund or program (within the meaning of section 3(2) of ERISA); each employment, termination or severance agreement; and each other employee benefit plan, fund, program, agreement or arrangement, in each case, that is sponsored, maintained or contributed to or required to be contributed to by Bell Atlantic or by any Bell Atlantic ERISA Affiliate or to which Bell Atlantic or any Bell Atlantic ERISA Affiliate is party, whether written or oral, for the benefit of any employee or former employee of Bell Atlantic or any Bell Atlantic ERISA Affiliate.

SECTION 5.12—*Labor Matters.* Neither Bell Atlantic nor any of its Subsidiaries is the subject of any material proceeding asserting that it or any of its Subsidiaries has committed an unfair labor practice or is seeking to compel it to bargain with any labor union or labor organization nor is there pending or, to the actual knowledge of its executive officers, threatened in writing, nor has there been for the past five years, any labor strike, dispute, walkout, work stoppage, slow-down or lockout involving it or any of its Subsidiaries, except in each case as is not, individually or in the aggregate, reasonably likely to have a Material Adverse Effect on Bell Atlantic.

SECTION 5.13—*Environmental Matters.* Except for such matters that, individually or in the aggregate, are not reasonably likely to have a Material Adverse Effect on Bell Atlantic: (i) each of Bell Atlantic and its Subsidiaries has complied with all applicable Environmental Laws (as defined below); (ii) the properties currently owned or operated by it or any of its Subsidiaries (including soils, groundwater, surface water, buildings or other structures) are not contaminated with any Hazardous Substances (as defined below); (iii) the properties formerly owned or operated by it or any of its Subsidiaries were not contaminated with Hazardous Substances during the period of ownership or operation by it or any of its Subsidiaries; (iv) neither it nor any of its Subsidiaries is subject to liability for any Hazardous Substance disposal or contamination on any third party property; (v) neither it nor any Subsidiary has been associated with any release or threat of release of any Hazardous Substance; (vi) neither it nor any Subsidiary has received any notice, demand, letter, claim or request for information alleging that it or any of its Subsidiaries may be in violation of or liable under any Environmental Law (including any claims relating to electromagnetic fields or microwave transmissions); (vii) neither it nor any of its Subsidiaries is subject to any orders, decrees, injunctions or other arrangements with any Governmental Entity or is subject to any indemnity or other agreement with any third party relating to liability under any Environmental Law or relating to Hazardous Substances; and (viii) there are not circumstances or conditions involving it or any of its Subsidiaries that could reasonably be expected to result in any claims, liability, investigations, costs or restrictions on the ownership, use, or transfer of any of its properties pursuant to any Environmental Law.

No representation is made by Bell Atlantic in this Section 5.13 for which neither Bell Atlantic nor any of its Subsidiaries is (or would be, if a claim were brought in a formal proceeding) a named defendant, but as to which Bell Atlantic or any of its Subsidiaries may be liable for an allocable share of any judgment rendered pursuant to the POR. No representation is made by Bell Atlantic in subsection (i) of this Section 5.13 as to properties owned, leased or operated by AT&T or any of its Subsidiaries except for such properties which are, or at any time since November 1, 1983 were, owned, leased or operated by Bell Atlantic or any of its Subsidiaries.

SECTION 5.14—*Board Action; Vote Required.* (a) The Board of Directors of Bell Atlantic has unanimously determined that the transactions contemplated by this Agreement and the Option Agreements are in the best interests of Bell Atlantic and its stockholders and has resolved to recommend to such stockholders that they vote in favor thereof.

(b) The approval of the Certificate Amendment by a majority of the votes entitled to be cast by all holders of Bell Atlantic Common Stock and the approval of the Stock Issuance pursuant thereto by a majority of the votes cast thereon, provided that the total votes cast thereon represents over 50% in interest of all securities of Bell Atlantic entitled to vote thereon, are the only votes of the holders of any class or series of the capital stock of Bell Atlantic required to approve this Agreement, the Merger, the Certificate Amendment, the Stock Issuance and the other transactions contemplated hereby.

SECTION 5.15—*Opinions of Financial Advisors.* Bell Atlantic has received the opinions of Bear, Stearns & Co. Inc. ("Bear Stearns") and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), each dated July 27, 1998, to the effect that, as of such date, the Exchange Ratio is fair from a financial point of view to the holders of Bell Atlantic Common Stock.

SECTION 5.16—*Brokers.* Except for Bear Stearns, Merrill Lynch and Morgan Stanley Dean Witter, the arrangements with which have been disclosed to GTE prior to the date hereof, which have been engaged by Bell Atlantic, no broker, finder or investment banker is entitled to any brokerage, finder's, investment banking or other fee or commission in connection with the transactions contemplated by this Agreement and the Option Agreements based upon arrangements made by or on behalf of Bell Atlantic or any of its Subsidiaries.

SECTION 5.17—*Tax Matters.* Except as set forth in Section 5.17 of the Bell Atlantic Disclosure Schedule:

(a) All material federal, state, local and foreign Tax Returns required to have been filed by Bell Atlantic or its Subsidiaries have been filed with the appropriate governmental authorities by the due date thereof including extensions;

(b) The Tax Returns referred to in subpart (a) of this Section 5.17 correctly and completely reflect all material Tax liabilities of Bell Atlantic and its Subsidiaries required to be shown thereon;

(c) All material Taxes shown as due on those Tax Returns referred to in subpart (a) of this Section 5.17, as well as any material foreign withholding Taxes imposed on or in respect of any amounts paid to or by Bell Atlantic or any of its Subsidiaries, whether or not such amounts or withholding Taxes are referred to or shown on any Tax Returns referred to in Section 5.17 (a) hereof, have been fully paid or adequately reflected as a liability on Bell Atlantic's or its Subsidiaries' financial statements included in the Bell Atlantic SEC Reports;

(d) With respect to any prior period for which Tax Returns have not yet been filed, or for which Taxes are not yet due or owing, Bell Atlantic and its Subsidiaries have made due and sufficient accruals for such Taxes in their respective books and records and financial statements;

(e) Neither Bell Atlantic nor any of its affiliates has taken, agreed to take or omitted to take any action that would prevent or impede the Merger from qualifying as a tax-free reorganization under Section 368 of the Code;

(f) No deficiencies for any Taxes have been proposed, asserted or assessed against Bell Atlantic or any of its Subsidiaries that are not adequately reserved for under GAAP, except for deficiencies that individually or in the aggregate would not have a Material Adverse Effect on Bell Atlantic; and

(g) Bell Atlantic is not aware of any material liens for Taxes upon any assets of Bell Atlantic or any of its Subsidiaries apart from liens for Taxes not yet due and payable.

SECTION 5.18—*Intellectual Property.*

(a) As used in this Agreement, ''Bell Atlantic Intellectual Property'' means all of the following which are necessary to conduct the business of Bell Atlantic and its Subsidiaries as presently conducted or as currently proposed to be conducted: (i) trademarks, trade dress, service marks, copyrights, logos, trade names, corporate names and all registrations and applications to register the same; (ii) patents and pending patent applications; (iii) Computer Software; (iv) all technology, know-how and trade secrets; and (v) all material licenses and agreements to which Bell Atlantic or any of its Subsidiaries is a party which relate to any of the foregoing.

(b) Bell Atlantic or its Subsidiaries owns or has the right to use, sell or license all Bell Atlantic Intellectual Property, free and clear of all liens or encumbrances, and all registrations of Bell Atlantic Intellectual Property are valid and enforceable and have been duly recorded and maintained, except, in each case, as would not, individually or in the aggregate, have a Material Adverse Effect on Bell Atlantic.

(c) To the knowledge of Bell Atlantic, the conduct of Bell Atlantic's and its Subsidiaries' business and the use of the Bell Atlantic Intellectual Property does not materially infringe, violate or misuse any intellectual property rights or any other proprietary right of any person or give rise to any obligations to any person as a result of co-authorship, and neither Bell Atlantic nor any of its Subsidiaries has received any notice, not satisfactorily resolved, of any claims or threats that Bell Atlantic's or its Subsidiaries' use of any of the Bell Atlantic Intellectual Property materially infringes, violates or misuses, or is otherwise in conflict with any intellectual property or proprietary rights of any third party or that any of the Bell Atlantic Intellectual Property is invalid or unenforceable that would, individually or in the aggregate, have a Material Adverse Effect on Bell Atlantic.

(d) Bell Atlantic and its Subsidiaries have used reasonable efforts to maintain the confidentiality of their trade secrets and other confidential Bell Atlantic Intellectual Property.

(e) Bell Atlantic has undertaken a concerted effort to ensure that all of the Computer Software, computer firmware, computer hardware (whether general or special purpose), and other similar or related items of automated, computerized, and/or software system(s) that are to be used or relied on by Bell Atlantic or by any of its Subsidiaries in the conduct of their respective businesses will not malfunction, will not cease to function, will not generate incorrect data, and will not provide incorrect results when processing, providing and/or receiving (i) date-related data into and between the twentieth and twenty-first centuries and (ii) date-related data in connection with any valid date in the twentieth and twenty-first centuries. Bell Atlantic reasonably believes that such effort will be successful.

SECTION 5.19—*Insurance.* Except as set forth in Section 5.19 of the Bell Atlantic Disclosure Schedule, each of Bell Atlantic and each of its Significant Subsidiaries is, and has been continuously since January 1, 1987 (or such later date as such Significant Subsidiary was organized or acquired by Bell Atlantic), insured with financially responsible insurers in such amounts and against such risks and losses as are customary for companies conducting the business as conducted by Bell Atlantic and its Subsidiaries during such time period. Except as set forth in Section 5.19 of the Bell Atlantic Disclosure Schedule, since January 1, 1995, neither Bell Atlantic nor any of its Subsidiaries has received notice of cancellation or termination with respect to any material insurance policy of Bell Atlantic or its Subsidiaries. The insurance policies of Bell Atlantic and its Subsidiaries are valid and enforceable policies.

SECTION 5.20—*Ownership of Securities.* As of the date hereof, neither Bell Atlantic nor, to Bell Atlantic's knowledge, any of its affiliates or associates (as such terms are defined under the Exchange Act), (a) (i) beneficially owns, directly or indirectly, or (ii) is party to any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of, in each case, shares of capital stock of GTE, which in the aggregate represent 10% or more of the outstanding shares of GTE Common Stock (other than shares held by Bell Atlantic Plans and the GTE Option Agreement), nor (b) is an "interested stockholder" of GTE within the meaning of Section 912 of the NYBCL. Except as set forth in Section 5.20 of the Bell Atlantic Disclosure Schedule, Bell Atlantic owns no shares of GTE Common Stock described in the parenthetical clause of Section 2.2 (a) hereof which would be canceled and retired without consideration pursuant to Section 2.3 (a) hereof.

SECTION 5.21—*Certain Contracts.* (a) All contracts described in Item 601(b)(10) of Regulation S-K to which Bell Atlantic or its Subsidiaries is a party or may be bound ("Bell Atlantic Contracts") have been filed as exhibits to, or incorporated by reference in, Bell Atlantic's Annual Report on Form 10-K for the year ended December 31, 1997. All Bell Atlantic Contracts are valid and in full force and effect on the date hereof except to the extent they have previously expired in accordance with their terms or if the failure to be in full force and effect, individually and in the aggregate would not reasonably be expected to have a Material Adverse Effect on Bell Atlantic. Neither Bell Atlantic nor any of its Subsidiaries has violated any provision of, or committed or failed to perform any act which with or without notice, lapse of time or both would constitute a default under the provisions of, any Bell Atlantic Contract, except in each case for those Bell Atlantic Contracts which, individually and in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on Bell Atlantic.

(b) Set forth in Section 5.21 of the Bell Atlantic Disclosure Schedule is a list of each contract, agreement or arrangement to which Bell Atlantic or any of its Subsidiaries is a party or may be bound which is an arrangement limiting or restraining Bell Atlantic, GTE, any Bell Atlantic or GTE Subsidiary or any successor thereto from engaging or competing in any business which has, or could reasonably be expected to have in the foreseeable future, a Material Adverse Effect on Bell Atlantic or, to Bell Atlantic's knowledge, on GTE.

SECTION 5.22—*Merger Subsidiary.* Bell Atlantic and Merger Subsidiary represent and warrant to GTE as follows:

(a) Organization and Corporate Power. Merger Subsidiary is a corporation duly incorporated, validly existing and in good standing under the laws of the State of New York. Merger Subsidiary is a direct, wholly owned subsidiary of Bell Atlantic.

(b) Corporate Authorization. Merger Subsidiary has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance by Merger Subsidiary of this Agreement and the consummation by Merger Subsidiary of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Merger Subsidiary. This Agreement has been duly executed and delivered by Merger Subsidiary and constitutes a valid and binding agreement of Merger Subsidiary, enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors generally, by general equity principles (regardless of whether such enforceability is considered in a proceeding in equity or at law) or by an implied covenant of good faith and fair dealing.

(c) Non Contravention. The execution, delivery and performance by Merger Subsidiary of this Agreement and the consummation by Merger Subsidiary of the transactions contemplated hereby do not and will not contravene or conflict with the certificate of incorporation or by-laws of Merger Subsidiary.

(d) No Business Activities. Merger Subsidiary has not conducted any activities other than in connection with the organization of Merger Subsidiary, the negotiation and execution of this Agreement and the consummation of the transactions contemplated hereby. Merger Subsidiary has no Subsidiaries.

ARTICLE VI—CONDUCT OF BUSINESSES PENDING THE MERGER

SECTION 6.1—*Transition Planning.* Ivan G. Seidenberg and Charles R. Lee, as Chief Executive Officers of Bell Atlantic and GTE, respectively, jointly shall be responsible for coordinating all aspects of transition planning and implementation relating to the Merger and the other transactions contemplated hereby. If either such person ceases to be Chief Executive Officer of his respective company for any reason, such person's successor as Chief Executive Officer shall assume his predecessor's responsibilities under this Section 6.1. During the period between the date hereof and the Effective Time, Messrs. Seidenberg and Lee jointly shall (i) examine various alternatives regarding the manner in which to best organize and manage the businesses of Bell Atlantic and GTE after the Effective Time, and (ii) coordinate policies and strategies with respect to regulatory authorities and bodies, in all cases subject to applicable law.

SECTION 6.2—*Conduct of Business in the Ordinary Course.* Each of GTE and Bell Atlantic covenants and agrees that, subject to the provisions of Sections 7.16 and 7.17 hereof, between the date hereof and the Effective Time, unless the other shall otherwise consent in writing, and except as described in Section 6.2 of the Disclosure Schedules or as otherwise expressly contemplated hereby, the business of such Party and its Subsidiaries shall be conducted only in, and such entities shall not take any action except in, the ordinary course of business and in a manner consistent with past practice; and each of GTE and Bell Atlantic and their respective Subsidiaries will use their commercially reasonable efforts to preserve substantially intact their business organizations, to keep available the services of those of their present officers, employees and consultants who are integral to the operation of their businesses as presently conducted and to preserve their present relationships with significant customers and suppliers and with other persons with whom they have significant business relations. By way of amplification and not limitation, except as set forth in Section 6.2 of the Disclosure Schedules or as otherwise expressly contemplated by this Agreement and the Option Agreements, and subject to the provisions of Sections 7.16 and 7.17, each of GTE and Bell Atlantic agrees on behalf of itself and its Subsidiaries that they will not, between the date hereof and the Effective Time, directly or indirectly, do any of the following without the prior written consent of the other:

(a) (i) except for (A) the issuance of shares of GTE Common Stock and Bell Atlantic Common Stock in order to satisfy obligations under the GTE Plans and Bell Atlantic Plans in effect on the date hereof and Bell Atlantic Equity Rights or GTE Equity Rights issued thereunder and under existing dividend reinvestment plans, which issuances shall be consistent with its existing policy and past practice; (B) grants of stock options with respect to GTE Common Stock or Bell Atlantic Common Stock to employees in the ordinary course of business and in amounts and in a manner consistent with past practice; and (C) the issuance of securities by a Subsidiary to any person which is directly or indirectly wholly owned by GTE or Bell Atlantic (as the case may be): issue, sell, pledge, dispose of, encumber, authorize, or propose the issuance, sale, pledge, disposition, encumbrance or authorization of any shares of capital stock of any class, or any options, warrants, convertible securities or other rights of any kind to acquire any shares of capital stock of, or any other ownership interest in, such Party or any of its Subsidiaries (excluding such as may arise upon the exercise of existing rights); (ii) amend or propose to amend the Certificate of Incorporation or Bylaws of such Party (other than by Bell Atlantic as contemplated hereby) or any of its Subsidiaries (other than wholly owned Subsidiaries) or adopt, amend or propose to amend any shareholder rights plan or related rights agreement; (iii) split, combine or reclassify any outstanding shares of GTE Common Stock and Bell Atlantic Common Stock, or declare, set aside or pay any dividend or distribution payable in cash, stock, property or otherwise with respect to shares of GTE Common Stock and Bell Atlantic Common Stock, except for cash dividends to stockholders of GTE and Bell Atlantic declared in accordance with existing dividend policy payable to stockholders of record on the record dates consistently used in prior periods; (iv) redeem, purchase or otherwise acquire or offer to redeem, purchase or otherwise acquire any shares of its capital stock, except that each of GTE and Bell Atlantic shall be permitted to acquire shares of GTE Common Stock or Bell Atlantic Common Stock, as the case may be, from time to time in open market transactions, consistent with past practice and in compliance with applicable law and the provisions of any applicable employee benefit plan, program or arrangement, for issuance upon the exercise of options and other rights granted, and the lapsing of restrictions, under such Party's respective employee benefit plans, programs and arrangements and dividend reinvestment plans; or (v) authorize or propose or enter into any contract, agreement, commitment or arrangement with respect to any of the matters prohibited by this Section 6.2 (a);

(b) (i) acquire (by merger, consolidation, or acquisition of stock or assets) any corporation, partnership or other business organization or division thereof or make any investment in another entity (other than an entity which is a wholly owned Subsidiary of such Party as of the date hereof and other than incorporation of a wholly owned Subsidiary), except for acquisitions or investments which do not exceed $500,000,000 in the aggregate for all such acquisitions or investments in any 12-month period; (ii) except in the ordinary course of business and in a manner consistent with past practice, sell, pledge, dispose of, or encumber or authorize or propose the sale, pledge, disposition or encumbrance of any assets of such Party or any of its Subsidiaries, except for transactions which do not exceed $500,000,000 in the aggregate in any 12-month period and provided further that, unless and until it is mutually determined that pooling of interests accounting is not available for the Merger, no Party shall make any dispositions in excess of an aggregate of $100,000,000 except for those dispositions that the management of either party has determined, with the concurrence of its independent accountants, to be either in the ordinary course of business or not in contemplation of the Merger, and therefore not a disposition to be measured, individually and in the aggregate with other dispositions, for material disposition of asset purposes, as required by Accounting Principals Bulletin No. 16 and the authoritative interpretations thereto; or (iii) authorize, enter into or amend any contract, agreement, commitment or arrangement with respect to any of the matters prohibited by this Section 6.2(b);

(c) incur indebtedness if, following the taking of such action, it is reasonably anticipated that such Party's outstanding senior indebtedness would be rated by Standard & Poor's at lower than A-, in the case of GTE, or at lower than A, in the case of Bell Atlantic.

(d) enter into (i) leveraged derivative contracts (defined as contracts that use a factor to multiply the underlying index exposure) or (ii) other derivative contracts except for the purpose of hedging known interest rate and foreign exchange exposures or otherwise reducing such Party's cost of financing;

(e) take any action with respect to the grant of any severance or termination pay, stay bonus, or other incentive arrangements (otherwise than pursuant to any GTE Plan, Bell Atlantic Plan (collectively with all GTE Plans, ''Benefit Plans'') or any policies, arrangements and agreements of such Party which were in effect on, or offered or approved to be offered by the board of directors or senior management of the respective Party prior to, the date hereof, or pursuant to any renewal or extension subsequent to the date hereof of the duration of the term of any such Benefit Plans, policies, arrangements or agreements), or with respect to any increase in benefits payable under its severance or termination pay policies, or stay bonus or other incentive arrangements in effect on the date hereof;

provided, however, that this subsection shall not prohibit GTE or Bell Atlantic or their respective subsidiaries from taking any actions whatsoever that are described in this Section 6.2(e) if (i) such actions are not Merger-related and are in amounts not materially greater than past practice or as otherwise required by Legal Requirements or applicable provisions of the plan, policy or arrangement, and the Party taking such action consults with the other Party (where such consultation is reasonable and practicable) reasonably in advance of any such action, or (ii) such actions are Merger-related, are taken to meet business needs, are consistent with competitive market practices of large data transmission or telecommunications companies, and the other Party gives its consent to such actions (such consent not to be unreasonably withheld after being consulted by the Party proposing such action (where such consultation is reasonable and practicable) reasonably in advance of any such action);

provided, further, that on and after the date hereof, each of GTE and Bell Atlantic will use its best efforts in good faith to develop and adopt within 60 days of the date hereof, in concert with the other, a common set of principles and guidelines for the design and implementation of merger-related retention incentives and severance benefits for the purpose of enabling the respective companies to implement complementary plans, programs and arrangements, utilizing best competitive practices which each believes will facilitate the convergence of the benefits and employment practices and policies of the Parties and their respective subsidiaries during the period culminating in the Effective Time, and as soon as practicable after such adoption, each such Party shall comply, and cause their respective subsidiaries to comply, with such principles and guidelines (and any amendments thereto which are mutually agreed by the Parties thereafter);

(f) take any action with respect to increases in employee compensation, or make any payments under any GTE Plan or any Bell Atlantic Plan, as the case may be, to any director or employee of, or independent contractor or consultant to, such Party or any of its Subsidiaries, adopt or otherwise materially amend (except for amendments required or made advisable by Legal Requirements) any GTE Plan or Bell Atlantic Plan, as the case may be, or enter into or amend any employment or consulting agreement, or grant or establish any new awards under any such existing GTE Plan or Bell Atlantic Plan or agreement;

provided, however, that this subsection shall not prohibit GTE or Bell Atlantic or their respective subsidiaries from taking any actions whatsoever that are described in this Section 6.2(f) if (i) such actions are not Merger-related and are in amounts not materially greater than past practice or as otherwise required by Legal Requirements or applicable provisions of the plan, policy or arrangement, and, except in the case of increases in employee compensation in the ordinary course of business consistent with past practice, the Party taking such action consults with the other Party (where such consultation is reasonable and practicable) reasonably in advance of any such action, or (ii) such actions are taken to meet business needs, are consistent with competitive market practices of large data transmission or telecommunications companies, and the other Party gives its consent to such actions (such consent not to be unreasonably withheld after being consulted by the Party proposing such action (where such consultation is reasonable and practicable) reasonably in advance of any such action);

(g) change in any material respect its accounting policies, methods or procedures except as required by GAAP;

(h) take any action which it believes when taken could reasonably be expected to adversely affect or delay in any material respect the ability of any of the Parties to obtain any approval of any Governmental Entity required to consummate the transactions contemplated hereby;

(i) other than pursuant to this Agreement, take any action to cause the shares of their respective Common Stock to cease to be quoted on any of the stock exchanges on which such shares are now quoted;

(j) (i) other than as consistent with past practice, issue SARS, new performance shares, restricted stock, or similar equity based rights; (ii) materially modify (with materiality to be determined with respect to the Benefit Plan in question) any actuarial cost method, assumption or practice used in determining benefit obligations, annual expense and funding for any Benefit Plan, except to the extent required by GAAP; (iii) materially modify (with materiality to be determined with respect to the Benefit Plan trust in question) the investment philosophy of the Benefit Plan trusts or maintain an asset allocation which is not consistent with such philosophy, subject to any ERISA fiduciary obligation; (iv) subject to any ERISA fiduciary obligation, enter into any outsourcing agreement, or any other material contract relating to the Benefit Plans or management of the Benefit Plan trusts, provided that Bell Atlantic and GTE may enter into any such contracts that may be terminated within two years; (v) offer any new or extend any existing retirement incentive, "window" or similar benefit program; (vi) grant any ad hoc pension increase; (vii) establish any new or fund any existing "rabbi" or similar trust (except in accordance with the current terms of such trust), or enter into any other arrangement for the purpose of securing non-qualified benefits or deferred compensation; (viii) adopt any corporate owned life insurance program; or (ix) adopt or implement any "split dollar" life insurance program;

provided, however, that this subsection shall not prohibit GTE or Bell Atlantic or their respective subsidiaries from taking any actions whatsoever that are described in this Section 6.2(j) (with the exception of clause (j)(i)) if such actions are in amounts not materially greater than past practice or as otherwise required by Legal Requirements or applicable provisions of the plan, policy or arrangement, and the Party taking such action consults with the other Party (where such consultation is reasonable and practicable) reasonably in advance of any such action; or

(k) take any action which it believes when taken would cause its representations and warranties contained herein to become inaccurate in any material respect.

GTE and Bell Atlantic agree that any written approval obtained under this Section 6.2 may be relied upon by the other Party if signed by the Chief Executive Officer or any other executive officer of the Party providing such written approval.

SECTION 6.3—*No Solicitation.* (a) From and after the date hereof, Bell Atlantic shall not, nor shall it permit any of its Subsidiaries to, nor shall it authorize or permit any of its officers, directors or employees or any investment banker, financial advisor, attorney, accountants or other representatives retained by it or any of its Subsidiaries to, directly or indirectly through another person, (i) solicit, initiate or encourage (including by way of furnishing information), or knowingly take any other action designed to facilitate, any Alternative Transaction (as hereinafter defined) or (ii) participate in any discussions regarding any Alternative Transaction; provided, however, that if, at any time prior to approval of the Stock Issuance and the Certificate Amendment by the holders of Bell Atlantic Common Stock, the Board of Directors of Bell Atlantic determines in good faith, after receipt of advice from outside counsel, that the failure to provide such information or participate in such negotiations or discussions would result in a reasonable possibility that the Board of Directors of Bell Atlantic would breach their fiduciary duties to stockholders under applicable law, Bell Atlantic may, in response to any such proposal that has been determined by it to be a Bell Atlantic Superior Proposal (as defined in Section 7.2(b)), that was not solicited by it and that did not otherwise result from a breach of this Section 6.3(a), and subject to Bell Atlantic giving GTE at least two business days written notice of its intention to do so, (x) furnish information with respect to Bell Atlantic and its Subsidiaries to any person pursuant to a customary confidentiality agreement containing terms no less restrictive than the terms of the Nondisclosure Agreement dated July 19, 1998 entered into between Bell Atlantic and GTE (the ''Nondisclosure Agreement''), provided that a copy of all such information is delivered simultaneously to GTE, and (y) participate in negotiations regarding such proposal. Bell Atlantic shall promptly notify GTE orally and in writing of any request for information or of any proposal in connection with an Alternative Transaction, the material terms and conditions of such request or proposal (including a copy thereof, if in writing, and all other documentation and any related correspondence) and the identity of the person making such request or proposal. Bell Atlantic will keep GTE reasonably informed of the status and details (including amendments or proposed amendments) of such request or proposal on a current basis. Bell Atlantic shall immediately cease and terminate any existing solicitation, initiation, encouragement, activity, discussion or negotiation with any persons conducted heretofore by Bell Atlantic or its representatives with respect to the foregoing. Bell Atlantic (i) agrees not to release any Third Party (as defined below) from, or waive any provision of, or fail to enforce, any standstill agreement or similar agreements to which it is a party related to, or which could affect, an Alternative Transaction and agrees that GTE shall be entitled to enforce Bell Atlantic's rights and remedies under and in connection with such agreements and (ii) acknowledges that the provisions of clause (i) are an important and integral part of this Agreement. Nothing contained in this Section 6.3(a) or Section 7.2 shall prohibit Bell Atlantic (i) from taking and disclosing to its stockholders a position contemplated by Rule 14e-9 or Rule 14e-2(a) promulgated under the Exchange Act or (ii) from making any disclosure to its stockholders if, in the good faith judgment of the Board of Directors of Bell Atlantic, after receipt of advice from outside counsel, failure to disclose would result in a reasonable possibility that the Board of Directors of Bell Atlantic would breach its fiduciary duties to Bell Atlantic's stockholders under applicable law.

(b) From and after the date hereof, GTE shall not, nor shall it permit any of its Subsidiaries to, nor shall it authorize or permit any of its officers, directors or employees or any investment banker, financial advisor, attorney, accountants or other representatives retained by it or any of its Subsidiaries to, directly or indirectly through another person, (i) solicit, initiate or encourage (including by way of furnishing information), or knowingly take any other action designed to facilitate, any Alternative Transaction (as hereinafter defined) or (ii) participate in any discussions regarding any Alternative Transaction; provided, however, that if, at any time prior to approval of this Agreement by the holders of GTE Common Stock, the Board of Directors of GTE determines in good faith, after receipt of advice from outside counsel, that the failure to provide such information or participate in such negotiations or discussions would result in a reasonable possibility that the Board of Directors of GTE would breach their fiduciary duties to stockholders under applicable law, GTE may, in response to a proposal that has been determined by it to be a GTE Superior Proposal (as defined in Section 7.2(d)), that was not solicited by it and that did not otherwise result from a breach of this Section 6.3(b), and subject to GTE giving Bell Atlantic at least two business days written notice of its intention to do so, (x) furnish information with respect to GTE and its Subsidiaries to any person pursuant to a customary confidentiality agreement containing terms no less restrictive than the terms of the Nondisclosure Agreement, provided that a copy of all such information is delivered simultaneously to Bell Atlantic, and (y) participate in negotiations regarding such proposal. GTE shall promptly notify Bell Atlantic orally and in writing of any request for information or of any proposal in connection with an Alternative Transaction, the material terms and conditions of such request or proposal (including a copy thereof, if in writing, and all other documentation and any related correspondence) and the identity of the person making such request or proposal. GTE will keep Bell Atlantic reasonably informed of the status and details (including amendments or proposed amendments) of such request or proposal on a current basis. GTE shall immediately cease and terminate any existing solicitation, initiation, encouragement, activity, discussion or negotiation with any persons conducted heretofore by GTE or its representatives with respect to the foregoing. GTE (i) agrees not to release any Third Party from, or waive any provision of, or fail to enforce, any standstill agreement or similar agreements to which it is a party related to, or which could affect, an Alternative Transaction and agrees that Bell Atlantic shall be entitled to enforce GTE's rights and remedies under and in connection with such agreements and (ii) acknowledges that the provisions of clause (i) are an important and integral part of this Agreement. Nothing contained in this Section 6.3(b) or in Section 7.2 shall prohibit GTE (i) from taking and disclosing to its stockholders a position contemplated by Rule 14e-9 or Rule 14e-2(a) promulgated under the Exchange Act or (ii) from making any disclosure to its stockholders if, in the good faith judgment of the Board of Directors of GTE, after receipt of advice from outside counsel, failure to disclose would result in a reasonable possibility that the Board of Directors of GTE would breach its fiduciary duties to GTE's stockholders under applicable law.

(c) For purposes of this Agreement, ''Alternative Transaction'' means, whether in the form of a proposal or intended proposal, a signed agreement or completed action, as the case may be, any of (i) a transaction or series of transactions pursuant to which any person (or group of persons) other than Bell Atlantic and its Subsidiaries and other than GTE and its Subsidiaries (a ''Third Party'') acquires or would acquire, directly or indirectly, beneficial ownership (as defined in Rule 13d-3 under the Exchange Act) of more than 20% of the outstanding shares of Bell Atlantic or GTE, as the case may be, whether from Bell Atlantic or GTE or pursuant to a tender offer or exchange offer or otherwise, (ii) any acquisition or proposed acquisition of, or business combination with, Bell Atlantic or any of its Significant Subsidiaries or GTE or any of its Significant Subsidiaries, as the case may be, by a merger or other business combination (including any so-called ''merger-of-equals'' and whether or not Bell Atlantic or any of its Significant Subsidiaries or GTE or any of its Significant Subsidiaries, as the case may be, is the entity surviving any such merger or business combination) or (iii) any other transaction pursuant to which any Third Party acquires or would acquire, directly or indirectly, control of assets (including for this purpose the outstanding equity securities of Subsidiaries of Bell Atlantic or GTE, as the case may be, and any entity surviving any merger or business combination including any of them) of Bell Atlantic or any of its Subsidiaries or GTE or any of its Subsidiaries, as the case may be, for consideration equal to 20% or more of the fair market value of all of the outstanding shares of Bell Atlantic Common Stock or all of the outstanding shares of GTE Common Stock, as the case may be, on the date of this Agreement.

SECTION 6.4—*Subsequent Financial Statements.* Prior to the Effective Time, each of GTE and Bell Atlantic (a) will consult with the other prior to making publicly available its financial results for any period and (b) will consult with the other prior to the filing of, and will timely file with the SEC, each Annual Report on Form 10-K, Quarterly Report on Form 10-Q and Current Report on Form 8-K required to be filed by such Party under the Exchange Act and the rules and regulations promulgated thereunder and will promptly deliver to the other copies of each such report filed with the SEC. As of their respective dates, none of such reports shall contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The respective audited financial statements and unaudited interim financial statements of each of GTE and Bell Atlantic, as the case may be, included in such reports will fairly present the consolidated financial position of such Party and its Subsidiaries as at the dates thereof and the results of their operations and cash flows for the periods then ended in accordance with GAAP applied on a consistent basis and, subject, in the case of unaudited interim financial statements, to normal year-end adjustments.

SECTION 6.5—*Control of Operations.* Nothing contained in this Agreement shall give Bell Atlantic, directly or indirectly, the right to control or direct GTE's operations prior to the Effective Time. Nothing contained in this Agreement shall give GTE, directly or indirectly, the right to control or direct Bell Atlantic's operations prior to the Effective Time. Prior to the Effective Time, each of Bell Atlantic and GTE shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its respective operations.

ARTICLE VII—ADDITIONAL AGREEMENTS

SECTION 7.1—*Joint Proxy Statement and the Registration Statement.* (a) As promptly as practicable after the execution and delivery of this Agreement, the Parties shall prepare and file with the SEC, and shall use all reasonable efforts to have cleared by the SEC, and promptly thereafter shall mail to the holders of record of shares of Bell Atlantic Common Stock and GTE Common Stock, the Joint Proxy Statement, provided, however, that GTE and Bell Atlantic shall not mail or otherwise furnish the Joint Proxy Statement to their respective stockholders unless and until:

(i) they have received notice from the SEC that the Registration Statement is effective under the 1933 Act;

(ii) GTE shall have received a letter of PricewaterhouseCoopers L.L.P., dated a date within two business days prior to the date of the first mailing of the Joint Proxy Statement, and addressed to GTE, in form and substance reasonably satisfactory to GTE and customary in scope and substance for "cold comfort" letters delivered by independent public accountants in connection with registration statements on Form S-4 with respect to the financial statements of Bell Atlantic included in the Joint Proxy Statement and the Registration Statement; and

(iii) Bell Atlantic shall have received a letter of Arthur Andersen LLP, dated a date within two business days prior to the date of the first mailing of the Joint Proxy Statement, and addressed to Bell Atlantic, in form and substance reasonably satisfactory to Bell Atlantic and customary in scope and substance for "cold comfort" letters delivered by independent public accountants in connection with registration statements on Form S-4 with respect to the financial statements of GTE included in the Joint Proxy Statement and the Registration Statement.

(b) The Parties will cooperate in the preparation of the Joint Proxy Statement and the Registration Statement and in having the Registration Statement declared effective as soon as practicable.

SECTION 7.2—*Bell Atlantic and GTE Stockholders' Meetings.*

(a) As promptly as practicable after the Registration Statement is declared effective under the Securities Act, Bell Atlantic shall duly give notice of, convene and hold a meeting of its stockholders (the "Bell Atlantic Stockholders' Meeting") in accordance with the DGCL for the purpose of obtaining the Bell Atlantic Stockholder Approval and shall, subject to the provisions of Section 7.2(b) hereof, through its Board of Directors, recommend to its stockholders the approval of the Stock Issuance and adoption of the Certificate Amendment.

(b) Neither the Board of Directors of Bell Atlantic nor any committee thereof shall (i) except as expressly permitted by this Section 7.2(b), withdraw, qualify or modify, or propose publicly to withdraw, qualify or modify, in a manner adverse to GTE, the approval or recommendation of such Board of Directors or such committee of the Certificate Amendment or the Stock Issuance, (ii) approve or recommend, or propose publicly to approve or recommend, any Alternative Transaction or (iii) cause Bell Atlantic to enter into any letter of intent, agreement in principle, acquisition agreement or other similar agreement (each, a "Bell Atlantic Acquisition Agreement") related to any Alternative Transaction. Notwithstanding the foregoing, in the event that prior to the adoption of the Stock Issuance and the Certificate Amendment by the holders of Bell Atlantic Common Stock the Board of Directors of Bell Atlantic determines in good faith, after it has received a Bell Atlantic Superior Proposal (as defined below) and after receipt of advice from outside counsel, that the failure to do so would result in a reasonable possibility that the Board of Directors of Bell Atlantic would breach its fiduciary duties to Bell Atlantic stockholders under applicable law, the Board of Directors of Bell Atlantic may (subject to this and the following sentences) inform Bell Atlantic stockholders that it no longer believes that such adoption is advisable and no longer recommends approval (a "Bell Atlantic Subsequent Determination"), but only at a time that is after the fifth business day following GTE's receipt of written notice advising GTE that the Board of Directors of Bell Atlantic has received a Bell Atlantic Superior Proposal specifying the material terms and conditions of such Bell Atlantic Superior Proposal (and including a copy thereof with all accompanying documentation, if in writing), identifying the person making such Bell Atlantic Superior Proposal and stating that it intends to make a Bell Atlantic Subsequent Determination. After providing such notice, Bell Atlantic shall provide a reasonable opportunity to GTE to make such adjustments in the terms and conditions of this Agreement as would enable Bell Atlantic to proceed with its recommendation to its stockholders without a Bell Atlantic Subsequent Determination; provided, however, that any such adjustment shall be at the discretion of the Parties at the time. For purposes of this Agreement, a "Bell Atlantic Superior Proposal" means any proposal (on its most recently amended or modified terms, if amended or modified) made by a Third Party to enter into an Alternative Transaction which the Board of Directors of Bell Atlantic determines in its good faith judgment (based on, among other things, the advice of a financial advisor of nationally recognized reputation) to be more favorable to Bell Atlantic's stockholders than the Merger taking into account all relevant factors (including whether, in the good faith judgment of the Board of Directors of Bell Atlantic, after obtaining the advice of a financial advisor of nationally recognized reputation, the Third Party is reasonably able to finance the transaction, and any proposed changes to this Agreement that may be proposed by GTE in response to such Alternative Transaction). Notwithstanding any other provision of this Agreement, Bell Atlantic shall submit the Stock Issuance and the Certificate Amendment to its stockholders whether or not the Board of Directors of Bell Atlantic makes a Bell Atlantic Subsequent Determination.

(c) As promptly as practicable after the Registration Statement is declared effective under the Securities Act, GTE shall duly give notice of, convene and hold a meeting of its stockholders (the ''GTE Stockholders' Meeting'') in accordance with the NYBCL for the purpose of obtaining the GTE Stockholder Approval and shall, subject to the provisions of Section 7.2(d) hereof, through its Board of Directors, recommend to its stockholders the approval and adoption of this Agreement and the Merger.

(d) Neither the Board of Directors of GTE nor any committee thereof shall (i) except as expressly permitted by this Section 7.2(d), withdraw, qualify or modify, or propose publicly to withdraw, qualify or modify, in a manner adverse to Bell Atlantic, the approval or recommendation of such Board of Directors or such committee of the Merger or this Agreement, (ii) approve or recommend, or propose publicly to approve or recommend, any Alternative Transaction, or (iii) cause GTE to enter into any letter of intent, agreement in principle, acquisition agreement or other similar agreement (each, a ''GTE Acquisition Agreement'') related to any Alternative Transaction. Notwithstanding the foregoing, in the event that prior to the adoption of this Agreement by the holders of GTE Common Stock the Board of Directors of GTE determines in good faith, after it has received a GTE Superior Proposal (as defined below) and after receipt of advice from outside counsel, that the failure to do so would result in a reasonable possibility that the Board of Directors of GTE would breach its fiduciary duties to GTE stockholders under applicable law, the Board of Directors of GTE may (subject to this and the following sentences) inform GTE stockholders that it no longer believes that the Merger is advisable and no longer recommends approval (a ''GTE Subsequent Determination''), but only at a time that is after the fifth business day following Bell Atlantic's receipt of written notice advising Bell Atlantic that the Board of Directors of GTE has received a GTE Superior Proposal specifying the material terms and conditions of such GTE Superior Proposal (and including a copy thereof with all accompanying documentation, if in writing), identifying the person making such GTE Superior Proposal and stating that it intends to make a GTE Subsequent Determination. After providing such notice, GTE shall provide a reasonable opportunity to Bell Atlantic to make such adjustments in the terms and conditions of this Agreement as would enable GTE to proceed with its recommendation to its stockholders without a GTE Subsequent Determination; provided, however, that any such adjustment shall be at the discretion of the Parties at the time. For purposes of this Agreement, a ''GTE Superior Proposal'' means any proposal (on its most recently amended or modified terms, if amended or modified) made by a Third Party to enter into an Alternative Transaction which the Board of Directors of GTE determines in its good faith judgment (based on, among other things, the advice of a financial advisor of nationally recognized reputation) to be more favorable to GTE's stockholders than the Merger taking into account all relevant factors (including whether, in the good faith judgment of the Board of Directors of GTE, after obtaining the advice of a financial advisor of nationally recognized reputation, the Third Party is reasonably able to finance the transaction, and any proposed changes to this Agreement that may be proposed by Bell Atlantic in response to such Alternative Transaction). Notwithstanding any other provision of this Agreement, GTE shall submit this Agreement to its stockholders whether or not the Board of Directors of GTE makes a GTE Subsequent Determination.

SECTION 7.3—*Consummation of Merger; Additional Agreements.*

(a) Upon the terms and subject to the conditions hereof and as soon as practicable after the conditions set forth in Article VIII hereof have been fulfilled or waived, each of the Parties required to do so shall execute in the manner required by the NYBCL and deliver to and file with the Secretary of State of the State of New York such instruments and agreements as may be required by the NYBCL and the Parties shall take all such other and further actions as may be required by law to make the Merger effective, and Bell Atlantic shall take all such other and further actions as may be required by law to make the Certificate Amendment and the Bylaws Amendment effective. Prior to the filings referred to in this Section 7.3(a), a closing (the ''Closing'') will be held at the offices of Bell Atlantic (or such other place as the Parties may agree) for the purpose of confirming all the foregoing. The Closing will take place upon the fulfillment or waiver of all of the conditions to closing set forth in Article VIII of this Agreement, or as soon thereafter as practicable (the date of the Closing being herein referred to as the ''Closing Date'').

(b) Each of the Parties will comply in all material respects with all applicable laws and with all applicable rules and regulations of any Governmental Entity in connection with its execution, delivery and performance of this Agreement and the transactions contemplated hereby. Each of the Parties agrees to use all commercially reasonable efforts to obtain in a timely manner all necessary waivers, consents and approvals and to effect all necessary registrations and filings, and to use all commercially reasonable efforts to take, or cause to be taken, all other actions and to do, or cause to be done, all other things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement and the Option Agreements and to effect all necessary filings under the 1933 Act, the Exchange Act and the HSR Act. Without limiting the generality of the foregoing, each of GTE and Bell Atlantic shall promptly prepare and file a Premerger Notification in accordance with the HSR Act, shall promptly comply with any requests for additional information, and shall use its commercially reasonable efforts to obtain termination of the waiting period thereunder as promptly as practicable.

(c) Each of Bell Atlantic and GTE shall, in connection with the efforts referenced in Section 7.3(a) and (b), (i) cooperate in all respects with each other in connection with any filing or submission and in connection with any investigation or other inquiry, including any proceeding initiated by a private party; (ii) promptly inform the other party of any material communication received by such party from, or given by such party to any Governmental Entity and of any material communication received or given in connection with any proceeding by a private party, in each case regarding any of the transactions contemplated hereby and (iii) consult with each other in advance of any meeting or conference with any such Governmental Entity or, in connection with any proceeding by a private party, with any other person, and to the extent permitted by the applicable Governmental Entity or other person, give the other Party the opportunity to attend and participate in such meetings and conferences.

(d) In furtherance and not in limitation of the covenants of the parties contained in Sections 7.3(a), (b) and (c), if any administrative or judicial action or proceeding, including any proceeding by a private party, is instituted (or threatened to be instituted) challenging any transaction contemplated by this Agreement or the Option Agreements as violative of any applicable law, or if any statute, rule, regulation, executive order, decree, injunction or administrative order is enacted, entered or promulgated or enforced by a Governmental Entity which would make the Merger or the other transactions contemplated hereby or by the Option Agreements illegal or otherwise prohibit or materially impair or delay consummation of the transactions contemplated hereby or thereby, each of Bell Atlantic and GTE shall cooperate in all respects with each other and use all commercially reasonable efforts to contest and resist any such action or proceeding, to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts consummation of the transactions contemplated by this Agreement and to have such statute, rule, regulation, executive order, decree, injunction or administrative order repealed, rescinded or made inapplicable. Notwithstanding the foregoing or any other provision of this Agreement, nothing in this Section 7.3 shall limit a party's right to terminate this Agreement pursuant to Section 9.1 so long as such Party has up to then complied in all respects with its obligations under this Section 7.3.

(e) If any objections are asserted with respect to the transactions contemplated hereby under any applicable law or if any suit is instituted by any Governmental Entity or any private party challenging any of the transactions contemplated hereby as violative of any applicable law, each of Bell Atlantic and GTE shall use its commercially reasonable efforts to resolve any such objections or challenge as such Governmental Entity or private party may have to such transactions under such law so as to permit consummation of the transactions contemplated by this Agreement.

SECTION 7.4—*Notification of Certain Matters.* Each of GTE and Bell Atlantic shall give prompt notice to the other of the following:

(a) the occurrence or nonoccurrence of any event whose occurrence or nonoccurrence would be likely to cause either (i) any representation or warranty contained in this Agreement to be untrue or inaccurate in any material respect at any time from the date hereof to the Effective Time, or (ii) directly or indirectly, any Material Adverse Effect on such Party;

(b) any material failure of such Party, or any officer, director, employee or Agent of any thereof, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder, and

(c) any facts relating to such Party which would make it necessary or advisable to amend the Joint Proxy Statement or the Registration Statement in order to make the statements therein not misleading or to comply with applicable law; provided, however, that the delivery of any notice pursuant to this Section 7.4 shall not limit or otherwise affect the remedies available hereunder to the Party receiving such notice.

SECTION 7.5—*Access to Information.* (a) From the date hereof to the Effective Time, each of GTE and Bell Atlantic shall, and shall cause its respective Subsidiaries, and its and their officers, directors, employees, auditors, counsel and agents to afford the officers, employees, auditors, counsel and agents of the other Party complete access at all reasonable times to such Party's and its Subsidiaries' officers, employees, auditors, counsel agents, properties, offices and other facilities and to all of their respective books and records, and shall furnish the other with all financial, operating and other data and information as such other Party may reasonably request, including in connection with confirmatory due diligence.

(b) Each of GTE and Bell Atlantic agrees that all information so received from the other Party shall be deemed received pursuant to the Nondisclosure Agreement and such Party shall, and shall cause its Subsidiaries and each of its and their respective officers, directors, employees, financial advisors and agents (''Party Representatives''), to comply with the provisions of the Nondisclosure Agreement with respect to such information and the provisions of the Nondisclosure Agreement are hereby incorporated herein by reference with the same effect as if fully set forth herein, provided that such information may be used for any purpose contemplated hereby.

SECTION 7.6—*Public Announcements.* GTE and Bell Atlantic shall use all reasonable efforts to develop a joint communications plan and each Party shall use all reasonable efforts to ensure that all press releases and other public statements with respect to the transactions contemplated hereby shall be consistent with such joint communications plan or, to the extent inconsistent therewith, shall have received the prior written approval of the other.

SECTION 7.7—*Transfer Statutes.* Each of GTE and Bell Atlantic agrees to use its commercially reasonable efforts to comply promptly with all requirements of the New Jersey and Connecticut Property Transfer Statutes, to the extent applicable to the transactions contemplated hereby, and to take all actions necessary to cause the transactions contemplated hereby to be effected in compliance with the New Jersey and Connecticut Property Transfer Statutes. GTE and Bell Atlantic agree that they will consult with each other to determine what, if any, actions must be taken prior to or after the Effective Time to ensure compliance with such statutes. Each of GTE and Bell Atlantic agrees to provide the other with any documents to be submitted to the relevant state agencies prior to submission and agrees not to take any action to comply with the New Jersey and Connecticut Property Transfer Statutes without the other's prior consent, which consent shall not be unreasonably withheld. Each Party shall bear its respective costs and expenses incurred in connection with compliance with the New Jersey and Connecticut Property Transfer Statutes. For purposes of this section, the New Jersey and Connecticut Property Transfer Statutes means the New Jersey Industrial Site Recovery Act, 1993 N.J. Laws 139, and the Connecticut Transfer Act, Conn. Gen. Stat. Ann. § 22a-134(b).

SECTION 7.8—*Indemnification, Directors' and Officers' Insurance.* For a period of six years after the Effective Time, Bell Atlantic shall cause GTE to, and Bell Atlantic shall, maintain in effect the current policies of directors' and officers' liability insurance and fiduciary liability insurance maintained by GTE and Bell Atlantic, respectively (provided that Bell Atlantic may substitute therefor policies of at least the same coverage and amounts containing terms and conditions which are, in the aggregate, no less advantageous to the insured in any material respect) with respect to all possible claims arising from facts or events which occurred on or before the Effective Time. Bell Atlantic shall cause GTE to maintain in effect (a) the current provisions regarding indemnification of officers and directors contained in the charter and bylaws of GTE and each of its Subsidiaries until the statutes of limitations for all possible claims have run; provided that Bell Atlantic need not cause GTE to maintain in effect indemnification provisions contained in the charter and bylaws of its Subsidiaries if and to the extent that Bell Atlantic assumes such indemnity obligations; and (b) any directors, officers or employees indemnification agreements of GTE and its respective Subsidiaries. Bell Atlantic shall cause GTE to, and Bell Atlantic shall, indemnify the directors and officers of GTE and Bell Atlantic, respectively, to the fullest extent to which GTE and Bell Atlantic are permitted to indemnify such officers and directors under their respective charters and bylaws and applicable law. As of the Effective Time, Bell Atlantic shall unconditionally and irrevocably guarantee for the benefit of such directors, officers and employees the obligations of GTE under the foregoing indemnification arrangements.

SECTION 7.9—*Employee Benefit Plans.* (a) Except as otherwise provided herein or set forth in Section 6.2 of the Disclosure Schedules, GTE and Bell Atlantic agree that, unless otherwise mutually determined, the GTE Plans and the Bell Atlantic Plans in effect at the date hereof shall remain in effect after the Effective Time with respect to classes of employees covered by such plans immediately prior to the Effective Time.

From time to time from the date hereof to the Effective Time, the management of Bell Atlantic and GTE shall consult with one another for the purpose of reviewing such Benefit Plans for management (non-represented) employees of Bell Atlantic and GTE and their respective subsidiaries (''Management Employees''), and determining which of such Benefit Plans represent best competitive practices, which should be terminated at the Effective Time (or following a transition period thereafter), and which of such Benefit Plans should be redesigned and/or extended to other employees at (or after) the Effective Time. Notwithstanding the foregoing or any other provision of this Agreement, (1) after the Effective Time, Bell Atlantic shall cause the compensation and benefits provided to similarly-situated Management Employees of each business unit to be at least as valuable as the aggregate compensation and benefit package provided to such employees of that business unit immediately prior to the Effective Time, except to the extent (i) such benefits and/or compensation plans are replaced by one or more benefits and/or compensation plans at least as valuable as those which are provided to similarly situated employees of comparable business units of the other Party or its subsidiaries, or (ii) corresponding benefits for similarly situated employees of the other Party or its subsidiaries are eliminated, (2) from the Effective Time until the first anniversary thereof, Bell Atlantic shall not, and shall ensure that each of its Subsidiaries shall not, discontinue, or change eligibility provisions or levels of benefits under, severance plans, policies and arrangements in which such Management Employees participated immediately prior to the Effective Time, and further agrees that any of such plans, policies or arrangements that expire during such one-year period shall be extended for the duration of such one-year period, and (3) for the 18-month period immediately following the Effective Time, with respect to those GTE Management Employees who were relocated as part of the consolidation of GTE's world headquarters to Texas, Bell Atlantic shall not, and shall ensure that each of its Subsidiaries shall not, discontinue, or change the relocation benefits program which was applicable to such Management Employees as of the Effective Time. In addition, with respect to all Management Employees, at and after the Effective Time (i) each such employee shall receive full credit for their credited service with their respective employer prior to the Effective Time for all purposes, including eligibility (including eligibility for early retirement, disability and other benefits), vesting, level of benefits and benefit accrual (except to the extent such benefit accrual would be duplicative); (ii) any provisions which restrict benefits by reason of pre-existing conditions, waiting periods or evidence of insurability shall be waived and (iii) such employees shall receive credit under such plan for co-payments and deductible during the applicable plan year.

(b) Except as otherwise set forth in Sections 2.8 and 2.9 hereof, in the case of the GTE Plans under which the employees' interests are based upon GTE Common Stock, or the respective market prices thereof (but which interests do not constitute stock options), GTE and Bell Atlantic agree that such interests shall, from and after the Effective Time, be based on Bell Atlantic Common Stock in accordance with the Exchange Ratio.

(c) With respect to all GTE Plans which have entitlement or vesting terms that are based upon the market price or value per share of GTE Common Stock, GTE and Bell Atlantic agree that from and after the Effective Time, such market price or value per share shall be adjusted by multiplying it by the inverse of the Exchange Ratio.

(d) With respect to any GTE Plans maintained or contributed to outside the United States for the benefit of non-United States citizens or residents, the principles set forth in this Section 7.9 and in Section 6.2 of the Disclosure Schedules shall apply to the extent the application of such principles does not violate applicable foreign law.

(e) Without limiting the applicability of Sections 2.8 and 2.9 hereof, each of the Parties shall take all actions as are necessary to ensure that GTE will not at the Effective Time be bound by any stock options, SARS, warrants or other rights or agreements which would entitle any person, other than Bell Atlantic, to own any capital stock of the Surviving Corporation or to receive any payment in respect thereof, and all GTE Plans conferring any rights with respect to GTE Common Stock or other capital stock of GTE shall be deemed hereby to be amended to be in conformity with this Section 7.9.

SECTION 7.10—*Succession.* (a) At the Effective Time, pursuant to the terms of the Employment Agreements (as defined below) and subject to Section 5.11 of the Bylaws of Bell Atlantic reflecting the Bylaws Amendment (the ''Amended Bylaws'') (i) Charles R. Lee shall hold the positions of Chairman and Co-Chief Executive Officer of Bell Atlantic and (ii) Ivan G. Seidenberg shall hold the positions of President and Co-Chief Executive Officer of Bell Atlantic. Pursuant to the terms of the Employment Agreements and subject to Section 5.11 of the Amended Bylaws (A) on June 30, 2002, Mr. Seidenberg shall become the sole Chief Executive Officer of Bell Atlantic and (B) on June 30, 2004, Mr. Lee shall cease to be Chairman of Bell Atlantic and such position will be assumed by Mr. Seidenberg. If either of such persons is unable or unwilling to hold such offices as set forth above, his successor shall be selected by the Board of Directors of Bell Atlantic in accordance with the Amended Bylaws. The authority, duties and responsibilities of the positions set forth above shall be set forth in the Employment Agreements, which Employment Agreements shall also set forth in their entirety the rights and remedies of Mr. Seidenberg and Mr. Lee with respect to employment by Bell Atlantic. Neither Mr. Seidenberg nor Mr. Lee shall have any right, remedy or cause of action under this Section 7.10, nor shall they be third party beneficiaries of this Section 7.10.

(b) As soon as practicable after the date hereof, Bell Atlantic shall enter into employment agreements effective as of the Effective Time (the ''Employment Agreements'') with Messrs. Lee and Seidenberg containing arrangements concerning management succession satisfactory to each Party.

SECTION 7.11—*Stock Exchange Listing.* Each of the Parties shall use its best efforts to obtain, prior to the Effective Time, the approval for listing on the NYSE, effective upon official notice of issuance, of the shares of Bell Atlantic Common Stock into which the GTE Common Stock will be converted pursuant to Article II hereof and which will be issuable upon exercise of options pursuant to Section 2.8 hereof.

SECTION 7.12—*Post-Merger Bell Atlantic Board of Directors.* (a) At the Effective Time, 50% of the directors of Bell Atlantic shall be directors selected by Bell Atlantic, to the extent possible from current directors of Bell Atlantic, and 50% shall be selected by GTE, to the extent possible from current directors of GTE.

The persons to serve initially on the Board of Directors of Bell Atlantic at the Effective Time who are GTE Directors (as defined below) shall be selected solely by and at the absolute discretion of the Board of Directors of GTE prior to the Effective Time; and the persons to serve on the Board of Directors of Bell Atlantic at the Effective Time who are Bell Atlantic Directors (as defined below) shall be selected solely by and at the absolute discretion of the Board of Directors of Bell Atlantic prior to the Effective Time. In the event that, prior to the Effective Time, any person so selected to serve on the Board of Directors of Bell Atlantic after the Effective Time is unable or unwilling to serve in such position, the Board of Directors which selected such person shall designate another of its members to serve in such person's stead in accordance with the provisions of the immediately preceding sentence.

(b) From and after the Effective Time and until July 1, 2002, the Board of Directors of Bell Atlantic and each Committee of the Board of Directors of Bell Atlantic as constituted following each election of Directors shall consist of an equal number of GTE Directors and Bell Atlantic Directors and subject to the fiduciary duties of the Directors, the Board of Directors shall nominate for election at each stockholders meeting at which Directors are elected, an equal number of GTE Directors and Bell Atlantic Directors. If, at any time prior to July 1, 2002, the number of GTE Directors and Bell Atlantic Directors serving, either as directors or as members of any Committee of the Board of Directors of Bell Atlantic, would not be equal, then, subject to the fiduciary duties of the directors, the Board of Directors shall appoint to fill any existing vacancy or vacancies, as appropriate, such person or persons as may be requested by the remaining GTE Directors (if the number of GTE Directors is, or would otherwise become, less than the number of Bell Atlantic Directors) or by the remaining Bell Atlantic Directors (if the number of Bell Atlantic Directors is, or would otherwise become, less than the number of GTE Directors) to ensure that there shall be an equal number of GTE Directors and Bell Atlantic Directors. The provisions of the preceding two sentences shall not apply in respect of any vacancy which occurs after July 1, 2002. The term "GTE Director" means (i) any person serving as a director of GTE on the date hereof who becomes a director of Bell Atlantic at the Effective Time and (ii) any person who subsequently becomes a director of Bell Atlantic and who is designated by the GTE Directors pursuant to this paragraph; and the term "Bell Atlantic Director" means (i) any person serving as a director of Bell Atlantic on the date hereof who continues as a director of Bell Atlantic after the Effective Time and (ii) any person who becomes a director of Bell Atlantic and who is designated by the Bell Atlantic Directors pursuant to this paragraph. From the Effective Time through July 1, 2002, the Board of Directors shall consist of an even number of Directors and such number of Directors shall not be amended unless, immediately following such amendment, the number of GTE Directors then in office is equal to the number of Bell Atlantic Directors then in office.

(c) Each of GTE and Bell Atlantic shall take such action as shall reasonably be deemed by either thereof to be advisable to give effect to the provisions set forth in this section, including but not limited to incorporating such provisions in the Bylaws of Bell Atlantic in effect at the Effective Time.

SECTION 7.13—*No Shelf Registration.* Bell Atlantic shall not be required to amend or maintain the effectiveness of the Registration Statement for the purpose of permitting resale of the shares of Bell Atlantic Common Stock received pursuant hereto by the persons who may be deemed to be "affiliates" of GTE or Bell Atlantic within the meaning of Rule 145 promulgated under the 1933 Act. The shares of Bell Atlantic Common Stock issuable upon exercise of options pursuant to Section 2.8 hereof shall be registered under the 1933 Act and such registration shall be effective at the time of issuance.

SECTION 7.14—*Affiliates.* (a) Each of GTE and Bell Atlantic (i) has disclosed to the other in Section 7.14 of the Disclosure Schedules all persons who are, or may be, as of the date hereof its "affiliates" for purposes of Rule 145 under the Securities Act or SEC Accounting Series Release 135, and (ii) shall use all reasonable efforts to cause each person who is identified as an "affiliate" of it in Section 7.14 of the Disclosure Schedules to deliver to the other as promptly as practicable but in no event later than 31 days prior to the Closing Date, a signed Agreement substantially in the form attached hereto as Exhibit 7.14(a), in the case of GTE, and 7.14(b), in the case of Bell Atlantic. GTE and Bell Atlantic shall notify each other from time to time of any other persons who then are, or may be, such an "affiliate" and use all reasonable efforts to cause each additional person who is identified as an "affiliate" to execute a signed Agreement as set forth in this Section 7.14(a).

(b) If the transactions contemplated by this Agreement and the Option Agreements would otherwise qualify for pooling of interests accounting treatment, shares of GTE Common Stock and shares of Bell Atlantic Common Stock held by such "affiliates" of GTE or Bell Atlantic, as the case may be, shall not be transferable during the 30 day period prior to the Effective Time, and shares of Bell Atlantic Common Stock issued to, or as of the Effective Time held by, such "affiliates" of GTE and Bell Atlantic shall not be transferable until such time as financial results covering at least 30 days of combined operations of GTE and Bell Atlantic have been published within the meaning of Section 201.01 of the SEC's Codification of Financial Reporting Policies, regardless of whether each such "affiliate" has provided the signed Agreement referred to in Section 7.14 (a), except to the extent permitted by, and in accordance with, SEC Accounting Series Release 135 and SEC Staff Accounting Bulletins 65 and 76. Any Bell Atlantic Common Stock held by any such "affiliate" shall not be transferable, regardless of whether such "affiliate" has provided the applicable signed Agreement referred to in Section 7.14(a), if such transfer, either alone or in the aggregate with other transfers by "affiliates", would preclude the ability of the Parties to account for the transactions contemplated by this Agreement and the Option Agreements as a pooling of interests. Bell Atlantic shall not register the transfer of any shares of Bell Atlantic Common Stock unless such transfer is made in compliance with the foregoing.

SECTION 7.15—*Blue Sky.* GTE and Bell Atlantic will use their best efforts to obtain prior to the Effective Time all necessary blue sky permits and approvals required to permit the distribution of the shares of Bell Atlantic Common Stock to be issued in accordance with the provisions of this Agreement.

SECTION 7.16—*Pooling of Interests.* Each of the Parties will use its best efforts to (a) cause the transactions contemplated by this Agreement to be accounted for as a pooling of interests in accordance with GAAP, and such accounting treatment to be accepted by Bell Atlantic's independent certified public accountants, by the NYSE and by the SEC, respectively, and (b) not take any action which could reasonably be expected to cause such accounting treatment not to be obtained; provided that the foregoing shall not apply to any conduct or the effect of any conduct to obtain all necessary waivers, approvals and consents, and to avoid any contractual, legal, regulatory or other issues, impediments or delays, to consummate the transactions contemplated by this Agreement and the Option Agreements. Nothing in this Agreement shall restrict the rights of any Party pursuant to the Option Agreements.

SECTION 7.17—*Tax-Free Reorganization.* (a) Each of the Parties will use its best efforts to cause the Merger to qualify as a tax-free reorganization under Section 368 of the Code. (b) Bell Atlantic will deliver an Officer's Certificate substantially in the form of Exhibit 7.17(b)(i) executed as of the Closing Date and GTE will deliver an Officer's Certificate substantially in the form of Exhibit 7.17(b)(ii) executed as of the Closing Date.

ARTICLE VIII—CONDITIONS TO MERGER

SECTION 8.1—*Conditions to Obligations of Each Party to Effect the Merger.* The respective obligations of each Party to effect the Merger shall be subject to the following conditions:

(a) *Stockholder Approval.* Each of the GTE Stockholder Approval and the Bell Atlantic Stockholder Approval shall have been obtained;

(b) *Legality.* No federal, state or foreign statute, rule, regulation, executive order, decree, injunction or administrative order shall have been enacted, entered, promulgated or enforced by any Governmental Entity which is in effect and has the effect of (i) making the Merger illegal or otherwise prohibiting the consummation of the Merger or (ii) creating a Material Adverse Effect on GTE or Bell Atlantic, with or without including its ownership of GTE and its Subsidiaries after the Effective Time;

(c) *HSR Act; California PUC.* Any waiting period applicable to the consummation of the Merger under the HSR Act shall have expired or been terminated and the decision and order of the California Public Utilities Commission (''CPUC'') authorizing the Merger and making any required determinations under Section 854(a)-(c) of the California Public Utilities Code, including its determination as to any required allocation of economic benefits, if any, of the Merger, between shareholders and ratepayers, shall have become final;

(d) *Regulatory Matters.* All authorizations, consents, orders, permits or approvals of, or declarations or filings with, and all expirations of waiting periods imposed by, any Governmental Entity (all of the foregoing, ''Consents'') which are necessary for the consummation of the transactions contemplated hereby, other than Consents which, if not obtained, would not have a Material Adverse Effect on Bell Atlantic, with or without including its ownership of GTE and its Subsidiaries after the Merger, or GTE, shall have been filed, have occurred or have been obtained (all such Consents being referred to as the ''Requisite Regulatory Approvals'') and all such Requisite Regulatory Approvals shall be in full force and effect, provided, however, that a Requisite Regulatory Approval shall not be deemed to have been obtained if in connection with the grant thereof there shall have been an imposition by any Governmental Entity of any condition, requirement, restriction or change of regulation, or any other action directly or indirectly related to such grant taken by such Governmental Entity, which would reasonably be expected to have a Material Adverse Effect on either of (A) GTE or (B) Bell Atlantic (either with or without including its ownership of GTE and its Subsidiaries after the Merger);

(e) *Registration Statement Effective.* The Registration Statement shall have become effective prior to the mailing by each of GTE and Bell Atlantic of the Joint Proxy Statement to its respective stockholders, no stop order suspending the effectiveness of the Registration Statement shall then be in effect, and no proceedings for that purpose shall then be threatened by the SEC or shall have been initiated by the SEC and not concluded or withdrawn;

(f) *Blue Sky.* All state securities or blue sky permits or approvals required to carry out the transactions contemplated hereby shall have been received;

(g) *Stock Exchange Listing.* The shares of Bell Atlantic Common Stock into which the GTE Common Stock will be converted pursuant to Article II hereof and the shares of Bell Atlantic Common Stock issuable upon the exercise of options pursuant to Section 2.8 hereof shall have been duly approved for listing on the NYSE, subject to official notice of issuance;

(h) *Pooling.* Unless unable to be delivered due to actions taken by the Parties which constitute mutually agreed commercially reasonable efforts or commercially reasonable efforts with respect to wireless operations, (i) Bell Atlantic shall have received a letter from PricewaterhouseCoopers L.L.P., dated as of the Closing Date, to the effect that the transactions contemplated hereby will qualify for pooling of interests accounting treatment; and (ii) GTE shall have received a letter from Arthur Andersen LLP, dated as of the Closing Date, to the effect that the transactions contemplated hereby will qualify for pooling of interests accounting treatment;

(i) *Consents Under GTE Agreements.* GTE shall have obtained the consent or approval of any person whose consent or approval shall be required under any agreement or instrument in order to permit the consummation of the transactions contemplated hereby except those which the failure to obtain would not, individually or in the aggregate, have a Material Adverse Effect on Bell Atlantic, including its ownership of GTE and its Subsidiaries after the Merger; and

(j) *Consents Under Bell Atlantic Agreements.* Bell Atlantic shall have obtained the consent or approval of any person whose consent or approval shall be required under any agreement or instrument in order to permit the consummation of the transactions contemplated hereby except those which the failure to obtain would not, individually or in the aggregate, have a Material Adverse Effect on Bell Atlantic, including its ownership of GTE and its Subsidiaries after the Merger.

SECTION 8.2—*Additional Conditions to Obligations of GTE.* The obligations of GTE to effect the Merger are also subject to the fulfillment of the following conditions:

(a) *Representations and Warranties.* The representations and warranties of Bell Atlantic contained in this Agreement shall be true and correct on the date hereof and (except to the extent such representations and warranties speak as of a date earlier than the date hereof) shall also be true and correct on and as of the Closing Date, except for changes permitted under Section 6.2 hereof or otherwise contemplated by this Agreement and the Option Agreements, with the same force and effect as if made on and as of the Closing Date, provided, however, that for purposes of this Section 8.2(a) only, such representations and warranties shall be deemed to be true and correct unless the failure or failures of such representations and warranties to be so true and correct (without regard to materiality qualifiers contained therein), individually or in the aggregate, results or would reasonably be expected to result in a Material Adverse Effect on Bell Atlantic, either with or without including its ownership of GTE and its Subsidiaries after the Merger;

(b) *Agreements and Covenants.* Bell Atlantic and Merger Subsidiary shall have performed or complied with all agreements and covenants required by this Agreement to be performed or complied with by them on or before the Effective Time, provided, however, that for purposes of this Section 8.2 (b) only, such agreements and covenants shall be deemed to have been complied with unless the failure or failures of such agreements and covenants to have been complied with (without regard to materiality qualifiers contained therein), individually or in the aggregate, results or would reasonably be expected to result in a Material Adverse Effect on Bell Atlantic, either with or without including its ownership of GTE and its Subsidiaries after the Merger;

(c) *Certificates.* GTE shall have received a certificate of an executive officer of Bell Atlantic to the effect set forth in paragraphs (a) and (b) above;

(d) *Tax Opinion.* GTE shall have received an opinion of O'Melveny & Myers LLP, special counsel to GTE, dated as of the Closing Date, in form and substance reasonably satisfactory to GTE, substantially to the effect that, on the basis of the facts, representations and assumptions set forth in such opinion, the Merger constitutes a tax-free reorganization under Section 368 of the Code and therefore: (A) no gain or loss will be recognized for federal income tax purposes by Bell Atlantic, GTE or Merger Subsidiary as a result of the formation of Merger Subsidiary and the Merger; and (B) no gain or loss will be recognized for federal income tax purposes by the stockholders of GTE upon their exchange of GTE Common Stock solely for Bell Atlantic Common Stock pursuant to the Merger (except with respect to cash received in lieu of a fractional share interest in Bell Atlantic Common Stock). In rendering such opinion, O'Melveny & Myers LLP may require and rely upon representations and covenants including representations and covenants substantially in the form of those contained in the GTE officer's certificate and the Bell Atlantic officer's certificate attached hereto as Exhibit 7.17(b)(ii) and Exhibit 7.17(b)(i), respectively;

(e) *Affiliate Agreements.* GTE shall have received the agreements required by Section 7.14 hereof to be delivered by the Bell Atlantic "affiliates," duly executed by each "affiliate" of Bell Atlantic; and

(f) *Bylaws Amendment, Board of Directors.* Bell Atlantic shall have taken all such actions as shall be necessary so that (i) the Bylaws Amendment shall become effective not later than the Effective Time; and (ii) at the Effective Time, the composition of Bell Atlantic's Board shall comply with Section 7.12 hereof (assuming GTE has designated the GTE Directors as contemplated by Section 7.12 hereof).

SECTION 8.3—*Additional Conditions to Obligations of Bell Atlantic.* The obligations of Bell Atlantic to effect the Merger are also subject to the fulfillment of the following conditions:

(a) *Representations and Warranties.* The representations and warranties of GTE contained in this Agreement shall be true and correct on the date hereof and (except to the extent such representations and warranties speak as of a date earlier than the date hereof) shall also be true and correct on and as of the Closing Date, except for changes permitted under Section 6.2 hereof or otherwise contemplated by this Agreement and the Option Agreements, with the same force and effect as if made on and as of the Closing Date, provided, however, that for purposes of this Section 8.3 (a) only, such representations and warranties shall be deemed to be true and correct unless the failure or failures of such representations and warranties to be so true and correct (without regard to materiality qualifiers contained therein), individually or in the aggregate, results or would reasonably be expected to result in a Material Adverse Effect on GTE or Bell Atlantic (only after including its ownership of GTE and its Subsidiaries after the Merger);

(b) *Agreements and Covenants.* GTE shall have performed or complied with all agreements and covenants required by this Agreement to be performed or complied with by them on or before the Effective Time, provided, however, that for purposes of this Section 8.3 (b) only, such agreements and covenants shall be deemed to have been complied with unless the failure or failures of such agreements and covenants to have been complied with (without regard to materiality qualifiers contained therein), individually or in the aggregate, results or would reasonably be expected to result in a Material Adverse Effect on GTE;

(c) *Certificates.* Bell Atlantic shall have received a certificate of an executive officer of GTE to the effect set forth in paragraphs (a) and (b) above;

(d) *GTE Rights Agreement.* The rights issued pursuant to the GTE Rights Agreement shall not have become non-redeemable, exercisable, distributed or triggered pursuant to the terms of such Agreement and would not become so upon consummation of the transactions contemplated hereby;

(e) *Tax Opinion.* Bell Atlantic shall have received an opinion of Skadden, Arps, Slate, Meagher & Flom LLP, special counsel to Bell Atlantic, dated as of the Effective Time, in form and substance reasonably satisfactory to Bell Atlantic, substantially to the effect that, on the basis of the facts, representations and assumptions set forth in such opinion, the Merger constitutes a tax-free reorganization under Section 368 of the Code and therefore: (A) no gain or loss will be recognized for federal income tax purposes by Bell Atlantic, GTE or Merger Subsidiary as a result of the formation of Merger Subsidiary and the Merger; and (B) no gain or loss will be recognized for federal income tax purposes by the stockholders of Bell Atlantic as a result of the Merger, including the Certificate Amendment. In rendering such opinion, Skadden, Arps, Slate, Meagher & Flom LLP may require and rely upon representations and covenants including representations and covenants substantially in the form of those contained in the GTE officer's certificate and the Bell Atlantic officer's certificate attached hereto as Exhibits 7.17(b)(ii) and 7.17(b)(i) respectively.

(f) *Affiliate Agreements.* Bell Atlantic shall have received the agreements required by Section 7.14 hereof to be delivered by the GTE "affiliates," duly executed by each "affiliate" of GTE.

ARTICLE IX—TERMINATION, AMENDMENT AND WAIVER

SECTION 9.1—*Termination.* This Agreement may be terminated at any time before the Effective Time, in each case as authorized by the respective Board of Directors of GTE or Bell Atlantic:

(a) By mutual written consent of each of GTE and Bell Atlantic;

(b) By either GTE or Bell Atlantic if the Merger shall not have been consummated on or before July 26, 1999 (the "Initial Termination Date" and as such may be extended pursuant to this paragraph, the "Termination Date"), provided, however, that if on the Termination Date the conditions to the Closing set forth in Sections 8.1(b)(i), (c) or (d) shall not have been fulfilled, but all other conditions to the Closing shall be fulfilled or shall be capable of being fulfilled, then the Termination Date shall be extended to March 31, 2000, (the "Extended Termination Date"); and provided further that if on the Extended Termination Date the conditions to the Closing set forth in Sections 8.1(b)(i), (c) or (d) shall not have been fulfilled, but all other conditions to the Closing shall be fulfilled or shall be capable of being fulfilled, then the Termination Date shall be extended to June 30, 2000 (the "Final Termination Date"), unless within five days prior to the Extended Termination Date any Party reasonably determines that it is substantially unlikely that the conditions to the Closing set forth in Sections 8.1(b)(i), (c) and (d) will be fulfilled by the Final Termination Date and delivers to the other Parties a notice to such effect. The right to terminate this Agreement under this Section 9.1(b) shall not be available to any Party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of any condition to be satisfied;

(c) By either GTE or Bell Atlantic if after the date hereof a court of competent jurisdiction or Governmental Entity shall have issued an order, decree or ruling or taken any other action (which order, decree or ruling the Parties shall use their commercially reasonable efforts to lift), in each case permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement and the Option Agreements, and such order, decree, ruling or other action shall have become final and nonappealable;

(d) (i) by GTE, (A) if Bell Atlantic shall have breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform (1) is incapable of being cured by Bell Atlantic prior to the Termination Date and (2) renders any condition under Section 8.1 or 8.2 incapable of being satisfied prior to the Termination Date, or (B) if a condition under Sections 8.1 or 8.2 to GTE's obligations hereunder cannot be satisfied prior to the Termination Date;

(ii) by Bell Atlantic, (A) if GTE shall have breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform (1) is incapable of being cured by GTE prior to the Termination Date and (2) renders any condition under Sections 8.1 and 8.3 incapable of being satisfied prior to the Termination Date, or (B) if a condition under Sections 8.1 or 8.3 to Bell Atlantic's obligations hereunder cannot be satisfied prior to the Termination Date;

(e) By either GTE or Bell Atlantic if the Board of Directors of the other or any committee of the Board of Directors of the other (i) shall fail to include in the Joint Proxy Statement its recommendation without modification or qualification that stockholders approve this Agreement and the Merger, in the case of GTE, or the Stock Issuance and the Certificate Amendment, in the case of Bell Atlantic Stock, (ii) shall withdraw or modify in any adverse manner its approval or recommendation of this Agreement or the Merger, in the case of GTE, or the Certificate Amendment or the Stock Issuance in the case of Bell Atlantic, (iii) shall fail to reaffirm such approval or recommendation upon such Party's request, (iv) shall approve or recommend any Alternative Transaction or (v) shall resolve to take any of the actions specified in this Section 9.1(e); or

(f) By either GTE or Bell Atlantic if any of the required approvals of the stockholders of GTE or of Bell Atlantic shall fail to have been obtained at a duly held stockholders meeting of either of such companies, including any adjournments thereof.

SECTION 9.2—*Effect of Termination.* (a) In the event of termination of this Agreement as provided in Section 9.1 hereof, and subject to the provisions of Section 10.1 hereof, this Agreement shall forthwith become void and there shall be no liability on the part of any of the Parties, except (i) as set forth in this Section 9.2 and in Sections 4.10, 4.16, 5.10, 5.16 and 10.3 hereof, and (ii) nothing herein shall relieve any Party from liability for any willful breach hereof.

(b) If this Agreement (i) is terminated by GTE pursuant to Section 9.1(e) hereof, (ii) could have been (but was not) terminated by GTE pursuant to Section 9.1(e) hereof and is subsequently terminated by Bell Atlantic or GTE pursuant to Section 9.1(f) because of the failure to obtain the Bell Atlantic Stockholder Approval, (iii)(A) could not have been terminated by GTE pursuant to Section 9.1(e) hereof but is subsequently terminated by Bell Atlantic or GTE pursuant to Section 9.1(f) because of the failure to obtain the Bell Atlantic Stockholder Approval, (B) prior to the Bell Atlantic Stockholders' Meeting there shall have been an offer or proposal for, an announcement of any intention with respect to (including the filing of a statement of beneficial ownership on Schedule 13D discussing the possibility of or reserving the right to engage in), or any agreement with respect to, a transaction that would constitute an Alternative Transaction (as defined in Section 6.3(c) hereof, except that for the purposes of this Section 9.2(b), the applicable percentage in clause (i) of such definition shall be fifty percent (50%)) involving Bell Atlantic or any of Bell Atlantic's Subsidiaries, and (C) within 12 months after the termination of this Agreement, Bell Atlantic enters into a definitive agreement with any Third Party with respect to an Alternative Transaction, or (iv) is terminated by GTE as a result of Bell Atlantic's material breach of Section 7.1, Section 7.2(a) or Section 7.2(b) hereof which, in the case of Section 7.1 and Section 7.2(a) only, is not cured within 30 days after notice thereof to Bell Atlantic, Bell Atlantic shall pay to GTE a termination fee of one billion eight hundred million dollars ($1,800,000,000) (the "GTE Termination Fee").

(c) If this Agreement (i) is terminated by Bell Atlantic pursuant to Section 9.1(e) hereof, (ii) could have been (but was not) terminated by Bell Atlantic pursuant to Section 9.1(e) hereof and is subsequently terminated by GTE or Bell Atlantic pursuant to Section 9.1(f) because of the failure to obtain the GTE Stockholder Approval, (iii)(A) could not have been terminated by Bell Atlantic pursuant to Section 9.1(e) hereof but is subsequently terminated by GTE or Bell Atlantic pursuant to Section 9.1(f) because of the failure to obtain the GTE Stockholder Approval, (B) prior to the GTE Stockholders' Meeting there shall have been an offer or proposal for, an announcement of any intention with respect to (including the filing of a statement of beneficial ownership on Schedule 13D discussing the possibility of or reserving the right to engage in), or any agreement with respect to, a transaction that would constitute an Alternative Transaction (as defined in Section 6.3(c) hereof, except that for the purposes of this Section 9.2(c), the applicable percentage in clause (i) of such definition shall be fifty percent (50%)) involving GTE or any of GTE's Subsidiaries, and (C) within 12 months after the termination of this Agreement, GTE enters into a definitive agreement with any Third Party with respect to an Alternative Transaction, or (iv) is terminated by Bell Atlantic as a result of GTE's material breach of Section 7.1, Section 7.2(c) or Section 7.2(d) hereof which, in the case of Section 7.1 and Section 7.2(c) only, is not cured within 30 days after notice thereof to GTE, GTE shall pay to Bell Atlantic a termination fee of one billion eight hundred million dollars ($1,800,000,000) (the "Bell Atlantic Termination Fee").

(d) Each termination fee payable under Sections 9.2(b) and (c) above shall be payable in cash, payable no later than one business day following the delivery of notice of termination to the other Party, or, if such fee shall be payable pursuant to clause (iii) of either of Section 9.2(b) or (c), such fee shall be payable no later than one business day following the day such Party enters into the definitive agreement referenced in such clause (iii).

(e) GTE and Bell Atlantic agree that the agreements contained in Sections 9.2(b) and (c) above are an integral part of the transactions contemplated by this Agreement and the Option Agreements and constitute liquidated damages and not a penalty. In the event of any dispute as to whether any fee due under such Sections 9.2(b) and (c) is due and payable, the prevailing party shall be entitled to receive from the other Party the costs and expenses (including legal fees and expenses) in connection with any action, including the filing of any lawsuit or other legal action, relating to such dispute. Interest shall be paid on the amount of any unpaid fee at the publicly announced prime rate of Citibank, N.A. from the date such fee was required to be paid.

SECTION 9.3—*Amendment.* This Agreement may be amended by the Parties pursuant to a writing adopted by action taken by all of the Parties at any time before the Effective Time; provided, however, that, after approval of the Merger Agreement by the stockholders of GTE or Bell Atlantic, whichever shall occur first, no amendment may be made which would (a) alter or change the amount or kinds of consideration to be received by the holders of GTE Common Stock upon consummation of the Merger, (b) alter or change any term of the Certificate of Incorporation of GTE or the Certificate of Incorporation of Bell Atlantic (except for the implementation at the Effective Time of the Certificate Amendment) or (c) alter or change any of the terms and conditions of this Agreement if such alteration or change would adversely affect the holders of any class or series of securities of GTE or Bell Atlantic. This Agreement may not be amended except by an instrument in writing signed by the Parties.

SECTION 9.4—*Waiver.* At any time before the Effective Time, any Party may (a) extend the time for the performance of any of the obligations or other acts of the other Parties, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a Party to any such extension or waiver shall be valid only as against such Party and only if set forth in an instrument in writing signed by such Party.

ARTICLE X—GENERAL PROVISIONS

SECTION 10.1—*Non-Survival of Representations, Warranties and Agreements.* The representations, warranties and agreements in this Agreement shall terminate at the Effective Time or upon the termination of this Agreement pursuant to Section 9.1 hereof, as the case may be, except that (a) the agreements set forth in Article I and Sections 2.2, 2.4, 2.5, 2.6, 2.7, 2.8, 2.9, 7.8, 7.9 and 7.12 hereof shall survive the Effective Time indefinitely, (b) the agreements and representations set forth in Sections 4.10, 4.16, 5.10, 5.16, 7.5 (b), 9.2 and 10.3 hereof shall survive termination indefinitely and (c) nothing contained herein shall limit any covenant or Agreement of the Parties which by its terms contemplates performance after the Effective Time.

SECTION 10.2—*Notices.* All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date of receipt and shall be delivered personally or mailed by registered or certified mail (postage prepaid, return receipt requested), sent by overnight courier or sent by telecopy, to the Parties at the following addresses or telecopy numbers (or at such other address or telecopy number for a Party as shall be specified by like notice):

(a) if to GTE:

GTE Corporation
One Stamford Forum
Stamford, Connecticut 06904
Attention: William P. Barr
Executive Vice President-Government
and Regulatory and General Counsel
Telecopy No.: (203) 965-3464

with a copy to:

O'Melveny & Myers LLP
153 East 53rd Street, 54th Floor
New York, New York 10066
Attention: Jeffrey J. Rosen, Esq.
Telecopy No.: (212) 326-2061

(b) if to Bell Atlantic:

Bell Atlantic Corporation
1095 Avenue of the Americas, 39th Floor
New York, New York 10036
Attention: Vice President and General Counsel
Telecopy No.: (212) 597-2587

with a copy to:

Bell Atlantic Network Services, Inc.
1717 Arch Street, 32N
Philadelphia, Pennsylvania 19103
Attention: Assistant General Counsel—Mergers and Acquisitions
Telecopy No.: (215) 963-9195

and

Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue
New York, New York 10022-3897
Attention: Peter Allan Atkins, Esq.
Telecopy No.: (212) 735-2000

SECTION 10.3—*Expenses.* Except as otherwise provided in this Agreement, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such costs and expenses, except that those expenses incurred in connection with the printing of the Joint Proxy Statement and the Registration Statement, as well as the filing fees related thereto and any filing fee required in connection with the filing of Premerger Notifications under the HSR Act, shall be shared equally by GTE and Bell Atlantic. GTE will pay any real property transfer or similar Taxes imposed on the stockholders of GTE in connection with this Agreement and the transactions contemplated hereby.

SECTION 10.4—*Certain Definitions.* For purposes of this Agreement, the following terms shall have the following meanings:

(a) "1933 Act" means the Securities Act of 1933, as the same may be amended from time to time, and "Exchange Act" means the Securities Exchange Act of 1934, as the same may be amended from time to time.

(b) "affiliate" of a person means a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the first mentioned person.

(c) "commercially reasonable efforts" shall mean those efforts necessary or advisable to advance the interests of the Parties in achieving the purposes and specific requirements and satisfying the conditions of this Agreement, provided that such efforts will not require or include either expense or conduct not ordinarily incurred or engaged in by Parties seeking to implement agreements of this type unless part of a separate mutual understanding of the Parties not contained in this Agreement whether reached before or after the Agreement is executed.

(d) "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of stock, as trustee or executor, by contract or credit arrangement or otherwise.

(e) "HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as the same may be amended from time to time.

(f) "knowledge" of any Party shall mean the actual knowledge of the executive officers of such Party.

(g) "Material Adverse Effect" means any change in or effect on the business of the referenced corporation or any of its Subsidiaries that is or will be materially adverse to the business, operations (including the income statement), properties (including intangible properties), condition (financial or otherwise), assets, liabilities or regulatory status of such referenced corporation and its Subsidiaries taken as a whole, but shall not include (I) the effects of changes that are generally applicable in (A) the telecommunications industry, (B) the United States economy or (C) the United States securities markets if, in any of (A), (B) or (C), the effect on GTE or Bell Atlantic, determined without including its ownership of GTE after the Merger, (as the case may be) and its respective Subsidiaries, taken as a whole, is not materially disproportionate relative to the effect on the other and its Subsidiaries, taken as a whole. All references to Material Adverse Effect on Bell Atlantic or its Subsidiaries contained in Article IV, V or VI of this Agreement shall be deemed to refer solely to Bell Atlantic and its Subsidiaries without including its ownership of GTE and its Subsidiaries after the Merger.

(h) ''Material Investment'' means (a) as to GTE, any person which GTE directly or indirectly holds the stock of, or other equity interest in, provided the lesser of the fair market value or book value of such interest exceeds $100 million, excluding, however, any person which is a Subsidiary of GTE; and (b) as to Bell Atlantic, any person which Bell Atlantic directly or indirectly holds the stock of, or other equity interest in, provided the lesser of the fair market value or book value of such interest exceeds $100 million, excluding, however, any Person which is a Subsidiary of Bell Atlantic.

(i) ''person'' means an individual, corporation, partnership, association, trust, estate, limited liability company, labor union, unincorporated organization, entity or group (as defined in the Exchange Act).

(j) ''POR'' means the Plan of Reorganization approved by the United States Court for the District of Columbia on August 5, 1983 and the Agreement Concerning Contingent Liabilities, Tax Matters and Termination of Certain Agreements dated as of November 1, 1983, as amended and supplemented.

(k) ''Significant Subsidiary'' with respect to GTE means any Subsidiary which on the date of determination is a ''significant subsidiary'' within the meaning of Rule 1-02(w) of Regulation S-X promulgated under the Exchange Act and, with respect to Bell Atlantic means any Subsidiary which on the date of determination is a ''significant subsidiary'' within the meaning of Rule 1-02(w) of Regulation S-X promulgated under the Exchange Act.

(l) ''Subsidiary'', ''GTE Subsidiary'', or ''Bell Atlantic Subsidiary'' means any corporation or other legal entity of which GTE or Bell Atlantic, as the case may be (either alone or through or together with any other Subsidiary or Subsidiaries), owns, directly or indirectly, more than 50% of the stock or other equity interests the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity. For purposes of this Agreement, Grupo Iusacell S.A. de C.V. shall be deemed to be a Material Investment, and not a Subsidiary, of Bell Atlantic.

SECTION 10.5—*Headings.* The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 10.6—*Severability.* If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the maximum extent possible.

SECTION 10.7—*Entire Agreement; No Third-Party Beneficiaries.* This Agreement, the Nondisclosure Agreement and the Stock Option Agreements constitute the entire agreement and, except as expressly set forth herein, supersedes any and all other prior agreements and undertakings, both written and oral, among the Parties, or any of them, with respect to the subject matter hereof and, except for Section 7.8 (Indemnification, Directors' and Officers' Insurance) and Section 7.12 (Post-Merger Bell Atlantic Board of Directors), is not intended to confer upon any person other than GTE, Bell Atlantic, and Merger Subsidiary and, after the Effective Time, their respective stockholders, any rights or remedies hereunder.

SECTION 10.8—*Assignment.* This Agreement shall not be assigned by operation of law or otherwise.

SECTION 10.9—*Governing Law.* This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware applicable to contracts executed in and to be performed entirely within that State, without regard to the conflicts of laws provisions thereof; provided that the Merger shall be governed by the laws of the State of New York applicable to contracts executed in and to be performed entirely within that State, without regard to the conflicts of laws provisions thereof.

SECTION 10.10—*Counterparts.* This Agreement may be executed in two or more counterparts, and by the different Parties in separate counterparts, each of which when executed shall be deemed to be an original, but all of which shall constitute one and the same Agreement.

SECTION 10.11—*Interpretation.*

(a) Whenever the words "include", "includes" or "including" are used in this Agreement they shall be deemed to be followed by the words "without limitation."

(b) Words denoting any gender shall include all genders. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(c) A reference to any party to this Agreement or any other agreement or document shall include such party's successors and permitted assigns.

(d) A reference to any legislation or to any provision of any legislation shall include any modification or re-enactment thereof, any legislative provision substituted therefor and all regulations and statutory instruments issued thereunder or pursuant thereto.

(e) All references to "$" and dollars shall be deemed to refer to United States currency unless otherwise specifically provided.

IN WITNESS WHEREOF, GTE, Bell Atlantic and Beta Gamma Corporation have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

GTE CORPORATION

By: /s/ CHARLES R. LEE
Name: Charles R. Lee
Title: Chairman and Chief Executive Officer

By: /s/ MARIANNE DROST
Name: Marianne Drost
Title: Secretary

BELL ATLANTIC CORPORATION

By: /s/ IVAN SEIDENBERG
Name: Ivan Seidenberg
Title: Vice Chairman, President and Chief Executive Officer

BETA GAMMA CORPORATION

By: /s/ IVAN SEIDENBERG
Name: Ivan Seidenberg
Title: President and Chief Executive Officer

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THE TRANSFER OF THIS AGREEMENT IS SUBJECT TO CERTAIN PROVISIONS CONTAINED HEREIN AND TO RESALE RESTRICTIONS UNDER THE SECURITIES ACT OF 1933, AS AMENDED

STOCK OPTION AGREEMENT, dated July 27, 1998, between GTE Corporation, a New York corporation (''Issuer''), and Bell Atlantic Corporation, a Delaware corporation (''Grantee'').

WHEREAS, Grantee and Issuer have entered into an Agreement and Plan of Merger of even date herewith (the ''Merger Agreement''), which agreement has been executed by the parties hereto immediately prior to this Stock Option Agreement (the ''Agreement''); and

WHEREAS, as a condition to Grantee's entering into the Merger Agreement and in consideration therefor and for the transactions contemplated thereby Issuer has agreed to grant Grantee the Option (as hereinafter defined);

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements set forth herein and in the Merger Agreement, the parties hereto agree as follows:

1. (a) Issuer hereby grants to Grantee an unconditional, irrevocable option (the ''Option'') to purchase, subject to the terms hereof, up to 96,324,124 fully paid and nonassessable shares of Issuer's Common Stock, par value $0.05 per share (''Common Stock''), at a price of $55¾ per share (the ''Option Price''); provided, however, that in no event shall the number of shares of Common Stock for which this Option is exercisable exceed 10% of the Issuer's issued and outstanding shares of Common Stock after giving effect to any shares subject to or issued pursuant to the Option. The number of shares of Common Stock that may be received upon the exercise of the Option and the Option Price are subject to adjustment as herein set forth.

(b) In the event that any additional shares of Common Stock are either (i) issued or otherwise become outstanding after the date of this Agreement (other than pursuant to this Agreement) or (ii) redeemed, repurchased, retired or otherwise cease to be outstanding after the date of the Agreement, the number of shares of Common Stock subject to the Option shall be increased or decreased, as appropriate, so that, after such issuance, such number equals 10% of the number of shares of Common Stock then issued and outstanding after giving effect to any shares subject or issued pursuant to the Option or, if not a whole number of shares, rounded down to the next whole number. Nothing contained in this Section 1(b) or elsewhere in this Agreement shall be deemed to authorize Issuer or Grantee to breach any provision of the Merger Agreement.

2. (a) The Holder (as hereinafter defined) may exercise the Option, in whole or part, and from time to time, if, but only if, a Subsequent Triggering Event (as hereinafter defined) shall have occurred prior to the occurrence of an Exercise Termination Event (as hereinafter defined), provided that the Holder shall have sent the written notice of such exercise (as provided in subsection (e) of this Section 2) within 90 days following such Subsequent Triggering Event. Each of the following shall be an ''Exercise Termination Event'':

(i) the Effective Time (as defined in the Merger Agreement) of the Merger;

(ii) termination of the Merger Agreement in accordance with the provisions thereof if such termination occurs prior to the occurrence of an Initial Triggering Event (as hereinafter defined), except a termination by Grantee pursuant to Section 9.1(d)(ii)(A) of the Merger Agreement (unless the breach by Issuer giving rise to such right of termination is non-volitional); or

(iii) the passage of two years after termination of the Merger Agreement if such termination follows the occurrence of an Initial Triggering Event or is a termination by Grantee pursuant to Section 9.1(d)(ii)(A) of the Merger Agreement (unless the breach by Issuer giving rise to such right of termination is non-volitional) (provided that if an Initial Triggering Event continues or occurs beyond such termination and prior to the passage of such two-year period, the Exercise Termination Event shall be two years from the expiration of the Last Triggering Event but in no event more than two years and six months after such termination). The ''Last Triggering Event'' shall mean the last Initial Triggering Event to occur. The term ''Holder'' shall mean the holder or holders of the Option.

(b) The term ''Initial Triggering Event'' shall mean any of the following events or transactions occurring after the date hereof:

(i) Issuer or any of its Subsidiaries (each an ''Issuer Subsidiary''), without having received Grantee's prior written consent, shall have entered into an agreement to engage in an Alternative Transaction (as hereinafter defined) with any person (the term ''person'' for purposes of this Agreement having the meaning assigned thereto in Sections 3(a)(9) and 13(d)(3) of the Securities Exchange Act of 1934, as amended (the ''1934 Act''), and the rules and regulations thereunder) other than Grantee or any of its Subsidiaries (each a ''Grantee Subsidiary'') or the Board of Directors of Issuer shall have recommended that the stockholders of Issuer approve or accept any Alternative Transaction;

(ii) Issuer or any Issuer Subsidiary, without having received Grantee's prior written consent, shall have authorized, recommended, proposed or publicly announced its intention to authorize, recommend or propose, to engage in an Alternative Transaction with any person other than Grantee or a Grantee Subsidiary, or the Board of Directors of Issuer shall have publicly withdrawn or modified, or publicly announced its intent to withdraw or modify, in any manner adverse to Grantee, its recommendation that the stockholders of Issuer approve the transactions contemplated by the Merger Agreement after disclosure of the existence of an Alternative Transaction;

(iii) Any person other than Grantee, any Grantee Subsidiary or any Issuer Subsidiary acting in a fiduciary capacity in the ordinary course of its business shall have acquired beneficial ownership or the right to acquire beneficial ownership of 10% or more of the outstanding shares of Common Stock (the term ''beneficial ownership'' for purposes of this Agreement having the meaning assigned thereto in Section 13(d) of the 1934 Act, and the rules and regulations thereunder);

(iv) Any person other than Grantee or any Grantee Subsidiary shall have made a bona fide proposal to Issuer or its stockholders by public announcement or written communication that is or becomes the subject of public disclosure to engage in an Alternative Transaction;

(v) After an overture is made by a third party to Issuer or its stockholders to engage in an Alternative Transaction, Issuer shall have breached any covenant or obligation contained in the Merger Agreement and such breach (x) would entitle Grantee to terminate the Merger Agreement and (y) shall not have been cured prior to the Notice Date (as defined below); or

(vi) Any person other than Grantee or any Grantee Subsidiary, other than in connection with a transaction to which Grantee has given its prior written consent, shall have filed an application or notice with the Federal Communications Commission, or other federal or state regulatory authority, which application or notice has been accepted for processing, for approval to engage in an Alternative Transaction.

(c) The term ''Subsequent Triggering Event'' shall mean the consummation of an Alternative Transaction. The term ''Alternative Transaction'' means an Alternative Transaction (as defined in the Merger Agreement) with respect to the Issuer.

(d) Issuer shall notify Grantee promptly in writing of the occurrence of any Initial Triggering Event and/or Subsequent Triggering Event of which it has notice (together, a ''Triggering Event''), it being understood that the giving of such notice by Issuer shall not be a condition to the right of the Holder to exercise the Option.

(e) In the event the Holder is entitled to and wishes to exercise the Option, it shall send to Issuer a written notice (the date of which being herein referred to as the "Notice Date") specifying (i) the total number of shares it will purchase pursuant to such exercise and (ii) a place and date not earlier than three business days nor later than 30 business days from the Notice Date for the closing of such purchase (the "Closing Date"); provided that if prior notification to or approval of the Federal Communications Commission or any other state or federal regulatory agency is required in connection with such purchase, the Holder shall promptly file the required notice or application for approval and shall expeditiously process the same and the period of time that otherwise would run pursuant to this sentence shall run instead from the date on which any required notification periods have expired or been terminated or such approvals have been obtained and any requisite waiting period or periods shall have passed. Any exercise of the Option shall be deemed to occur on the Notice Date relating thereto.

(f) At the closing referred to in subsection (e) of this Section 2, the Holder shall pay to Issuer the aggregate purchase price for the shares of Common Stock purchased pursuant to the exercise of the Option in immediately available funds by wire transfer to a bank account designated by Issuer, provided that failure or refusal of Issuer to designate such a bank account shall not preclude the Holder from exercising the Option.

(g) At such closing, simultaneously with the delivery of immediately available funds as provided in subsection (f) of this Section 2, Issuer shall deliver to the Holder a certificate or certificates representing the number of shares of Common Stock purchased by the Holder and, if the Option should be exercised in part only, a new Option evidencing the rights of the Holder thereof to purchase the balance of the shares purchasable hereunder, and the Holder shall deliver to Issuer a copy of this Agreement and a letter agreeing that the Holder will not offer to sell or otherwise dispose of such shares in violation of applicable law or the provisions of this Agreement.

(h) Certificates for Common Stock delivered at a closing hereunder may be endorsed with a restrictive legend that shall read substantially as follows:

> "The transfer of the shares represented by this certificate is subject to certain provisions of an agreement between the registered holder hereof and Issuer and to resale restrictions arising under the Securities Act of 1933, as amended. A copy of such agreement is on file at the principal office of Issuer and will be provided to the holder hereof without charge upon receipt by Issuer of a written request therefor."

It is understood and agreed that:

(i) the reference to the resale restrictions of the Securities Act of 1933, as amended (the "1933 Act"), in the above legend shall be removed by delivery of substitute certificate(s) without such reference if the Holder shall have delivered to Issuer a copy of a letter from the staff of the SEC, or an opinion of counsel, in form and substance reasonably satisfactory to Issuer, to the effect that such legend is not required for purposes of the 1933 Act;

(ii) the reference to the provisions of this Agreement in the above legend shall be removed by delivery of substitute certificate(s) without such reference if the shares have been sold or transferred in compliance with the provisions of this Agreement and under circumstances that do not require the retention of such reference; and

(iii) the legend shall be removed in its entirety if the conditions in the preceding clauses (i) and (ii) are both satisfied. In addition, such certificates shall bear any other legend as may be required by law.

(i) Upon the giving by the Holder to Issuer of the written notice of exercise of the Option provided for under subsection (e) of this Section 2 and the tender of the applicable purchase price in immediately available funds, the Holder shall be deemed, subject to the receipt of applicable regulatory approvals, to be the holder of record of the shares of Common Stock issuable upon such exercise, notwithstanding that the stock transfer books of Issuer shall then be closed or that certificates representing such shares of Common Stock shall not then be actually delivered to the Holder. Issuer shall pay all expenses, and any and all United States federal, state and local taxes and other charges that may be payable in connection with the preparation, issue and delivery of stock certificates under this Section 2 in the name of the Holder or its assignee, transferee or designee.

3. Issuer agrees:

(i) that it shall at all times maintain, free from preemptive rights, sufficient authorized but unissued or treasury shares of Common Stock so that the Option may be exercised without additional authorization of Common Stock after giving effect to all other options, warrants, convertible securities and other rights to purchase Common Stock;

(ii) that it will not, by charter amendment or through reorganization, consolidation, merger, dissolution or sale of assets, or by any other voluntary act, avoid or seek to avoid the observance or performance of any of the covenants, stipulations or conditions to be observed or performed hereunder by Issuer;

(iii) promptly to take all action as may from time to time be required (including (x) complying with all premerger notification, reporting and waiting period requirements specified in the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations promulgated thereunder and (y) in the event that prior approval of or notice to the Federal Communications Commission or to any state regulatory authority is necessary before the Option may be exercised, cooperating fully with the Holder in preparing such applications or notices and providing such information to the Federal Communications Commission or such state regulatory authority as they may require) in order to permit the Holder to exercise the Option and Issuer duly and effectively to issue shares of Common Stock pursuant hereto; and

(iv) promptly to take all action provided herein to protect the rights of the Holder against dilution.

4. This Agreement and the Option granted hereby are exchangeable, without expense, at the option of the Holder, upon presentation and surrender of this Agreement at the principal office of Issuer, for other Agreements providing for Options of different denominations entitling the holder thereof to purchase, on the same terms and subject to the same conditions as are set forth herein, in the aggregate the same number of shares of Common Stock purchasable hereunder. The terms ''Agreement'' and ''Option'' as used herein include any Stock Option Agreements and related Options for which this Agreement (and the Option granted hereby) may be exchanged. Upon receipt by Issuer of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Agreement, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Agreement, if mutilated, Issuer will execute and deliver a new Agreement of like tenor and date. Any such new Agreement executed and delivered shall constitute an additional contractual obligation on the part of Issuer, whether or not the Agreement so lost, stolen, destroyed or mutilated shall at any time be enforceable by anyone.

5. In addition to the adjustment in the number of shares of Common Stock that are purchasable upon exercise of the Option pursuant to Section 1 of this Agreement, the number of shares of Common Stock purchasable upon the exercise of the Option and the Option Price shall be subject to adjustment from time to time as provided in this Section 5. In the event of any change in, or distributions in respect of, the Common Stock by reason of stock dividends, split-ups, mergers, recapitalizations, combinations, subdivisions, conversions, exchanges of shares, distributions on or in respect of the Common Stock, or the like, the type and number of shares of Common Stock purchasable upon exercise hereof and the Option Price shall be appropriately adjusted in such manner as shall fully preserve the economic benefits provided hereunder and proper provision shall be made in any agreement governing any such transaction to provide for such proper adjustment and the full satisfaction of the Issuer's obligations hereunder.

6. Upon the occurrence of a Subsequent Triggering Event that occurs prior to an Exercise Termination Event, Issuer shall, at the request of Grantee delivered within 90 days of such Subsequent Triggering Event (whether on its own behalf or on behalf of any subsequent holder of this Option (or part thereof) or any of the

shares of Common Stock issued pursuant hereto), promptly prepare, file and keep current a shelf registration statement under the 1933 Act covering this Option and any shares issued and issuable pursuant to this Option and shall use its reasonable best efforts to cause such registration statement to become effective and remain current in order to permit the sale or other disposition of this Option and any shares of Common Stock issued upon total or partial exercise of this Option (''Option Shares'') in accordance with any plan of disposition requested by Grantee. Issuer will use its reasonable best efforts to cause such registration statement first to become effective and then to remain effective for such period not in excess of 180 days from the day such registration statement first becomes effective or such shorter time as may be reasonably necessary to effect such sales or other dispositions. Grantee shall have the right to demand two such registrations. The foregoing notwithstanding, if, at the time of any request by Grantee for registration of the Option or Option Shares as provided above, Issuer is in registration with respect to an underwritten public offering of shares of Common Stock, and if in the good faith judgment of the managing underwriter or managing underwriters, or, if none, the sole underwriter or underwriters, of such offering the inclusion of the Holder's Option or Option Shares would interfere with the successful marketing of the shares of Common Stock offered by Issuer, the number of Option Shares otherwise to be covered in the registration statement contemplated hereby may be reduced; and provided, however, that after any such required reduction the number of Option Shares to be included in such offering for the account of the Holder shall constitute at least 25% of the total number of shares to be sold by the Holder and Issuer in the aggregate; and provided further, however, that if such reduction occurs, then the Issuer shall file a registration statement for the balance as promptly as practical and no reduction shall thereafter occur. Each such Holder shall provide all information reasonably requested by Issuer for inclusion in any registration statement to be filed hereunder. If requested by any such Holder in connection with such registration, Issuer shall become a party to any underwriting agreement relating to the sale of such shares, but only to the extent of obligating itself in respect of representations, warranties, indemnities and other agreements customarily included in secondary offering underwriting agreements for the Issuer. Upon receiving any request under this Section 6 from any Holder, Issuer agrees to send a copy thereof to any other person known to Issuer to be entitled to registration rights under this Section 6, in each case by promptly mailing the same, postage prepaid, to the address of record of the persons entitled to receive such copies. Notwithstanding anything to the contrary contained herein, in no event shall Issuer be obligated to effect more than two registrations pursuant to this Section 6 by reason of the fact that there shall be more than one Grantee as a result of any assignment or division of this Agreement. The obligation of Issuer under this Section 6 to file and maintain the effectiveness of a registration statement may be suspended for one or more periods not to exceed 60 days in the aggregate if it determines in good faith that such filing or continued effectiveness would require disclosure of non-public information, the disclosure of which would materially and adversely affect Issuer.

7. (a) Immediately prior to the occurrence of a Repurchase Event (as defined below) or thereafter, as directed by the Holder, (i) following a request of the Holder, delivered prior to an Exercise Termination Event, Issuer (or any successor thereto) shall repurchase the Option from the Holder at a price (the ''Option Repurchase Price'') equal to the amount by which (A) the Market/Offer Price (as defined below) exceeds (B) the Option Price, multiplied by the number of shares for which this Option may then be exercised and (ii) at the request of the owner of Option Shares from time to time (the ''Owner''), delivered within 90 days of such occurrence (or such later period as provided in Section 10), Issuer shall repurchase such number of the Option Shares from the Owner as the Owner shall designate at a price (the ''Option Share Repurchase Price'') equal to the Market/Offer Price multiplied by the number of Option Shares so designated. The term ''Market/Offer Price'' shall mean the highest of (i) the price per share of Common Stock at which a tender offer or exchange offer therefor has been made, (ii) the price per share of Common Stock to be paid by any third party pursuant to an agreement with Issuer, (iii) the highest closing price for shares of Common Stock within the six-month period immediately preceding the date the Holder gives notice of the required repurchase of this Option or the Owner gives notice of the required repurchase of Option Shares, as the case may be, or (iv) in the event of a sale of all or a substantial portion of Issuer's assets, the sum of the price paid in such sale for such assets and the current market value of the remaining assets of Issuer as determined by a nationally recognized investment banking firm selected by the Holder or the Owner, as the case may be, and reasonably acceptable to the Issuer, divided by the number of shares of Common Stock of Issuer outstanding at the time of such sale. In

determining the Market/Offer Price, the value of consideration other than cash shall be determined by a nationally recognized investment banking firm selected by the Holder or Owner, as the case may be, and reasonably acceptable to the Issuer.

(b) The Holder and the Owner, as the case may be, may exercise its right to require Issuer to repurchase the Option and any Option Shares pursuant to this Section 7 by surrendering for such purpose to Issuer, at its principal office, a copy of this Agreement or certificates for Option Shares, as applicable, accompanied by a written notice or notices stating that the Holder or the Owner, as the case may be, elects to require Issuer to repurchase this Option and/or the Option Shares in accordance with the provisions of this Section 7. Within the latter to occur of (x) five business days after the surrender of the Option and/or certificates representing Option Shares and the receipt of such notice or notices relating thereto and (y) the time that is immediately prior to the occurrence of a Repurchase Event, and subject to the provisions of Section 15 hereof, Issuer shall deliver or cause to be delivered to the Holder the Option Repurchase Price and/or to the Owner the Option Share Repurchase Price therefor or the portion thereof, if any, that Issuer is not then prohibited under applicable law and regulation from so delivering.

(c) To the extent that Issuer is prohibited under applicable law or regulation from repurchasing the Option and/or the Option Shares in full, Issuer shall immediately so notify the Holder and/or the Owner and thereafter deliver or cause to be delivered, from time to time, to the Holder and/or the Owner, as appropriate, the portion of the Option Repurchase Price and the Option Share Repurchase Price, respectively, that it is no longer prohibited from delivering, within five business days after the date on which Issuer is no longer so prohibited; provided, however, that if Issuer at any time after delivery of a notice of repurchase pursuant to paragraph (b) of this Section 7 is prohibited under applicable law or regulation from delivering to the Holder and/or the Owner, as appropriate, the Option Repurchase Price and the Option Share Repurchase Price, respectively, in full (and Issuer hereby undertakes to use its best efforts to obtain all required regulatory and legal approvals and to file any required notices, in each case as promptly as practicable in order to accomplish such repurchase), the Holder or Owner may revoke its notice of repurchase of the Option or the Option Shares either in whole or to the extent of the prohibition, whereupon, in the latter case, Issuer shall promptly (i) deliver to the Holder and/or the Owner, as appropriate, that portion of the Option Repurchase Price or the Option Share Repurchase Price that Issuer is not prohibited from delivering; and (ii) deliver, as appropriate, either (A) to the Holder, a new Stock Option Agreement evidencing the right of the Holder to purchase that number of shares of Common Stock obtained by multiplying the number of shares of Common Stock for which the surrendered Stock Option Agreement was exercisable at the time of delivery of the notice of repurchase by a fraction, the numerator of which is the Option Repurchase Price less the portion thereof theretofore delivered to the Holder and the denominator of which is the Option Repurchase Price, or (B) to the Owner, a certificate for the Option Shares it is then so prohibited from repurchasing.

(d) For purposes of this Section 7, a Repurchase Event shall be deemed to have occurred upon the consummation of any Alternative Transaction, provided that no such event shall constitute a Repurchase Event unless a Subsequent Triggering Event shall have occurred prior to an Exercise Termination Event. The parties hereto agree that Issuer's obligations to repurchase the Option or Option Shares under this Section 7 shall not terminate upon the occurrence of an Exercise Termination Event unless no Subsequent Triggering Event shall have occurred prior to the occurrence of an Exercise Termination Event.

8. (a) In the event that prior to an Exercise Termination Event, Issuer shall enter into an agreement (i) to consolidate with or merge into any person, other than Grantee or one of its Subsidiaries, and shall not be the continuing or surviving corporation of such consolidation or merger, (ii) to permit any person, other than Grantee or one of its Subsidiaries, to merge into Issuer and Issuer shall be the continuing or surviving corporation, but, in connection with such merger, the then outstanding shares of Common Stock shall be changed into or exchanged for stock or other securities of any other person or cash or any other property or the then outstanding shares of Common Stock shall after such merger represent less than 50% of the outstanding voting shares and voting share equivalents of the merged company, or (iii) to sell or otherwise transfer all or

substantially all of its assets to any person, other than Grantee or one of its Subsidiaries, then, and in each such case, the agreement governing such transaction shall make proper provision so that the Option shall, upon the consummation of any such transaction and upon the terms and conditions set forth herein, be converted into, or exchanged for, an option (the "Substitute Option"), at the election of the Holder, of either (x) the Acquiring Corporation (as hereinafter defined) or (y) any person that controls the Acquiring Corporation.

(b) The following terms have the meanings indicated:

(A) "Acquiring Corporation" shall mean (i) the continuing or surviving corporation of a consolidation or merger with Issuer (if other than Issuer), (ii) Issuer in a merger in which Issuer is the continuing or surviving person, and (iii) the transferee of all or substantially all of Issuer's assets.

(B) "Substitute Common Stock" shall mean the common stock issued by the issuer of the Substitute Option upon exercise of the Substitute Option.

(C) "Assigned Value" shall mean the Market/Offer Price, as defined in Section 7.

(D) "Average Price" shall mean the average closing price of a share of the Substitute Common Stock for the one year immediately preceding the consolidation, merger or sale in question, but in no event higher than the closing price of the shares of Substitute Common Stock on the day preceding such consolidation, merger or sale; provided that if Issuer is the issuer of the Substitute Option, the Average Price shall be computed with respect to a share of common stock issued by the person merging into Issuer or by any company which controls or is controlled by such person, as the Holder may elect.

(c) Subject to paragraph (d) below, the Substitute Option shall have the same terms as the Option, provided, that if the terms of the Substitute Option cannot, for legal reasons, be the same as the Option, such terms shall be as similar as possible and in no event less advantageous to the Holder. The issuer of the Substitute Option shall also enter into an agreement with the then Holder or Holders of the Substitute Option in substantially the same form as this Agreement, which shall be applicable to the Substitute Option.

(d) The Substitute Option shall be exercisable for such number of shares of Substitute Common Stock as is equal to the Assigned Value multiplied by the number of shares of Common Stock for which the Option is then exercisable, divided by the Average Price. The exercise price of the Substitute Option per share of Substitute Common Stock shall then be equal to the Option Price multiplied by a fraction, the numerator of which shall be the number of shares of Common Stock for which the Option is then exercisable and the denominator of which shall be the number of shares of Substitute Common Stock for which the Substitute Option is exercisable.

(e) In no event, pursuant to any of the foregoing paragraphs, shall the Substitute Option be exercisable for more than 10% of the shares of Substitute Common Stock outstanding prior to exercise of the Substitute Option. In the event that the Substitute Option would be exercisable for more than 10% of the shares of Substitute Common Stock outstanding prior to exercise but for this clause (e), the issuer of the Substitute Option (the "Substitute Option Issuer") shall make a cash payment to Holder equal to the excess of (i) the value of the Substitute Option without giving effect to the limitation in this clause (e) over (ii) the value of the Substitute Option after giving effect to the limitation in this clause (e). This difference in value shall be determined by a nationally recognized investment banking firm selected by the Holder or the Owner, as the case may be, and reasonably acceptable to the Acquiring Corporation.

(f) Issuer shall not enter into any transaction described in subsection (a) of this Section 8 unless the Acquiring Corporation and any person that controls the Acquiring Corporation assume in writing all the obligations of Issuer hereunder.

9. (a) At the request of the holder of the Substitute Option (the "Substitute Option Holder"), the Substitute Option Issuer shall repurchase the Substitute Option from the Substitute Option Holder at a price (the "Substitute Option Repurchase Price") equal to the amount by which (i) the Highest Closing Price (as hereinafter defined) exceeds (ii) the exercise price of the Substitute Option, multiplied by the number of shares of Substitute Common Stock for which the Substitute Option may then be exercised, and at the request of the

owner (the "Substitute Share Owner") of shares of Substitute Common Stock (the "Substitute Shares"), the Substitute Option Issuer shall repurchase the Substitute Shares at a price (the "Substitute Share Repurchase Price") equal to the Highest Closing Price multiplied by the number of Substitute Shares so designated. The term "Highest Closing Price" shall mean the highest closing price for shares of Substitute Common Stock within the six-month period immediately preceding the date the Substitute Option Holder gives notice of the required repurchase of the Substitute Option or the Substitute Share Owner gives notice of the required repurchase of the Substitute Shares, as applicable.

(b) The Substitute Option Holder and the Substitute Share Owner, as the case may be, may exercise its respective right to require the Substitute Option Issuer to repurchase the Substitute Option and the Substitute Shares pursuant to this Section 9 by surrendering for such purpose to the Substitute Option Issuer, at its principal office, the agreement for such Substitute Option (or, in the absence of such an agreement, a copy of this Agreement) and certificates for Substitute Shares accompanied by a written notice or notices stating that the Substitute Option Holder or the Substitute Share Owner, as the case may be, elects to require the Substitute Option Issuer to repurchase the Substitute Option and/or the Substitute Shares in accordance with the provisions of this Section 9. As promptly as practicable, and in any event within five business days after the surrender of the Substitute Option and/or certificates representing Substitute Shares and the receipt of such notice or notices relating thereto and subject to the provisions of Section 15 hereof, the Substitute Option Issuer shall deliver or cause to be delivered to the Substitute Option Holder the Substitute Option Repurchase Price and/or to the Substitute Share Owner the Substitute Share Repurchase Price therefor or, in either case, the portion thereof which the Substitute Option Issuer is not then prohibited under applicable law and regulation from so delivering.

(c) To the extent that the Substitute Option Issuer is prohibited under applicable law or regulation from repurchasing the Substitute Option and/or the Substitute Shares in part or in full, the Substitute Option Issuer following a request for repurchase pursuant to this Section 9 shall immediately so notify the Substitute Option Holder and/or the Substitute Share Owner and thereafter deliver or cause to be delivered, from time to time, to the Substitute Option Holder and/or the Substitute Share Owner, as appropriate, the portion of the Substitute Share Repurchase Price, respectively, which it is no longer prohibited from delivering, within five business days after the date on which the Substitute Option Issuer is no longer so prohibited; provided, however, that if the Substitute Option Issuer is at any time after delivery of a notice of repurchase pursuant to subsection (b) of this Section 9 prohibited under applicable law or regulation from delivering to the Substitute Option Holder and/or the Substitute Share Owner, as appropriate, the Substitute Option Repurchase Price and the Substitute Share Repurchase Price, respectively, in full (and the Substitute Option Issuer shall use its best efforts to obtain all required regulatory and legal approvals, in each case as promptly as practicable, in order to accomplish such repurchase), the Substitute Option Holder or Substitute Share Owner may revoke its notice of repurchase of the Substitute Option or the Substitute Shares either in whole or to the extent of the prohibition, whereupon, in the latter case, the Substitute Option Issuer shall promptly (i) deliver to the Substitute Option Holder or Substitute Share Owner, as appropriate, that portion of the Substitute Option Repurchase Price or the Substitute Share Repurchase Price that the Substitute Option Issuer is not prohibited from delivering; and (ii) deliver, as appropriate, either (A) to the Substitute Option Holder, a new Substitute Option evidencing the right of the Substitute Option Holder to purchase that number of shares of the Substitute Common Stock obtained by multiplying the number of shares of the Substitute Common Stock for which the surrendered Substitute Option was exercisable at the time of delivery of the notice of repurchase by a fraction, the numerator of which is the Substitute Option Repurchase Price less the portion thereof theretofore delivered to the Substitute Option Holder and the denominator of which is the Substitute Option Repurchase Price, or (B) to the Substitute Share Owner, a certificate for the Substitute Common Shares it is then so prohibited from repurchasing.

10. The 90-day or 6-month periods for exercise of certain rights under Sections 2, 6, 7 and 13 shall be extended:

(i) to the extent necessary to obtain all regulatory approvals for the exercise of such rights, and for the expiration of all statutory waiting periods;

(ii) to the extent necessary to avoid liability under Section 16(b) of the 1934 Act by reason of such exercise; and

(iii) during any period in which Grantee is precluded from exercising such rights due to an injunction or other legal restriction;

plus, in the case of clauses (i), (ii) and (iii), for such additional period as is reasonably necessary for the exercise of such rights promptly following the obtaining of such approvals or the expiration of such periods.

11. Issuer hereby represents and warrants to Grantee as follows:

(a) Issuer has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by the Board of Directors of Issuer and no other corporate proceedings on the part of Issuer are necessary to authorize this Agreement or to consummate the transactions so contemplated. This Agreement has been duly and validly executed and delivered by Issuer.

(b) Issuer has taken all necessary corporate action to authorize and reserve and to permit it to issue, and at all times from the date hereof through the termination of this Agreement in accordance with its terms will have reserved for issuance upon the exercise of the Option, that number of shares of Common Stock equal to the maximum number of shares of Common Stock at any time and from time to time issuable hereunder, and all such shares, upon issuance pursuant hereto, will be duly authorized, validly issued, fully paid, nonassessable, and will be delivered free and clear of all claims, liens, encumbrance and security interests and not subject to any preemptive rights.

(c) Issuer has taken all action so that the entering into of this Option Agreement, the acquisition of shares of Common Stock hereunder and the other transactions contemplated hereby do not and will not result in the grant of any rights to any person under the Rights Agreement or enable or require the Rights to be exercised, distributed or triggered.

12. Grantee hereby represents and warrants to Issuer that:

(a) Grantee has all requisite corporate power and authority to enter into this Agreement and, subject to any approvals or consents referred to herein, to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Grantee. This Agreement has been duly executed and delivered by Grantee.

(b) The Option is not being, and any shares of Common Stock or other securities acquired by Grantee upon exercise of the Option will not be, acquired with a view to the public distribution thereof and will not be transferred or otherwise disposed of except in a transaction registered or exempt from registration under the Securities Act.

13. Neither of the parties hereto may assign any of its rights or obligations under this Option Agreement or the Option created hereunder to any other person, without the express written consent of the other party, except that in the event a Subsequent Triggering Event shall have occurred prior to an Exercise Termination Event, Grantee, subject to the express provisions hereof, may assign in whole or in part its rights and obligations hereunder within 90 days following such Subsequent Triggering Event (or such later period as provided in Section 10).

14. Each of Grantee and Issuer will use its best efforts to make all filings with, and to obtain consents of, all third parties and governmental authorities necessary to the consummation of the transactions contemplated by this Agreement, including without limitation making application to list the shares of Common Stock issuable hereunder on the New York Stock Exchange upon official notice of issuance.

15. (a) Notwithstanding any other provision of this Agreement, in no event shall the Grantee's Total Profit (as hereinafter defined) exceed $2,200,000,000.00 and, if it otherwise would exceed such amount, the Grantee, at its sole election, shall either (i) reduce the number of shares of Common Stock subject to this Option, (ii) deliver to the Issuer for cancellation Option Shares previously purchased by Grantee (valued, for the purposes of this Section 15(a) at the average closing sales price per share of Common Stock (or if there is no sale on such date then the average between the closing bid and ask prices on any such day) as reported by the New York Stock Exchange for the twenty consecutive trading days preceding the day on which the Grantee's Total Profit exceeds $2,200,000,000.00) (iii) pay cash to the Issuer, or (iv) any combination thereof, so that Grantee's actually realized Total Profit shall not exceed $2,200,000,000.00 after taking into account the foregoing actions.

(b) As used herein, the term "Total Profit" shall mean the amount (before taxes) of the following: (a) the aggregate amount of (i)(x) the net cash amounts received by Grantee and its affiliates pursuant to the sale of Option Shares (or any securities into which such Option Shares are converted or exchanged) to any unaffiliated party or to Issuer pursuant to this Agreement, less (y) the Grantee's purchase price of such Option Shares, (ii) any amounts received by Grantee and its affiliates on the transfer of the Option (or any portion thereof) to any unaffiliated party, if permitted hereunder or to Issuer pursuant to this Agreement, and (iii) the amount received by Grantee pursuant to Section 9.2 of the Merger Agreement; minus (b) the amount of cash theretofore paid to the Issuer pursuant to this Section 15 plus the value of the Option Shares theretofore delivered to the Issuer for cancellation pursuant to this Section 15.

(c) Notwithstanding any other provision of this Agreement, nothing in this Agreement shall affect the ability of Grantee to receive nor relieve Issuer's obligation to pay a fee pursuant to Section 9.2 of the Merger Agreement; provided that if Total Profit received by Grantee would exceed $2,200,000,000.00 following the receipt of such fee, Grantee shall be obligated to comply with terms of Section 15(a) within 5 days of the later of (i) the date of receipt of such fee and (ii) the date of receipt of the net cash by Grantee pursuant to the sale of Option Shares (or, any other securities into which such Option Shares are converted or exchanged) to any unaffiliated party or to Issuer pursuant to this Agreement.

(d) Notwithstanding any other provision of this Agreement, the Option may not be exercised for a number of Option Shares that would, as of the Notice Date, result in a Notional Total Profit (as defined below) of more than $2,200,000,000.00. "Notional Total Profit" shall mean, with respect to any number of Option Shares as to which the Grantee may propose to exercise the Option, the Total Profit determined as of the Notice Date assuming that the Option was exercised on such date for such number of Option Shares and assuming such Option Shares, together with all other Option Shares held by the Grantee and its affiliates as of such date, were sold for cash at the closing sales price for Common Stock as of the close of business on the preceding trading day.

16. The parties hereto acknowledge that damages would be an inadequate remedy for a breach of this Agreement by either party hereto and that the obligations of the parties hereto shall be enforceable by either party hereto through injunctive or other equitable relief.

17. If any term, provision, covenant or restriction contained in this Agreement is held by a court or a federal or state regulatory agency of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions and covenants and restrictions contained in this Agreement shall remain in full force and effect, and shall in no way be affected, impaired or invalidated. If for any reason such court or regulatory agency determines that the Holder is not permitted to acquire, or Issuer or Substitute Option Issuer, as the case may be, is not permitted to repurchase pursuant to Section 7 or Section 9, as the case may be, the full number of shares of Common Stock provided in Section 1(a) hereof (as adjusted pursuant to Section 1(b) or 5 hereof), it is the express intention of Issuer (which shall be binding on the Substitute Option Issuer) to allow the Holder to acquire or to require Issuer or Substitute Option Issuer to repurchase such lesser number of shares as may be permissible, without any amendment or modification hereof.

18. All notices, requests, claims, demands and other communications hereunder shall be deemed to have been duly given when delivered in person, by cable, telegram, telescope or telex, or by registered or certified mail (postage prepaid, return receipt requested) at the respective addresses of the parties set forth in the Merger Agreement.

19. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof (except to the extent that mandatory provisions of federal law apply).

20. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement.

21. Except as otherwise expressly provided herein, each of the parties hereto shall bear and pay all costs and expenses incurred by it or on its behalf in connection with the transactions contemplated hereunder, including fees and expenses of its own financial consultants, investment bankers, accountants and counsel.

22. Except as otherwise expressly provided herein or in the Merger Agreement, this Agreement contains the entire agreement between the parties with respect to the transactions contemplated hereunder and supersedes all prior arrangements or understandings with respect thereof, written or oral. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns. Nothing in this Agreement, expressed or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors except as assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided herein.

23. Capitalized terms used in this Agreement and not defined herein shall have the meanings assigned thereto in the Merger Agreement.

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed on its behalf by its officers thereunto duly authorized, all as of the date first above written.

GTE CORPORATION

By: /s/ CHARLES R. LEE
Name: Charles R. Lee
Title: Chairman and Chief Executive Officer

By: /s/ MARIANNE DROST
Name: Marianne Drost
Title: Secretary

BELL ATLANTIC CORPORATION

By: /s/ IVAN SEIDENBERG
Name: Ivan Seidenberg
Title: President and Chief Executive Officer

Appendix C

THE TRANSFER OF THIS AGREEMENT IS SUBJECT TO CERTAIN PROVISIONS CONTAINED HEREIN AND TO RESALE RESTRICTIONS UNDER THE SECURITIES ACT OF 1933, AS AMENDED

STOCK OPTION AGREEMENT, dated July 27, 1998, between Bell Atlantic Corporation, a Delaware corporation (''Issuer''), and GTE Corporation, a New York corporation (''Grantee'').

WHEREAS, Grantee and Issuer have entered into an Agreement and Plan of Merger of even date herewith (the ''Merger Agreement''), which agreement has been executed by the parties hereto immediately prior to this Stock Option Agreement (the ''Agreement''); and

WHEREAS, as a condition to Grantee's entering into the Merger Agreement and in consideration therefor and for the transactions contemplated thereby Issuer has agreed to grant Grantee the Option (as hereinafter defined);

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements set forth herein and in the Merger Agreement, the parties hereto agree as follows:

1. (a) Issuer hereby grants to Grantee an unconditional, irrevocable option (the ''Option'') to purchase, subject to the terms hereof, up to 155,347,371 fully paid and nonassessable shares of Issuer's Common Stock, par value $0.10 per share (''Common Stock''), at a price of $45 per share (the ''Option Price''); provided, however, that in no event shall the number of shares of Common Stock for which this Option is exercisable exceed 10% of the Issuer's issued and outstanding shares of Common Stock after giving effect to any shares subject to or issued pursuant to the Option. The number of shares of Common Stock that may be received upon the exercise of the Option and the Option Price are subject to adjustment as herein set forth.

(b) In the event that any additional shares of Common Stock are either (i) issued or otherwise become outstanding after the date of this Agreement (other than pursuant to this Agreement) or (ii) redeemed, repurchased, retired or otherwise cease to be outstanding after the date of the Agreement, the number of shares of Common Stock subject to the Option shall be increased or decreased, as appropriate, so that, after such issuance, such number equals 10% of the number of shares of Common Stock then issued and outstanding after giving effect to any shares subject or issued pursuant to the Option or, if not a whole number of shares, rounded down to the next whole number. Nothing contained in this Section 1(b) or elsewhere in this Agreement shall be deemed to authorize Issuer or Grantee to breach any provision of the Merger Agreement.

2. (a) The Holder (as hereinafter defined) may exercise the Option, in whole or part, and from time to time, if, but only if, a Subsequent Triggering Event (as hereinafter defined) shall have occurred prior to the occurrence of an Exercise Termination Event (as hereinafter defined), provided that the Holder shall have sent the written notice of such exercise (as provided in subsection (e) of this Section 2) within 90 days following such Subsequent Triggering Event. Each of the following shall be an ''Exercise Termination Event'':

(i) the Effective Time (as defined in the Merger Agreement) of the Merger;

(ii) termination of the Merger Agreement in accordance with the provisions thereof if such termination occurs prior to the occurrence of an Initial Triggering Event (as hereinafter defined), except a termination by Grantee pursuant to Section 9.1(d)(i)(A) of the Merger Agreement (unless the breach by Issuer giving rise to such right of termination is non-volitional); or

(iii) the passage of two years after termination of the Merger Agreement if such termination follows the occurrence of an Initial Triggering Event or is a termination by Grantee pursuant to Section 9.1(d)(i)(A) of the Merger Agreement (unless the breach by Issuer giving rise to such right of termination is non-volitional) (provided that if an Initial Triggering Event continues or occurs beyond such termination and prior to the passage of such two-year period, the Exercise Termination Event shall be two years from the expiration of the Last Triggering Event but in no event more than two years and six months after such termination). The "Last Triggering Event" shall mean the last Initial Triggering Event to occur. The term "Holder" shall mean the holder or holders of the Option.

(b) The term "Initial Triggering Event" shall mean any of the following events or transactions occurring after the date hereof:

(i) Issuer or any of its Subsidiaries (each an "Issuer Subsidiary"), without having received Grantee's prior written consent, shall have entered into an agreement to engage in an Alternative Transaction (as hereinafter defined) with any person (the term "person" for purposes of this Agreement having the meaning assigned thereto in Sections 3(a)(9) and 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and the rules and regulations thereunder) other than Grantee or any of its Subsidiaries (each a "Grantee Subsidiary") or the Board of Directors of Issuer shall have recommended that the stockholders of Issuer approve or accept any Alternative Transaction;

(ii) Issuer or any Issuer Subsidiary, without having received Grantee's prior written consent, shall have authorized, recommended, proposed or publicly announced its intention to authorize, recommend or propose, to engage in an Alternative Transaction with any person other than Grantee or a Grantee Subsidiary, or the Board of Directors of Issuer shall have publicly withdrawn or modified, or publicly announced its intent to withdraw or modify, in any manner adverse to Grantee, its recommendation that the stockholders of Issuer approve the transactions contemplated by the Merger Agreement after disclosure of the existence of an Alternative Transaction;

(iii) Any person other than Grantee, any Grantee Subsidiary or any Issuer Subsidiary acting in a fiduciary capacity in the ordinary course of its business shall have acquired beneficial ownership or the right to acquire beneficial ownership of 10% or more of the outstanding shares of Common Stock (the term "beneficial ownership" for purposes of this Agreement having the meaning assigned thereto in Section 13(d) of the 1934 Act, and the rules and regulations thereunder);

(iv) Any person other than Grantee or any Grantee Subsidiary shall have made a bona fide proposal to Issuer or its stockholders by public announcement or written communication that is or becomes the subject of public disclosure to engage in an Alternative Transaction;

(v) After an overture is made by a third party to Issuer or its stockholders to engage in an Alternative Transaction, Issuer shall have breached any covenant or obligation contained in the Merger Agreement and such breach (x) would entitle Grantee to terminate the Merger Agreement and (y) shall not have been cured prior to the Notice Date (as defined below); or

(vi) Any person other than Grantee or any Grantee Subsidiary, other than in connection with a transaction to which Grantee has given its prior written consent, shall have filed an application or notice with the Federal Communications Commission, or other federal or state regulatory authority, which application or notice has been accepted for processing, for approval to engage in an Alternative Transaction.

(c) The term "Subsequent Triggering Event" shall mean the consummation of an Alternative Transaction. The term "Alternative Transaction" means an Alternative Transaction (as defined in the Merger Agreement) with respect to the Issuer.

(d) Issuer shall notify Grantee promptly in writing of the occurrence of any Initial Triggering Event and/or Subsequent Triggering Event of which it has notice (together, a "Triggering Event"), it being understood that the giving of such notice by Issuer shall not be a condition to the right of the Holder to exercise the Option.

(e) In the event the Holder is entitled to and wishes to exercise the Option, it shall send to Issuer a written notice (the date of which being herein referred to as the "Notice Date") specifying (i) the total number of shares it will purchase pursuant to such exercise and (ii) a place and date not earlier than three business days nor later than 30 business days from the Notice Date for the closing of such purchase (the "Closing Date"); provided that if prior notification to or approval of the Federal Communications Commission or any other state or federal regulatory agency is required in connection with such purchase, the Holder shall promptly file the required notice or application for approval and shall expeditiously process the same and the period of time that otherwise would run pursuant to this sentence shall run instead from the date on which any required notification periods have expired or been terminated or such approvals have been obtained and any requisite waiting period or periods shall have passed. Any exercise of the Option shall be deemed to occur on the Notice Date relating thereto.

(f) At the closing referred to in subsection (e) of this Section 2, the Holder shall pay to Issuer the aggregate purchase price for the shares of Common Stock purchased pursuant to the exercise of the Option in immediately available funds by wire transfer to a bank account designated by Issuer, provided that failure or refusal of Issuer to designate such a bank account shall not preclude the Holder from exercising the Option.

(g) At such closing, simultaneously with the delivery of immediately available funds as provided in subsection (f) of this Section 2, Issuer shall deliver to the Holder a certificate or certificates representing the number of shares of Common Stock purchased by the Holder and, if the Option should be exercised in part only, a new Option evidencing the rights of the Holder thereof to purchase the balance of the shares purchasable hereunder, and the Holder shall deliver to Issuer a copy of this Agreement and a letter agreeing that the Holder will not offer to sell or otherwise dispose of such shares in violation of applicable law or the provisions of this Agreement.

(h) Certificates for Common Stock delivered at a closing hereunder may be endorsed with a restrictive legend that shall read substantially as follows:

> "The transfer of the shares represented by this certificate is subject to certain provisions of an agreement between the registered holder hereof and Issuer and to resale restrictions arising under the Securities Act of 1933, as amended. A copy of such agreement is on file at the principal office of Issuer and will be provided to the holder hereof without charge upon receipt by Issuer of a written request therefor."

It is understood and agreed that:

(i) the reference to the resale restrictions of the Securities Act of 1933, as amended (the "1933 Act"), in the above legend shall be removed by delivery of substitute certificate(s) without such reference if the Holder shall have delivered to Issuer a copy of a letter from the staff of the SEC, or an opinion of counsel, in form and substance reasonably satisfactory to Issuer, to the effect that such legend is not required for purposes of the 1933 Act;

(ii) the reference to the provisions of this Agreement in the above legend shall be removed by delivery of substitute certificate(s) without such reference if the shares have been sold or transferred in compliance with the provisions of this Agreement and under circumstances that do not require the retention of such reference; and

(iii) the legend shall be removed in its entirety if the conditions in the preceding clauses (i) and (ii) are both satisfied. In addition, such certificates shall bear any other legend as may be required by law.

(i) Upon the giving by the Holder to Issuer of the written notice of exercise of the Option provided for under subsection (e) of this Section 2 and the tender of the applicable purchase price in immediately available funds, the Holder shall be deemed, subject to the receipt of applicable regulatory approvals, to be the holder of record of the shares of Common Stock issuable upon such exercise, notwithstanding that the stock transfer books of Issuer shall then be closed or that certificates representing such shares of Common Stock shall not then be actually delivered to the Holder. Issuer shall pay all expenses, and any and all United States federal, state and local taxes and other charges that may be payable in connection with the preparation, issue and delivery of stock certificates under this Section 2 in the name of the Holder or its assignee, transferee or designee.

3. Issuer agrees:

(i) that it shall at all times maintain, free from preemptive rights, sufficient authorized but unissued or treasury shares of Common Stock so that the Option may be exercised without additional authorization of Common Stock after giving effect to all other options, warrants, convertible securities and other rights to purchase Common Stock;

(ii) that it will not, by charter amendment or through reorganization, consolidation, merger, dissolution or sale of assets, or by any other voluntary act, avoid or seek to avoid the observance or performance of any of the covenants, stipulations or conditions to be observed or performed hereunder by Issuer;

(iii) promptly to take all action as may from time to time be required (including (x) complying with all premerger notification, reporting and waiting period requirements specified in the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations promulgated thereunder and (y) in the event that prior approval of or notice to the Federal Communications Commission or to any state regulatory authority is necessary before the Option may be exercised, cooperating fully with the Holder in preparing such applications or notices and providing such information to the Federal Communications Commission or such state regulatory authority as they may require) in order to permit the Holder to exercise the Option and Issuer duly and effectively to issue shares of Common Stock pursuant hereto; and

(iv) promptly to take all action provided herein to protect the rights of the Holder against dilution.

4. This Agreement and the Option granted hereby are exchangeable, without expense, at the option of the Holder, upon presentation and surrender of this Agreement at the principal office of Issuer, for other Agreements providing for Options of different denominations entitling the holder thereof to purchase, on the same terms and subject to the same conditions as are set forth herein, in the aggregate the same number of shares of Common Stock purchasable hereunder. The terms "Agreement" and "Option" as used herein include any Stock Option Agreements and related Options for which this Agreement (and the Option granted hereby) may be exchanged. Upon receipt by Issuer of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Agreement, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Agreement, if mutilated, Issuer will execute and deliver a new Agreement of like tenor and date. Any such new Agreement executed and delivered shall constitute an additional contractual obligation on the part of Issuer, whether or not the Agreement so lost, stolen, destroyed or mutilated shall at any time be enforceable by anyone.

5. In addition to the adjustment in the number of shares of Common Stock that are purchasable upon exercise of the Option pursuant to Section 1 of this Agreement, the number of shares of Common Stock purchasable upon the exercise of the Option and the Option Price shall be subject to adjustment from time to time as provided in this Section 5. In the event of any change in, or distributions in respect of, the Common Stock by reason of stock dividends, split-ups, mergers, recapitalizations, combinations, subdivisions, conversions, exchanges of shares, distributions on or in respect of the Common Stock, or the like, the type and number of shares of Common Stock purchasable upon exercise hereof and the Option Price shall be appropriately adjusted in such manner as shall fully preserve the economic benefits provided hereunder and proper provision shall be made in any agreement governing any such transaction to provide for such proper adjustment and the full satisfaction of the Issuer's obligations hereunder.

6. Upon the occurrence of a Subsequent Triggering Event that occurs prior to an Exercise Termination Event, Issuer shall, at the request of Grantee delivered within 90 days of such Subsequent Triggering Event (whether on its own behalf or on behalf of any subsequent holder of this Option (or part thereof) or any of the shares of Common Stock issued pursuant hereto), promptly prepare, file and keep current a shelf registration statement under the 1933 Act covering this Option and any shares issued and issuable pursuant to this Option

and shall use its reasonable best efforts to cause such registration statement to become effective and remain current in order to permit the sale or other disposition of this Option and any shares of Common Stock issued upon total or partial exercise of this Option (''Option Shares'') in accordance with any plan of disposition requested by Grantee. Issuer will use its reasonable best efforts to cause such registration statement first to become effective and then to remain effective for such period not in excess of 180 days from the day such registration statement first becomes effective or such shorter time as may be reasonably necessary to effect such sales or other dispositions. Grantee shall have the right to demand two such registrations. The foregoing notwithstanding, if, at the time of any request by Grantee for registration of the Option or Option Shares as provided above, Issuer is in registration with respect to an underwritten public offering of shares of Common Stock, and if in the good faith judgment of the managing underwriter or managing underwriters, or, if none, the sole underwriter or underwriters, of such offering the inclusion of the Holder's Option or Option Shares would interfere with the successful marketing of the shares of Common Stock offered by Issuer, the number of Option Shares otherwise to be covered in the registration statement contemplated hereby may be reduced; and provided, however, that after any such required reduction the number of Option Shares to be included in such offering for the account of the Holder shall constitute at least 25% of the total number of shares to be sold by the Holder and Issuer in the aggregate; and provided further, however, that if such reduction occurs, then the Issuer shall file a registration statement for the balance as promptly as practical and no reduction shall thereafter occur. Each such Holder shall provide all information reasonably requested by Issuer for inclusion in any registration statement to be filed hereunder. If requested by any such Holder in connection with such registration, Issuer shall become a party to any underwriting agreement relating to the sale of such shares, but only to the extent of obligating itself in respect of representations, warranties, indemnities and other agreements customarily included in secondary offering underwriting agreements for the Issuer. Upon receiving any request under this Section 6 from any Holder, Issuer agrees to send a copy thereof to any other person known to Issuer to be entitled to registration rights under this Section 6, in each case by promptly mailing the same, postage prepaid, to the address of record of the persons entitled to receive such copies. Notwithstanding anything to the contrary contained herein, in no event shall Issuer be obligated to effect more than two registrations pursuant to this Section 6 by reason of the fact that there shall be more than one Grantee as a result of any assignment or division of this Agreement. The obligation of Issuer under this Section 6 to file and maintain the effectiveness of a registration statement may be suspended for one or more periods not to exceed 60 days in the aggregate if it determines in good faith that such filing or continued effectiveness would require disclosure of non-public information, the disclosure of which would materially and adversely affect Issuer.

7. (a) Immediately prior to the occurrence of a Repurchase Event (as defined below) or thereafter, as directed by the Holder, (i) following a request of the Holder, delivered prior to an Exercise Termination Event, Issuer (or any successor thereto) shall repurchase the Option from the Holder at a price (the ''Option Repurchase Price'') equal to the amount by which (A) the Market/Offer Price (as defined below) exceeds (B) the Option Price, multiplied by the number of shares for which this Option may then be exercised and (ii) at the request of the owner of Option Shares from time to time (the ''Owner''), delivered within 90 days of such occurrence (or such later period as provided in Section 10), Issuer shall repurchase such number of the Option Shares from the Owner as the Owner shall designate at a price (the ''Option Share Repurchase Price'') equal to the Market/Offer Price multiplied by the number of Option Shares so designated. The term ''Market/Offer Price'' shall mean the highest of (i) the price per share of Common Stock at which a tender offer or exchange offer therefor has been made, (ii) the price per share of Common Stock to be paid by any third party pursuant to an agreement with Issuer, (iii) the highest closing price for shares of Common Stock within the six-month period immediately preceding the date the Holder gives notice of the required repurchase of this Option or the Owner gives notice of the required repurchase of Option Shares, as the case may be, or (iv) in the event of a sale of all or a substantial portion of Issuer's assets, the sum of the price paid in such sale for such assets and the current market value of the remaining assets of Issuer as determined by a nationally recognized investment banking firm selected by the Holder or the Owner, as the case may be, and reasonably acceptable to the Issuer, divided by the number of shares of Common Stock of Issuer outstanding at the time of such sale. In determining the Market/Offer Price, the value of consideration other than cash shall be determined by a nationally recognized investment banking firm selected by the Holder or Owner, as the case may be, and reasonably acceptable to the Issuer.

(b) The Holder and the Owner, as the case may be, may exercise its right to require Issuer to repurchase the Option and any Option Shares pursuant to this Section 7 by surrendering for such purpose to Issuer, at its principal office, a copy of this Agreement or certificates for Option Shares, as applicable, accompanied by a written notice or notices stating that the Holder or the Owner, as the case may be, elects to require Issuer to repurchase this Option and/or the Option Shares in accordance with the provisions of this Section 7. Within the latter to occur of (x) five business days after the surrender of the Option and/or certificates representing Option Shares and the receipt of such notice or notices relating thereto and (y) the time that is immediately prior to the occurrence of a Repurchase Event, and subject to the provisions of Section 15 hereof, Issuer shall deliver or cause to be delivered to the Holder the Option Repurchase Price and/or to the Owner the Option Share Repurchase Price therefor or the portion thereof, if any, that Issuer is not then prohibited under applicable law and regulation from so delivering.

(c) To the extent that Issuer is prohibited under applicable law or regulation from repurchasing the Option and/or the Option Shares in full, Issuer shall immediately so notify the Holder and/or the Owner and thereafter deliver or cause to be delivered, from time to time, to the Holder and/or the Owner, as appropriate, the portion of the Option Repurchase Price and the Option Share Repurchase Price, respectively, that it is no longer prohibited from delivering, within five business days after the date on which Issuer is no longer so prohibited; provided, however, that if Issuer at any time after delivery of a notice of repurchase pursuant to paragraph (b) of this Section 7 is prohibited under applicable law or regulation from delivering to the Holder and/or the Owner, as appropriate, the Option Repurchase Price and the Option Share Repurchase Price, respectively, in full (and Issuer hereby undertakes to use its best efforts to obtain all required regulatory and legal approvals and to file any required notices, in each case as promptly as practicable in order to accomplish such repurchase), the Holder or Owner may revoke its notice of repurchase of the Option or the Option Shares either in whole or to the extent of the prohibition, whereupon, in the latter case, Issuer shall promptly (i) deliver to the Holder and/or the Owner, as appropriate, that portion of the Option Repurchase Price or the Option Share Repurchase Price that Issuer is not prohibited from delivering; and (ii) deliver, as appropriate, either (A) to the Holder, a new Stock Option Agreement evidencing the right of the Holder to purchase that number of shares of Common Stock obtained by multiplying the number of shares of Common Stock for which the surrendered Stock Option Agreement was exercisable at the time of delivery of the notice of repurchase by a fraction, the numerator of which is the Option Repurchase Price less the portion thereof theretofore delivered to the Holder and the denominator of which is the Option Repurchase Price, or (B) to the Owner, a certificate for the Option Shares it is then so prohibited from repurchasing.

(d) For purposes of this Section 7, a Repurchase Event shall be deemed to have occurred upon the consummation of any Alternative Transaction, provided that no such event shall constitute a Repurchase Event unless a Subsequent Triggering Event shall have occurred prior to an Exercise Termination Event. The parties hereto agree that Issuer's obligations to repurchase the Option or Option Shares under this Section 7 shall not terminate upon the occurrence of an Exercise Termination Event unless no Subsequent Triggering Event shall have occurred prior to the occurrence of an Exercise Termination Event.

8. (a) In the event that prior to an Exercise Termination Event, Issuer shall enter into an agreement (i) to consolidate with or merge into any person, other than Grantee or one of its Subsidiaries, and shall not be the continuing or surviving corporation of such consolidation or merger, (ii) to permit any person, other than Grantee or one of its Subsidiaries, to merge into Issuer and Issuer shall be the continuing or surviving corporation, but, in connection with such merger, the then outstanding shares of Common Stock shall be changed into or exchanged for stock or other securities of any other person or cash or any other property or the then outstanding shares of Common Stock shall after such merger represent less than 50% of the outstanding voting shares and voting share equivalents of the merged company, or (iii) to sell or otherwise transfer all or substantially all of its assets to any person, other than Grantee or one of its Subsidiaries, then, and in each such case, the agreement governing such transaction shall make proper provision so that the Option shall, upon the consummation of any such transaction and upon the terms and conditions set forth herein, be converted into, or exchanged for, an option (the ''Substitute Option''), at the election of the Holder, of either (x) the Acquiring Corporation (as hereinafter defined) or (y) any person that controls the Acquiring Corporation.

(b) The following terms have the meanings indicated:

(A) ''Acquiring Corporation'' shall mean (i) the continuing or surviving corporation of a consolidation or merger with Issuer (if other than Issuer), (ii) Issuer in a merger in which Issuer is the continuing or surviving person, and (iii) the transferee of all or substantially all of Issuer's assets.

(B) ''Substitute Common Stock'' shall mean the common stock issued by the issuer of the Substitute Option upon exercise of the Substitute Option.

(C) ''Assigned Value'' shall mean the Market/Offer Price, as defined in Section 7.

(D) ''Average Price'' shall mean the average closing price of a share of the Substitute Common Stock for the one year immediately preceding the consolidation, merger or sale in question, but in no event higher than the closing price of the shares of Substitute Common Stock on the day preceding such consolidation, merger or sale; provided that if Issuer is the issuer of the Substitute Option, the Average Price shall be computed with respect to a share of common stock issued by the person merging into Issuer or by any company which controls or is controlled by such person, as the Holder may elect.

(c) Subject to paragraph (d) below, the Substitute Option shall have the same terms as the Option, provided, that if the terms of the Substitute Option cannot, for legal reasons, be the same as the Option, such terms shall be as similar as possible and in no event less advantageous to the Holder. The issuer of the Substitute Option shall also enter into an agreement with the then Holder or Holders of the Substitute Option in substantially the same form as this Agreement, which shall be applicable to the Substitute Option.

(d) The Substitute Option shall be exercisable for such number of shares of Substitute Common Stock as is equal to the Assigned Value multiplied by the number of shares of Common Stock for which the Option is then exercisable, divided by the Average Price. The exercise price of the Substitute Option per share of Substitute Common Stock shall then be equal to the Option Price multiplied by a fraction, the numerator of which shall be the number of shares of Common Stock for which the Option is then exercisable and the denominator of which shall be the number of shares of Substitute Common Stock for which the Substitute Option is exercisable.

(e) In no event, pursuant to any of the foregoing paragraphs, shall the Substitute Option be exercisable for more than 10% of the shares of Substitute Common Stock outstanding prior to exercise of the Substitute Option. In the event that the Substitute Option would be exercisable for more than 10% of the shares of Substitute Common Stock outstanding prior to exercise but for this clause (e), the issuer of the Substitute Option (the ''Substitute Option Issuer'') shall make a cash payment to Holder equal to the excess of (i) the value of the Substitute Option without giving effect to the limitation in this clause (e) over (ii) the value of the Substitute Option after giving effect to the limitation in this clause (e). This difference in value shall be determined by a nationally recognized investment banking firm selected by the Holder or the Owner, as the case may be, and reasonably acceptable to the Acquiring Corporation.

(f) Issuer shall not enter into any transaction described in subsection (a) of this Section 8 unless the Acquiring Corporation and any person that controls the Acquiring Corporation assume in writing all the obligations of Issuer hereunder.

9. (a) At the request of the holder of the Substitute Option (the ''Substitute Option Holder''), the Substitute Option Issuer shall repurchase the Substitute Option from the Substitute Option Holder at a price (the ''Substitute Option Repurchase Price'') equal to the amount by which (i) the Highest Closing Price (as hereinafter defined) exceeds (ii) the exercise price of the Substitute Option, multiplied by the number of shares of Substitute Common Stock for which the Substitute Option may then be exercised, and at the request of the owner (the ''Substitute Share Owner'') of shares of Substitute Common Stock (the ''Substitute Shares''), the Substitute Option Issuer shall repurchase the Substitute Shares at a price (the ''Substitute Share Repurchase Price'') equal to the Highest Closing Price multiplied by the number of Substitute Shares so designated. The term ''Highest Closing Price'' shall mean the highest closing price for shares of Substitute Common Stock within the six-month period immediately preceding the date the Substitute Option Holder gives notice of the

required repurchase of the Substitute Option or the Substitute Share Owner gives notice of the required repurchase of the Substitute Shares, as applicable.

(b) The Substitute Option Holder and the Substitute Share Owner, as the case may be, may exercise its respective right to require the Substitute Option Issuer to repurchase the Substitute Option and the Substitute Shares pursuant to this Section 9 by surrendering for such purpose to the Substitute Option Issuer, at its principal office, the agreement for such Substitute Option (or, in the absence of such an agreement, a copy of this Agreement) and certificates for Substitute Shares accompanied by a written notice or notices stating that the Substitute Option Holder or the Substitute Share Owner, as the case may be, elects to require the Substitute Option Issuer to repurchase the Substitute Option and/or the Substitute Shares in accordance with the provisions of this Section 9. As promptly as practicable, and in any event within five business days after the surrender of the Substitute Option and/or certificates representing Substitute Shares and the receipt of such notice or notices relating thereto and subject to the provisions of Section 15 hereof, the Substitute Option Issuer shall deliver or cause to be delivered to the Substitute Option Holder the Substitute Option Repurchase Price and/or to the Substitute Share Owner the Substitute Share Repurchase Price therefor or, in either case, the portion thereof which the Substitute Option Issuer is not then prohibited under applicable law and regulation from so delivering.

(c) To the extent that the Substitute Option Issuer is prohibited under applicable law or regulation from repurchasing the Substitute Option and/or the Substitute Shares in part or in full, the Substitute Option Issuer following a request for repurchase pursuant to this Section 9 shall immediately so notify the Substitute Option Holder and/or the Substitute Share Owner and thereafter deliver or cause to be delivered, from time to time, to the Substitute Option Holder and/or the Substitute Share Owner, as appropriate, the portion of the Substitute Share Repurchase Price, respectively, which it is no longer prohibited from delivering, within five business days after the date on which the Substitute Option Issuer is no longer so prohibited; provided, however, that if the Substitute Option Issuer is at any time after delivery of a notice of repurchase pursuant to subsection (b) of this Section 9 prohibited under applicable law or regulation from delivering to the Substitute Option Holder and/or the Substitute Share Owner, as appropriate, the Substitute Option Repurchase Price and the Substitute Share Repurchase Price, respectively, in full (and the Substitute Option Issuer shall use its best efforts to obtain all required regulatory and legal approvals, in each case as promptly as practicable, in order to accomplish such repurchase), the Substitute Option Holder or Substitute Share Owner may revoke its notice of repurchase of the Substitute Option or the Substitute Shares either in whole or to the extent of the prohibition, whereupon, in the latter case, the Substitute Option Issuer shall promptly (i) deliver to the Substitute Option Holder or Substitute Share Owner, as appropriate, that portion of the Substitute Option Repurchase Price or the Substitute Share Repurchase Price that the Substitute Option Issuer is not prohibited from delivering; and (ii) deliver, as appropriate, either (A) to the Substitute Option Holder, a new Substitute Option evidencing the right of the Substitute Option Holder to purchase that number of shares of the Substitute Common Stock obtained by multiplying the number of shares of the Substitute Common Stock for which the surrendered Substitute Option was exercisable at the time of delivery of the notice of repurchase by a fraction, the numerator of which is the Substitute Option Repurchase Price less the portion thereof theretofore delivered to the Substitute Option Holder and the denominator of which is the Substitute Option Repurchase Price, or (B) to the Substitute Share Owner, a certificate for the Substitute Common Shares it is then so prohibited from repurchasing.

10. The 90-day or 6-month periods for exercise of certain rights under Sections 2, 6, 7 and 13 shall be extended:

(i) to the extent necessary to obtain all regulatory approvals for the exercise of such rights, and for the expiration of all statutory waiting periods;

(ii) to the extent necessary to avoid liability under Section 16(b) of the 1934 Act by reason of such exercise; and

(iii) during any period in which Grantee is precluded from exercising such rights due to an injunction or other legal restriction;

plus, in the case of clauses (i), (ii) and (iii), for such additional period as is reasonably necessary for the exercise of such rights promptly following the obtaining of such approvals or the expiration of such periods.

11. Issuer hereby represents and warrants to Grantee as follows:

(a) Issuer has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by the Board of Directors of Issuer and no other corporate proceedings on the part of Issuer are necessary to authorize this Agreement or to consummate the transactions so contemplated. This Agreement has been duly and validly executed and delivered by Issuer.

(b) Issuer has taken all necessary corporate action to authorize and reserve and to permit it to issue, and at all times from the date hereof through the termination of this Agreement in accordance with its terms will have reserved for issuance upon the exercise of the Option, that number of shares of Common Stock equal to the maximum number of shares of Common Stock at any time and from time to time issuable hereunder, and all such shares, upon issuance pursuant hereto, will be duly authorized, validly issued, fully paid, nonassessable, and will be delivered free and clear of all claims, liens, encumbrance and security interests and not subject to any preemptive rights.

(c) Issuer has taken all action so that the entering into of this Option Agreement, the acquisition of shares of Common Stock hereunder and the other transactions contemplated hereby do not and will not result in the grant of any rights to any person under the Rights Agreement or enable or require the Rights to be exercised, distributed or triggered.

12. Grantee hereby represents and warrants to Issuer that:

(a) Grantee has all requisite corporate power and authority to enter into this Agreement and, subject to any approvals or consents referred to herein, to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Grantee. This Agreement has been duly executed and delivered by Grantee.

(b) The Option is not being, and any shares of Common Stock or other securities acquired by Grantee upon exercise of the Option will not be, acquired with a view to the public distribution thereof and will not be transferred or otherwise disposed of except in a transaction registered or exempt from registration under the Securities Act.

13. Neither of the parties hereto may assign any of its rights or obligations under this Option Agreement or the Option created hereunder to any other person, without the express written consent of the other party, except that in the event a Subsequent Triggering Event shall have occurred prior to an Exercise Termination Event, Grantee, subject to the express provisions hereof, may assign in whole or in part its rights and obligations hereunder within 90 days following such Subsequent Triggering Event (or such later period as provided in Section 10).

14. Each of Grantee and Issuer will use its best efforts to make all filings with, and to obtain consents of, all third parties and governmental authorities necessary to the consummation of the transactions contemplated by this Agreement, including without limitation making application to list the shares of Common Stock issuable hereunder on the New York Stock Exchange upon official notice of issuance.

15. (a) Notwithstanding any other provision of this Agreement, in no event shall the Grantee's Total Profit (as hereinafter defined) exceed $2,200,000,000.00 and, if it otherwise would exceed such amount, the Grantee, at its sole election, shall either (i) reduce the number of shares of Common Stock subject to this

Option, (ii) deliver to the Issuer for cancellation Option Shares previously purchased by Grantee (valued, for the purposes of this Section 15(a) at the average closing sales price per share of Common Stock (or if there is no sale on such date then the average between the closing bid and ask prices on any such day) as reported by the New York Stock Exchange for the twenty consecutive trading days preceding the day on which the Grantee's Total Profit exceeds $2,200,000,000.00) (iii) pay cash to the Issuer, or (iv) any combination thereof, so that Grantee's actually realized Total Profit shall not exceed $2,200,000,000.00 after taking into account the foregoing actions.

(b) As used herein, the term ''Total Profit'' shall mean the amount (before taxes) of the following: (a) the aggregate amount of (i)(x) the net cash amounts received by Grantee and its affiliates pursuant to the sale of Option Shares (or any securities into which such Option Shares are converted or exchanged) to any unaffiliated party or to Issuer pursuant to this Agreement, less (y) the Grantee's purchase price of such Option Shares, (ii) any amounts received by Grantee and its affiliates on the transfer of the Option (or any portion thereof) to any unaffiliated party, if permitted hereunder or to Issuer pursuant to this Agreement, and (iii) the amount received by Grantee pursuant to Section 9.2 of the Merger Agreement; minus (b) the amount of cash theretofore paid to the Issuer pursuant to this Section 15 plus the value of the Option Shares theretofore delivered to the Issuer for cancellation pursuant to this Section 15.

(c) Notwithstanding any other provision of this Agreement, nothing in this Agreement shall affect the ability of Grantee to receive nor relieve Issuer's obligation to pay a fee pursuant to Section 9.2 of the Merger Agreement; provided that if Total Profit received by Grantee would exceed $2,200,000,000.00 following the receipt of such fee, Grantee shall be obligated to comply with terms of Section 15(a) within 5 days of the later of (i) the date of receipt of such fee and (ii) the date of receipt of the net cash by Grantee pursuant to the sale of Option Shares (or, any other securities into which such Option Shares are converted or exchanged) to any unaffiliated party or to Issuer pursuant to this Agreement.

(d) Notwithstanding any other provision of this Agreement, the Option may not be exercised for a number of Option Shares that would, as of the Notice Date, result in a Notional Total Profit (as defined below) of more than $2,200,000,000.00. ''Notional Total Profit'' shall mean, with respect to any number of Option Shares as to which the Grantee may propose to exercise the Option, the Total Profit determined as of the Notice Date assuming that the Option was exercised on such date for such number of Option Shares and assuming such Option Shares, together with all other Option Shares held by the Grantee and its affiliates as of such date, were sold for cash at the closing sales price for Common Stock as of the close of business on the preceding trading day.

16. The parties hereto acknowledge that damages would be an inadequate remedy for a breach of this Agreement by either party hereto and that the obligations of the parties hereto shall be enforceable by either party hereto through injunctive or other equitable relief.

17. If any term, provision, covenant or restriction contained in this Agreement is held by a court or a federal or state regulatory agency of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions and covenants and restrictions contained in this Agreement shall remain in full force and effect, and shall in no way be affected, impaired or invalidated. If for any reason such court or regulatory agency determines that the Holder is not permitted to acquire, or Issuer or Substitute Option Issuer, as the case may be, is not permitted to repurchase pursuant to Section 7 or Section 9, as the case may be, the full number of shares of Common Stock provided in Section 1(a) hereof (as adjusted pursuant to Section 1(b) or 5 hereof), it is the express intention of Issuer (which shall be binding on the Substitute Option Issuer) to allow the Holder to acquire or to require Issuer or Substitute Option Issuer to repurchase such lesser number of shares as may be permissible, without any amendment or modification hereof.

18. All notices, requests, claims, demands and other communications hereunder shall be deemed to have been duly given when delivered in person, by cable, telegram, telescope or telex, or by registered or certified mail (postage prepaid, return receipt requested) at the respective addresses of the parties set forth in the Merger Agreement.

19. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof (except to the extent that mandatory provisions of federal law apply).

20. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement.

21. Except as otherwise expressly provided herein, each of the parties hereto shall bear and pay all costs and expenses incurred by it or on its behalf in connection with the transactions contemplated hereunder, including fees and expenses of its own financial consultants, investment bankers, accountants and counsel.

22. Except as otherwise expressly provided herein or in the Merger Agreement, this Agreement contains the entire agreement between the parties with respect to the transactions contemplated hereunder and supersedes all prior arrangements or understandings with respect thereof, written or oral. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns. Nothing in this Agreement, expressed or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors except as assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided herein.

23. Capitalized terms used in this Agreement and not defined herein shall have the meanings assigned thereto in the Merger Agreement.

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed on its behalf by its officers thereunto duly authorized, all as of the date first above written.

GTE CORPORATION

By: /s/ CHARLES R. LEE

Charles R. Lee
Chairman and Chief Executive Officer

By: /s/ MARIANNE DROST

Marianne Drost
Secretary

BELL ATLANTIC CORPORATION

By: /s/ IVAN SEIDENBERG

Ivan Seidenberg
President and Chief Executive Officer

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Appendix D

Certificate of Incorporation Provisions proposed to be revised in connection with the Merger

Section 4.A of the Certificate of Incorporation would be restated substantially as follows:

4. *Capital Stock.*

A. *Authorized Shares.* The total number of shares of all classes of stock which the Corporation shall have the authority to issue is 4,500,000,000 shares, of which 4,250,000,000 shares are Common Stock, $.10 par value per share, and 250,000,000 shares are Series Preferred Stock, $.10 par value.

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Appendix E

Bylaws Provisions proposed to be revised in connection with the Merger

Section 4.13 (b) would be restated substantially as follows:

SECTION 4.13. *Qualifications and Election of Directors.*

(b) Nominations of persons for election to the board of directors of the corporation may be made at a meeting of stockholders by or at the direction of the board of directors, which shall, prior to July 1, 2002, follow the method for the selection of directors set forth in Section 4.16 of the Bylaws.

Section 4.16 would be restated substantially as follows:

SECTION 4.16. *Representation on Board of Directors.*—From the date hereof until July 1, 2002, the board of directors and each committee of the board as constituted following each election of directors shall consist of an equal number of GTE Directors and Bell Atlantic Directors (as such terms are defined below), and subject to the fiduciary duties of the directors, the board of directors shall nominate for election at each stockholders meeting at which Directors are elected, an equal number of GTE Directors and Bell Atlantic Directors. If, at any time prior to July 1, 2002, the number of GTE Directors and Bell Atlantic Directors serving either as directors or as members of any committee of the board, would not be equal, then, subject to the fiduciary duties of directors, the board of directors shall appoint to fill any existing vacancy or vacancies, as appropriate, such person or persons as may be requested by the remaining GTE Directors (if the number of GTE Directors is, or would otherwise become, less than the number of Bell Atlantic Directors) or by the remaining Bell Atlantic Directors (if the number of Bell Atlantic Directors is, or would otherwise become, less than the number of GTE Directors) to ensure that there shall be an equal number of GTE Directors and Bell Atlantic Directors. The provisions of the preceding two sentences shall not apply in respect of any vacancy which occurs after July 1, 2002. The term ''GTE Director'' means (1) any person serving as a director of GTE Corporation (''GTE'') who becomes a director of the corporation at the effective time of the merger of a wholly owned subsidiary of the corporation with and into GTE and (2) any person who subsequently becomes a director of Bell Atlantic and who is designated by the GTE directors pursuant to this paragraph; and the term ''Bell Atlantic Director'' means (1) any person serving as a Director of the corporation who continues as a director of the corporation after the effective time of the merger referred to above and (2) any person who subsequently becomes a director of Bell Atlantic and who is designated by the Bell Atlantic Directors pursuant to this paragraph. From the effective time of the merger referred to above through July 1, 2002, the board of directors shall consist of an even number of directors and such number of directors shall not be amended unless, immediately following such amendment, the number of GTE Directors then in office is equal to the number of Bell Atlantic Directors then in office. Any amendment to or modification of this Section 4.16 or of any provision of these Bylaws which refers to this Section 4.16 shall require a three-quarters vote of the entire board of directors.

Section 5.11 would be restated substantially as follows:

SECTION 5.11. *Succession Arrangements.—*

(a) Except as to the election of the individuals to positions as specifically provided for in the Employment Agreements between the corporation and Charles R. Lee and the corporation and Ivan G. Seidenberg (each an ''Employment Agreement'' and collectively, the ''Employment Agreements'') which are expressly contemplated by Section 7.10 of the Agreement and Plan of Merger dated as of July 27, 1998, as amended and restated prior to the Effective Time under such Merger Agreement, between the corporation and GTE Corporation, until July 1, 2002 (1) the election of any other person to such positions, or (2) the removal or replacement of Mr. Lee or Mr. Seidenberg from one or more of those positions, shall require a three-quarters vote of the entire board of directors. Thereafter, such vote as is provided by Section 4.10 of these Bylaws shall be required.

(b) Any amendment to or modification of either of the Employment Agreements by the corporation or of this Section 5.11 shall require a three-quarters vote of the entire board of directors. As used in this Article V and in these By-Laws generally, the term ''entire board of directors'' means the total number of directors which the corporation would have if there were no vacancies.

Goldman, Sachs & Co. | 85 Broad Street | New York, New York 10004
Tel: 212-902-1000

Goldman
Sachs

PERSONAL AND CONFIDENTIAL

July 27, 1998

Board of Directors
GTE Corporation
One Stamford Forum
Stamford, CT 06904

Gentlemen and Madame:

You have requested our opinion as to the fairness from a financial point of view to the holders of the outstanding shares of common stock, par value $0.05 per share (the "Shares"), of GTE Corporation ("GTE" or the "Company") of the exchange ratio of 1.22 shares of common stock, par value $0.10 per share ("Bell Atlantic Common Stock"), of Bell Atlantic Corporation ("Bell Atlantic") to be received for each Share (the "Exchange Ratio") pursuant to the Agreement and Plan of Merger, dated as of July 27, 1998 between Bell Atlantic and the Company (the "Agreement"). Pursuant to the terms of the Agreement, a wholly-owned subsidiary of Bell Atlantic will merge (the "Merger") with and into the Company.

Goldman, Sachs & Co., as part of its investment banking business, is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. We are familiar with the Company having provided certain investment banking and financial advisory services to GTE from time to time, including having acted as financial advisor to the Company in connection with the Company's acquisition of BBN Corporation in 1997; having acted as financial advisor to the Company in connection with the Company's attempted acquisition of MCI Communications Corporation in 1997; having acted as managing underwriter of a public offering of $2.1 billion of debentures issued by the Company on April 22, 1998; and having acted as financial advisor to the Company in connection with the Agreement. We also have provided certain investment banking services to Bell Atlantic from time to time, and may provide investment banking services to Bell Atlantic in the future. Goldman Sachs is a full service securities firm and, in the course of its normal trading activities, may from time to time effect transactions and hold positions in the securities of GTE or Bell Atlantic for its own account or the accounts of customers.

In connection with this opinion, we have reviewed, among other things, the Agreement; Annual Reports to Stockholders and Annual Reports on Form 10-K of the Company and Bell Atlantic for the five years ended December 31, 1997; certain interim reports to stockholders and Quarterly Reports on Form 10-Q of the Company and Bell Atlantic; and certain internal financial analyses and forecasts for the Company and Bell Atlantic prepared by their respective managements, including projected cost savings and revenue synergies expected to be achieved pursuant to the Merger. We also have held discussions with members of the senior management of the Company and Bell Atlantic regarding the strategic rationale for, and the potential benefits of, the transaction contemplated by the Agreement and the past and current business operations, financial condition and future prospects of their respective companies and the combined company pursuant to the Merger. In addition, we have reviewed the reported price and trading activity for the Shares and Bell Atlantic Common Stock, compared certain financial and stock market information for the Company and Bell Atlantic with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the telecommunications industry specifically and in other industries generally and performed such other studies and analyses as we considered appropriate.

We have relied upon the accuracy and completeness of all of the financial and other information reviewed by us and have assumed such accuracy and completeness for purposes of rendering this opinion. In that regard, we have assumed that the financial forecasts provided to us including, without limitation, the projected cost savings and revenue synergies expected to be achieved pursuant to the Merger, have been reasonably prepared on a basis reflecting the best currently available judgments and estimates of the Company and Bell Atlantic and that such forecasts will be achieved in the amounts and at the times contemplated thereby. In addition, we have not made an independent evaluation or appraisal of the assets and liabilities of the Company or Bell Atlantic or any of their subsidiaries and we have not been furnished with any such evaluation or appraisal. We have taken into account the Company's expectation regarding the accounting treatment of the transaction. In addition, we have assumed that obtaining any regulatory or third party approvals for the Merger will not have a materially adverse effect on the Company or Bell Atlantic or the anticipated benefits of the Merger. We were not asked to, and did not, solicit other proposals to acquire or merge with the Company. Our opinion does not address the Company's underlying business decision to effect the Merger. Our opinion is necessarily based upon conditions as they exist and can be evaluated on the date hereof. Our opinion as expressed below does not imply any conclusion as to the trading range for Bell Atlantic Common Stock following the announcement or consummation of the Merger. Our advisory services and the opinion expressed herein are provided for the information and assistance of the Board of Directors of the Company in connection with its consideration of the transaction contemplated by the Agreement and such opinion does not constitute a recommendation as to how any holder of Shares should vote with respect such transaction.

GTE Corporation
July 27, 1998
Page Three

Based upon and subject to the foregoing and based upon such other matters as we consider relevant, it is our opinion that as of the date hereof the Exchange Ratio pursuant to the Agreement is fair from a financial point of view to the holders of Shares.

Very truly yours,

Goldman, Sachs & Co.

(Goldman, Sachs & Co.)

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SALOMON SMITH BARNEY

212-783-7000

A Member of TravelersGroup

July 27, 1998

Board of Directors
GTE Corporation
One Stamford Forum
Stamford, CT 06904

Members of the Board:

You have requested our opinion as to the fairness, from a financial point of view, to the holders of common stock, par value $0.05 per share ("Company Common Stock"), of GTE Corporation (the "Company") of the exchange ratio (the "Exchange Ratio") of 1.220 shares of common stock, par value $0.10 per share ("Bell Atlantic Common Stock"), of Bell Atlantic Corporation ("Bell Atlantic") to be received for each share of Company Common Stock in connection with the proposed business combination between the Company and Bell Atlantic pursuant to an Agreement and Plan of Merger (the "Agreement") to be entered into between the Company and Bell Atlantic. Pursuant to the terms of the Agreement, a wholly owned subsidiary of Bell Atlantic will merge (the "Merger") with and into the Company.

In connection with rendering our opinion, we have reviewed (i) a draft of the proposed Agreement, (ii) certain publicly available information with respect to the Company and Bell Atlantic and (iii) certain other financial information with respect to the Company and Bell Atlantic, including financial forecasts (including both companies' estimates of the synergies expected to be derived from the proposed business combination), that were provided to us by the Company and Bell Atlantic, respectively. We have discussed the past and current business operations and financial conditions of the Company and Bell Atlantic as well as other matters we believe relevant to our inquiry, including matters relating to the regulatory approvals required to consummate the Merger, with certain officers and employees of the Company and Bell Atlantic, respectively. We have also considered such other information, financial studies, analyses, investigations and financial, economic and market criteria that we deemed relevant.

In our review and analysis and in arriving at our opinion, we have assumed and relied upon the accuracy and completeness of the financial and other information (including information relating to the regulatory approvals required to consummate the Merger) reviewed by us, and we have not assumed any responsibility for independent verification of such information. With respect to the financial forecasts of the Company and Bell Atlantic (including both companies' estimates of the synergies expected to be derived from the proposed business combination), we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the respective managements of the Company or Bell Atlantic as to the future financial performance of the Company and Bell Atlantic (including such synergies), respectively, and we express no view with respect to such forecasts or the assumptions on

SALOMON BROTHERS INC Seven World Trade Center, New York, NY 10048

SALOMON SMITH BARNEY

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which they are based. We also have assumed that the Agreement, when executed and delivered, will not contain any terms or conditions that differ materially from the draft which we have reviewed, that the Merger will be consummated in accordance with the terms of the Agreement without any waiver of any material term or condition thereof and that obtaining the necessary regulatory approvals for the Merger will not have a material adverse effect on the Company or Bell Atlantic or on the anticipated benefits of the proposed business combination. We have not assumed any responsibility for any independent evaluations or appraisals of any of the assets (including properties and facilities) or liabilities of the Company or Bell Atlantic. We were not asked to, and did not, solicit other proposals to acquire or merge with the Company. We understand that the Merger is expected to qualify, for federal income tax purposes, as a reorganization under the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended.

Our opinion is necessarily based upon conditions as they exist and can be evaluated on the date hereof. Our opinion as expressed below does not imply any conclusion as to the trading range for Bell Atlantic Common Stock following the announcement or consummation of the Merger. Our opinion does not address the Company's underlying business decision to effect the Merger. Our opinion is directed only to the fairness, from a financial point of view, of the Exchange Ratio to the holders of Company Common Stock and does not constitute a recommendation concerning how holders of Company Common Stock should vote with respect to the Agreement or the Merger.

As you are aware, Salomon Brothers Inc and Smith Barney Inc., collectively doing business as Salomon Smith Barney ("Salomon Smith Barney") is acting as financial advisor to the Board of Directors of the Company in connection with the Merger and will receive a fee for its services. In the ordinary course of business, we (including our current and future affiliates) may actively trade the securities of the Company and Bell Atlantic and their affiliates for our own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities. Also, we and our affiliates have previously rendered investment banking and financial advisory services to the Company and Bell Atlantic and certain of their affiliates for which we have received customary compensation. We (including our current and future affiliates) may have other business relationships with the Company, Bell Atlantic and their respective affiliates.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Exchange Ratio is fair to the holders of Company Common Stock from a financial point of view.

Very truly yours,

Salomon Smith Barney

SALOMON SMITH BARNEY

SALOMON BROTHERS INC Seven World Trade Center, New York, NY 10048

Appendix H

BEAR STEARNS

BEAR, STEARNS & CO. INC.

245 PARK AVENUE
NEW YORK, NEW YORK 10167
(212) 272-2000

ATLANTA • BOSTON
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July 27, 1998

Board of Directors
Bell Atlantic Corporation
1095 Avenue of the Americas
New York, NY 10036

Ladies and Gentlemen:

We understand that Bell Atlantic Corporation (''Bell Atlantic'') and GTE Corporation (''GTE'') are entering into an Agreement and Plan of Merger, dated as of July 27, 1998 (the ''Merger Agreement''), pursuant to which a newly-formed subsidiary of Bell Atlantic will be merged with and into GTE (the ''Merger''), and GTE will continue as the surviving corporation in the Merger as a wholly-owned subsidiary of Bell Atlantic. We further understand that, pursuant to the Merger, each outstanding share of common stock, par value $0.05 per share (''GTE Common Stock''), of GTE (other than treasury shares and shares held by Bell Atlantic) and all rights in respect thereof, will be exchanged for 1.22 shares of common stock, par value $0.10 per share, of Bell Atlantic (''Bell Atlantic Common Stock''). Such ratio of GTE Common Stock to Bell Atlantic Common Stock is hereinafter referred to as the ''Exchange Ratio.'' As more specifically set forth in the Merger Agreement, in the Merger each outstanding GTE option or warrant to purchase stock, stock appreciation right and restricted stock award will be converted into a similar security or right of Bell Atlantic, adjusted to reflect the Exchange Ratio. You have asked us to render our opinion as to whether the Exchange Ratio is fair, from a financial point of view, to Bell Atlantic and, accordingly, to the holders of Bell Atlantic Common Stock.

In the course of performing our review and analyses for rendering this opinion, we have:

1. reviewed the Merger Agreement;

2. reviewed each of Bell Atlantic's and GTE's Annual Reports on Form 10-K for the years ended December 31, 1995 through 1997, and their respective Quarterly Reports on Form 10-Q for the period ended March 31, 1998;

3. reviewed certain operating and financial information, including financial forecasts, relating to the business, earnings, cash flow, assets, liabilities and prospects of Bell Atlantic and GTE, provided by the senior managements of Bell Atlantic and GTE, respectively (collectively, the ''Projections'') and certain other forward-looking information;

4. reviewed certain information regarding the amount and timing of anticipated revenue enhancements, cost savings and related expenses and synergies expected to result from the Merger (the ''Expected Synergies''), jointly prepared and provided by the senior managements of Bell Atlantic and GTE;

5. met separately and/or jointly with certain members of the senior managements of Bell Atlantic and GTE to discuss (a) the current telecommunications landscape and competitive dynamics related thereto, (b) each company's operations, historical financial statements, future prospects and financial condition, (c) their views of the strategic, business, operational and financial rationale for, and expected strategic benefits and other implications of, the Merger, and (d) the Projections and the Expected Synergies;

6. reviewed the historical prices, trading activity and valuation parameters of Bell Atlantic Common Stock and GTE Common Stock;

7. reviewed and analyzed the pro forma financial impacts of the Merger on Bell Atlantic;

8. reviewed the terms, to the extent publicly available, of recent mergers and acquisitions which we deemed generally comparable to the Merger or otherwise relevant to our inquiry;

9. reviewed publicly available financial data, stock market performance data and valuation parameters of companies which we deemed generally comparable to Bell Atlantic and GTE or otherwise relevant to our inquiry; and

10. conducted such other studies, analyses, inquiries and investigations as we deemed appropriate.

In the course of our review, we have relied upon and assumed, without independent verification, the accuracy and completeness of all financial and other information, including the Projections and the Expected Synergies, provided to us by Bell Atlantic and GTE. With respect to the Projections and the Expected Synergies, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of Bell Atlantic and GTE as to the anticipated future performance of their respective companies and as to the anticipated combination benefits achievable within the time frames forecast therein. We have also assumed with your consent that the Merger will (i) qualify as a tax-free reorganization for U.S. federal income tax purposes and (ii) otherwise be consummated in accordance with the terms described in the Merger Agreement, without the waiver of any material condition and with all necessary material consents and approvals having been obtained without any limitations, restrictions, conditions, amendments or modifications that collectively would have a material effect on Bell Atlantic, GTE or the expected benefits of the Merger to Bell Atlantic.

In arriving at our opinion, we have not performed any independent appraisal of the assets or liabilities of Bell Atlantic or GTE, nor have we been furnished with any such appraisals. In rendering our opinion, we have analyzed the Merger as a merger of equals between Bell Atlantic and GTE, and we have not solicited, and have not been authorized to solicit, third party acquisition interest in Bell Atlantic. In addition, we are not expressing any opinion as to the price or range of prices at which Bell Atlantic Common Stock may trade subsequent to the announcement or consummation of the Merger. Our opinion is necessarily based on economic, market and other conditions, and the information made available to us, as of the date hereof, and we undertake no obligation to update our opinion to reflect any developments occurring after the date hereof.

We have acted as financial advisor to Bell Atlantic in connection with the Merger and will receive a fee for such services. We have previously rendered certain investment banking and financial advisory services to both Bell Atlantic and GTE for which we received customary compensation. In addition, a Senior Executive Vice President of Bell Atlantic is a member of the Board of Directors of The Bear Stearns Companies Inc., which is our parent company. In the ordinary course of our business, we may actively trade the securities of Bell Atlantic and/or GTE for our own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

It is understood that this letter is intended for the benefit and use of the Board of Directors of Bell Atlantic, does not address Bell Atlantic's underlying business decision to effect the Merger nor constitute a recommendation to the Board of Directors of Bell Atlantic in connection with the Merger, and does not constitute a recommendation to any holder of Bell Atlantic Common Stock as to how to vote shares in connection with the Merger, the issuance of Bell Atlantic Common Stock to effect the Merger, or any charter amendment related to the Merger. This letter is not to be used for any other purpose, or reproduced, disseminated, quoted or referred to at any time, in whole or in part, without our prior written consent; provided, however, that this letter may be included in its entirety in any joint proxy statement/prospectus to be distributed to the holders of Bell Atlantic Common Stock in connection with the Merger.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Exchange Ratio is fair, from a financial point of view, to Bell Atlantic and, accordingly, to the holders of Bell Atlantic Common Stock.

Very truly yours,

BEAR, STEARNS & CO. INC.

By: ______________________

Senior Managing Director

Appendix I

Investment Banking

Corporate and Institutional
Client Group

World Financial Center
North Tower
New York, New York 10281-1320
212 449 1000

Merrill Lynch

July 27, 1998

Board of Directors
Bell Atlantic Corporation
1095 Avenue of the Americas
New York, NY 10036

Members of the Board of Directors:

Bell Atlantic Corporation (''Bell Atlantic''), GTE Corporation (''GTE'') and a newly formed, wholly owned subsidiary of Bell Atlantic (''Acquisition Sub''), propose to enter into an Agreement and Plan of Merger (the ''Agreement'') pursuant to which Acquisition Sub will be merged with and into GTE in a transaction (the ''Merger'') in which each outstanding share of GTE's common stock, par value $0.05 per share (other than shares held in treasury or owned by Bell Atlantic) (the ''GTE Shares''), will be converted into the right to receive 1.22 shares (the ''Exchange Ratio'') of the common stock of Bell Atlantic, par value $0.10 per share (the ''Bell Atlantic Shares'').

You have asked us whether, in our opinion, the Exchange Ratio is fair from a financial point of view to Bell Atlantic and, accordingly, to the holders of Bell Atlantic Shares (other than GTE and its affiliates).

In arriving at the opinion set forth below, we have, among other things:

(1) Reviewed certain publicly available business and financial information relating to Bell Atlantic and GTE that we deemed to be relevant;

(2) Reviewed certain information, including financial forecasts, relating to the business, earnings, cash flow, assets, liabilities and prospects of Bell Atlantic and GTE, as well as the amount and timing of the revenue enhancements, cost savings and related expenses and synergies expected to result from the Merger (the ''Expected Synergies'') furnished to us by Bell Atlantic and GTE, respectively;

(3) Conducted discussions with members of senior management and representatives of Bell Atlantic and GTE concerning the matters described in clauses 1 and 2 above, as well as their respective businesses and prospects before and after giving effect to the Merger and the Expected Synergies;

(4) Reviewed the market prices and valuation multiples for the Bell Atlantic Shares and the GTE Shares and compared them with those of certain publicly traded companies that we deemed to be relevant;

(5) Reviewed the results of operations of Bell Atlantic and GTE and compared them with those of certain publicly traded companies that we deemed to be relevant;

(6) Participated in certain discussions and negotiations among representatives of Bell Atlantic and GTE and their financial and legal advisors;

(7) Reviewed the potential pro forma impact of the Merger;

(8) Reviewed the Agreement; and

(9) Reviewed such other financial studies and analyses and took into account such other matters as we deemed necessary, including our assessment of general economic, market and monetary conditions.

In preparing our opinion, we have assumed and relied on the accuracy and completeness of all information supplied or otherwise made available to us, discussed with or reviewed by or for us, or publicly available, and we have not assumed any responsibility for independently verifying such information or undertaken an independent evaluation or appraisal of any of the assets or liabilities of GTE or Bell Atlantic or been furnished with any such evaluation or appraisal. In addition, we have not assumed any obligation to conduct, nor have we conducted, any physical inspection of the properties or facilities of GTE or Bell Atlantic. With respect to the financial forecast information and the Expected Synergies furnished to or discussed by GTE or Bell Atlantic, we have assumed that they have been reasonably prepared and reflect the best currently available estimates and judgment of Bell Atlantic's or GTE's management as to the expected future financial performance of GTE or Bell Atlantic, as the case may be, and the Expected Synergies. We have further assumed that the Merger will qualify as a tax-free reorganization for U.S. federal income tax purposes.

Our opinion is necessarily based upon market, economic and other conditions as they exist and can be evaluated on, and on the information made available to us as of, the date hereof, and we undertake no obligation to update our opinion to reflect any developments occurring after the date hereof. We have assumed that in the course of obtaining the necessary regulatory or other consents or approvals (contractual or otherwise) for the Merger, no restrictions, including any divestiture requirements or amendments or modifications, will be imposed that will have a material adverse effect on the contemplated benefits of the Merger. We have also assumed that the Merger will be consummated in accordance with the terms of the Agreement without waiver of any material condition.

In connection with the preparation of this opinion, we have not been authorized by Bell Atlantic or the Board of Directors to solicit, nor have we solicited, third-party indications of interest for the acquisition of all or any part of Bell Atlantic.

We are acting as financial advisor to Bell Atlantic in connection with the Merger and will receive a fee from Bell Atlantic for our services, all of which is contingent upon the execution of the Agreement. In addition, Bell Atlantic has agreed to indemnify us for certain liabilities arising out of our engagement. We have, in the past, provided certain financial advisory and financing services to Bell Atlantic and GTE and/or their affiliates and may continue to do so and have received, and may receive, fees for the rendering of such services. In addition, in the ordinary course of our business, we may actively trade Bell Atlantic Shares and other securities of Bell Atlantic, as well as GTE Shares and other securities of GTE, for our own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

This opinion is for the use and benefit of the Board of Directors of Bell Atlantic. Our opinion does not address the merits of the underlying decision by Bell Atlantic to engage in the Merger and does not constitute a recommendation to any shareholder of Bell Atlantic as to how such shareholder should vote on the proposed Merger or any matter related thereto.

We are not expressing any opinion herein as to the prices at which Bell Atlantic Shares or GTE Shares will trade following the announcement or consummation of the Merger.

On the basis of and subject to the foregoing, we are of the opinion that, as of the date hereof, the Exchange Ratio is fair from a financial point of view to Bell Atlantic and, accordingly, to the holders of Bell Atlantic Shares (other than GTE and its affiliates).

Very truly yours,

Merrill Lynch, Pierce, Fenner & Smith Incorporated

DRIVING DIRECTIONS TO 1999 ANNUAL MEETINGS OF SHAREHOLDERS

Crowne Plaza Ravinia
4355 Ashford-Dunwoody Road
Atlanta, Georgia 30346
(770) 395-7700

GTE

Annual Meeting of Shareholders
Tuesday, May 18, 1999 10:30 a.m.

Bell Atlantic

Annual Meeting of Shareholders
Wednesday, May 19, 1999 10:30 a.m.

FROM HARTSFIELD ATLANTA INTERNATIONAL AIRPORT

Take I-85 NORTH through downtown Atlanta and exit at GA 400 NORTH (Exit 29, Toll Road). Then take I-285 EAST to Ashford-Dunwoody Road (Exit 21). Turn LEFT, the Crowne Plaza Ravinia is on your right.

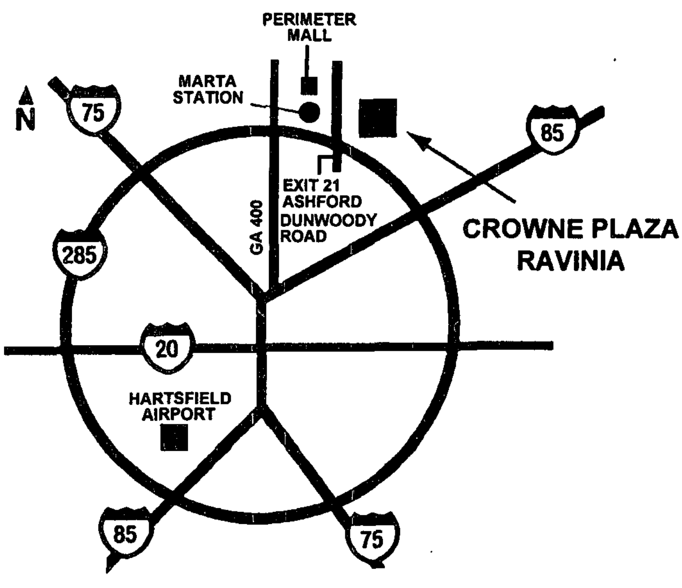
FROM MAJOR ARTERIES

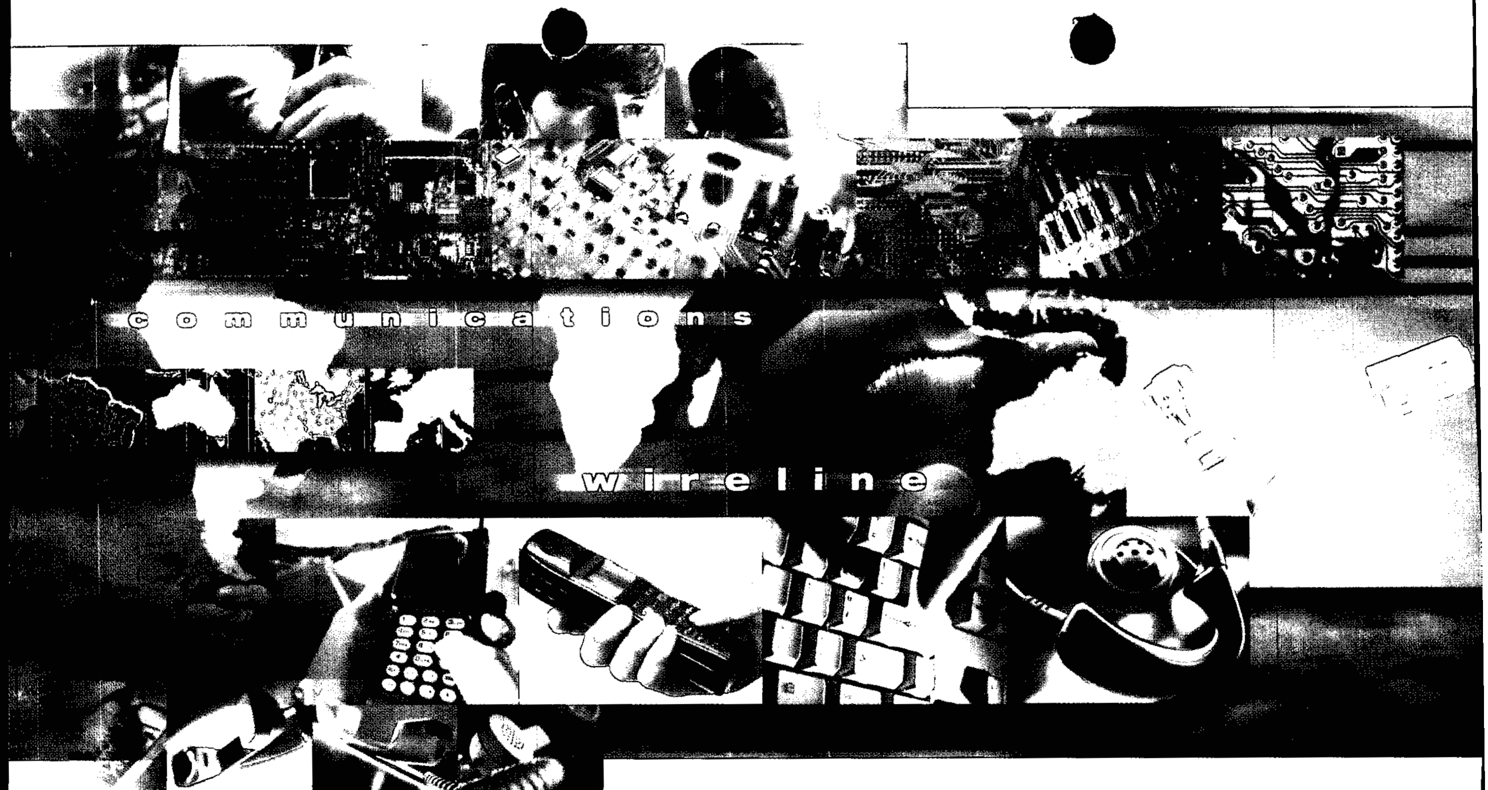
Traveling SOUTH on I-75
Take Exit #109A (I-285 By-pass EAST).
Proceed to Exit 21 (Ashford-Dunwoody Road).
Then turn LEFT on Ashford-Dunwoody Road and cross the bridge.
The Crowne Plaza Ravinia will be on your immediate right.

Traveling SOUTH on I-85
Take Exit #35B (I-285 By-pass WEST).
Proceed to Exit 21 (Ashford-Dunwoody Road).
Then turn RIGHT on Ashford-Dunwoody Road.
The Crowne Plaza Ravinia will be on your immediate right.

Traveling NORTH on I-75
Take Exit #81A (I-285 By-pass EAST).
Proceed to Exit 21 (Ashford-Dunwoody Road).
Then turn LEFT on Ashford-Dunwoody Road.
The Crowne Plaza Ravinia will be on your immediate right.

Traveling NORTH on I-85
Take GA 400 NORTH (Exit 29, Toll Road).
Then take I-285 EAST to Ashford-Dunwoody Road (Exit 21).
Turn LEFT, the Crowne Plaza Ravinia is on your right.





The merger of GTE and Bell Atlantic

Vote NOW to own a stake
in the future of telecommunications

10

Department of Justice

FOR IMMEDIATE RELEASE
FRIDAY, MAY 7, 1999
WWW.USDOJ.GOV

AT
(202) 514-2007
TDD (202) 514-1888

JUSTICE DEPARTMENT REQUIRES BELL ATLANTIC AND GTE TO DIVEST WIRELESS BUSINESSES IN ORDER TO PROCEED WITH MERGER

Divestitures in 65 Markets Located in 9 States

WASHINGTON, D.C. - The Department of Justice today agreed with Bell Atlantic and GTE on a consent decree that would resolve the Department's antitrust concerns about Bell Atlantic's merger with GTE by requiring the two firms to sell one of their two interests in overlapping wireless telephone systems in 65 markets in 9 states. The divestitures would include the major metropolitan areas of Chicago, Houston, Tampa, and Richmond. This is one of the largest divestiture packages involving a merger ever required by the Department's Antitrust Division.

The Department's lawsuit and proposed consent decree were filed today in U.S. District Court in Washington, D.C. The consent decree, if approved by the Court, would settle the suit The Antitrust Division filed the lawsuit under Section 7 of the Clayton Act, which prohibits mergers that may substantially lessen competition, and reflects the Division's view about the antitrust issues raised by the proposed merger. Other government agencies, including the Federal Communications Commission (FCC) and several state public utility commissions, are also reviewing the Bell Atlantic/GTE transaction under the laws that those agencies enforce.

According to the Department, the merger as originally proposed would have led to a loss of head-to-head competition in wireless mobile telephone services in all 65 markets. In four of the markets, Bell Atlantic has an ownership interest in one cellular system, and GTE has an ownership interest in the other. In 46 of these markets, GTE has an ownership interest in one of the cellular systems and PrimeCo--a firm that is 50 percent owned by Bell Atlantic--owns one of the personal communications services (PCS) wireless businesses. In addition, GTE is acquiring 15 cellular systems from Americtech in a recently announced acquisition, and PrimeCo owns the PCS wireless business in those 15 markets.

"Wireless mobile telephones are increasingly becoming an important part of everyday life for an ever-growing number of Americans, and we rely on competition to ensure that customers get the lowest prices as well as features and rate plans that best fit their needs," said Joel I. Klein, Assistant Attorney General in charge of the Department's Antitrust Division. "Without the divestitures required by this consent decree, competition in 65 markets would likely have been reduced, causing higher prices or lower quality wireless telephone services for potentially millions of subscribers."

Under the proposed consent decree, Bell Atlantic and GTE are required to divest their interest in one of the two overlapping wireless businesses that they either already own or will own in 65 geographic areas. If Bell Atlantic and GTE fail to complete the divestitures within 180 days of closing or earlier under certain circumstances, they must transfer to a trustee chosen by the Department, the remaining wireless systems that are to be divested. The trustee will own and control the systems until they are sold to a final purchaser, subject to safeguards to prevent the merged Bell Atlantic/GTE from influencing their operation.

The 65 affected markets have a total population of more than 25 million. These markets involve both Metropolitan Statistical Areas (MSA) and Rural Service Areas (RSA) that either overlap with other MSAs or with Major Trading Areas (MTAs). MSAs are the 306 urban areas in the U.S. defined by the federal government that are used by the FCC to license cellular systems in urban areas. RSAs are the 428 areas defined by the FCC that are used for licensing cellular systems in rural regions of the U.S. outside of MSAs. MTAs are the 51 areas that are used by the FCC for licensing certain PCS systems.

The MSAs affected by this settlement are in:

- Alabama (Mobile);
- Florida (Bradenton, Fort Myers, Jacksonville, Lakeland-Winter Haven, Pensacola, Sarasota, Tampa-St. Petersburg);
- Indiana (Fort Wayne, Gary-Hammond-East Chicago);
- Illinois (Aurora-Elgin, Bloomington-Normal, Champaign-Urbana-Rantoul, Chicago, Decatur, Joliet, Kankakee, Rockford, Springfield);
- New Mexico (Las Cruces);
- South Carolina (Anderson, Greenville);
- Texas (Austin, Beaumont-Port Arthur, Bryan-College Station, Dallas-Fort Worth, El Paso, Galveston, Houston, San Antonio, Sherman-Denison, Victoria); and
- Virginia (Newport News-Hampton, Norfolk-Virginia Beach-Portsmouth, Petersburg-Colonial Heights, Richmond).

The RSAs affected by this settlement are in:

- Florida (Citrus, Collier, Glades, Hardee, Putnam, Monroe);
- Illinois (Adams, Bureau, Jo Daviess, Mason, Mercer, Montgomery, Vermilion);
- Indiana (Huntington, Newton);
- Texas (Burleson, Chambers, Cherokee, Navarro, Newton, Wilson);
- Virginia (Amelia, Buckingham, Caroline, Greensville, Madison); and
- Wisconsin (Vernon).

Bell Atlantic, headquartered in New York City, had 1998 revenues in excess of $31 billion. It is the incumbent provider of local telephone services in Connecticut, Delaware, the District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia. Bell Atlantic also provides mobile wireless telephone service, serving areas in the states where it provides local telephone services, as well as in Arizona, Georgia, North Carolina, New Mexico, South Carolina, and Texas. Through its 50 percent partnership in PrimeCo, Bell Atlantic also provides wireless service in the states of Alabama, Arkansas, Florida, Illinois, Indiana, Iowa, Louisiana, Michigan, Mississippi, New Mexico, Ohio, Oklahoma, and Wisconsin. Bell Atlantic is the nation's fourth largest wireless mobile telephone service provider, with about 6.6 million subscribers nationwide.

GTE, headquartered in Irving, Texas, had 1998 revenues in excess of $25 billion. GTE provides local telephone service to retail customers in Alabama, Alaska, Arizona, Arkansas, California, Florida, Hawaii, Idaho, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Nebraska, Nevada, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Texas, Virginia, Washington, and Wisconsin, and also provides wireless mobile telephone service in most of these states. GTE is a major wireless mobile telephone service provider, with about 4.8 million subscribers nationwide.

Ameritech, headquartered in Chicago, had more than $17 billion in revenues in 1998 and is the incumbent provider of local telephone services in Illinois, Indiana, Michigan, Ohio, and Wisconsin. Ameritech provides cellular mobile telephone services in those states, as well as in Missouri and Hawaii, with a total of about 3.2 million subscribers.

As required by the Tunney Act, the proposed consent decree will be published in the Federal Register, together with the Department's competitive impact statement, which will be filed with the court shortly. Any person may comment on the proposed decree by submitting comments to the Department. After a 60-day comment period, the United States will reply to any public comments and seek entry of the decree by the Court.

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99-176

11

U.S. Department of Justice

Antitrust Division

City Center Building
1401 H Street, NW
Washington, DC 20530

May 7, 1999

HAND DELIVERED

United States District Court for
the District of Columbia
Third Street and Constitution Avenue, N.W.
Washington, D. C. 20001

Re: United States v. Bell Atlantic Corporation and GTE Corporation
Stipulation and Proposed Final Judgement

Dear Honorable Members of the Court:

The Department of Justice has submitted for filing with the Court a Complaint initiating the above-captioned antitrust suit. The Complaint alleges that the proposed acquisition of GTE Corporation ("GTE") by Bell Atlantic Corporation ("Bell Atlantic") would violate Section 7 of the Clayton Act. The Department of Justice has also submitted for filing a Stipulation and a proposed Final Judgment. In the Stipulation, plaintiff and defendants consent to the entry of the proposed Final Judgment. The proposed Final Judgment would require defendants to divest one of the two wireless mobile telephone businesses in each of the sixty-five markets in Alabama, Florida, Illinois, Indiana, New Mexico, South Carolina, Texas, Virginia and Wisconsin where Bell Atlantic now has an interest in one wireless mobile telephone business, and GTE now has, or will acquire an interest in, another wireless mobile telephone business in the same geographic area.

Due to certain legal requirements, which I explain below, the Final Judgment may not be entered at this time. Defendants, however, will comply with the terms of the Final Judgment upon consummation, should any consummation occur before entry of the Final Judgment. With these safeguards in place, the United States has determined not to seek to enjoin any aspect of the proposed merger, pending entry of the proposed Final Judgment.

Settlements of civil antitrust cases brought by the United States differ from most civil settlements. They are governed by Sections 5(b)-(h) of the Clayton Act, 15 U.S.C. §§ 16(b)-(h), commonly known as the Antitrust Procedures and Penalties Act, or the "Tunney Act." The Tunney Act requires that certain procedures be observed in the settlement of a government antitrust suit. Initially, the United States must file a Competitive Impact Statement outlining the nature of the case and the relief proposed by a consent judgment. A Competitive Impact Statement will be filed by the Department of Justice with this Court soon. Within the next ten days, defendants' counsel must file a statement regarding certain communications with the government. The U.S. Department of Justice must publish notices of the proposed settlement in the Federal Register and in a newspaper in Washington, D.C. The Federal Register publication must also include a copy of both the proposed Final Judgment and the Competitive Impact Statement.

The Tunney Act requires that sixty days must elapse after the later of the Federal Register publication or the newspaper publication before entry of the Final Judgment. This period is designed to allow time for public comment to the Department of Justice on the proposed settlement and to give the Department an opportunity to respond. Any comments from the public, as well as the Department's responses, are then published in the Federal Register and filed for the consideration of the Court.

When the events described above have occurred, the United States will file with the Court a Certificate of Compliance that certifies satisfaction of the Tunney Act's requirements. The Court then must determine whether entry of the Final Judgment is in the public interest pursuant to Section 5(e) of the Clayton Act, 15 U.S.C. § 16(e). The Court, at its discretion, may hold a hearing, but no hearing is required by the Tunney Act. Once the Court determines that the Final Judgment is in the public interest, the judgment may be signed and entered.

If the Court wishes to discuss further the procedures involved in this matter, I can be reached by telephone at (202) 514-4853.

Sincerely,

Hillary B. Burchuk

Hillary B. Burchuk
Attorney
Telecommunications Task Force
Antitrust Division

Enclosures

cc: John Thorne, Esq.
Steven G. Bradbury, Esq.

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,
Department of Justice
Antitrust Division
1401 H Street, N.W., Suite 8000
Washington, D.C. 20530,

Plaintiff,

v.

BELL ATLANTIC CORPORATION
1095 Avenue of the Americas
New York, NY 10036

and

GTE CORPORATION
1255 Corporate Drive
Irving, TX 75038

Defendants.

CASE NUMBER 1:99CV01119

JUDGE: Louis F. Oberdorfer

DECK TYPE: Antitrust

DATE STAMP: 05/07/99

COMPLAINT

The United States of America, acting under direction of the Attorney General of the United States, brings this civil antitrust action to enjoin defendant Bell Atlantic Corporation ("Bell Atlantic") from merging with defendant GTE Corporation ("GTE") and to obtain other relief as appropriate. The United States of America alleges as follows:

1. On July 28, 1998, Bell Atlantic and GTE entered into a merger agreement under

which the two companies would merge. The United States seeks to enjoin this transaction because its effect may be substantially to lessen competition in wireless mobile telephone services in 10 major trading areas ("MTA"), 65 metropolitan statistical areas ("MSA") and rural service areas ("RSA") in Florida, Alabama, Illinois, Indiana, Texas, Virginia, Wisconsin, New Mexico, and South Carolina.

2. Bell Atlantic is one of the remaining five Regional Bell Operating Companies ("RBOCs") created in 1984 by the consent decree settling the United States' antitrust case against American Telephone & Telegraph Co. GTE is the largest non-RBOC local telephone operating company in the United States. Bell Atlantic and GTE each provide local exchange services in distinct regions, and they also provide wireless mobile telephone services, including cellular mobile telephone services and personal communications services ("PCS"), both within and outside of their local exchange service regions. Bell Atlantic is a 50% partner in PCS PrimeCo. L.P. ("PrimeCo"), a firm that provides wireless mobile telephone services in many areas of the country.

3. This acquisition affects 23 MSAs and 23 RSAs where GTE operates, and/or has an ownership interest in, a cellular mobile wireless telephone business that competes with a PrimeCo wireless PCS telephone business that overlaps all or part of the area. In addition, this acquisition affects four additional MSAs where competing cellular mobile wireless telephone businesses are owned in whole or in part by Bell Atlantic and GTE. Finally, this acquisition impacts 9 MSAs and 6 RSAs where GTE is acquiring cellular businesses from Ameritech Mobile Phone Service of Illinois, Inc., and Ameritech Mobile Phone Service of Chicago, Inc.

(collectively "Ameritech") pursuant to an agreement dated April 2, 1999,[1] and PrimeCo operates a competing wireless mobile telephone business that overlaps all or part of the area. These 65 MSAs and RSAs, which have a total population in excess of 25 million, are herein referred to as the "Overlapping Wireless Markets."

4. The cellular businesses owned in whole or in part by Bell Atlantic and GTE are the only two providers of cellular mobile telephone services, and the two primary providers of all wireless mobile telephone services, in four cellular license areas in the states of New Mexico, Texas, and South Carolina herein referred to as the "Cellular MSA Overlap Areas." In addition, in 61 cellular license areas in the states of Alabama, Florida, Illinois, Indiana, Texas, Virginia, and Wisconsin, herein referred to as the "PCS/Cellular Overlap Areas," the cellular businesses to be acquired or owned in whole or in part by GTE, and the PCS business owned by PrimeCo are two of a small number of providers of wireless mobile telephone services.

5. GTE and Bell Atlantic are direct competitors in wireless mobile telephone services in the Cellular MSA Overlap Areas. GTE and PrimeCo, and Ameritech and PrimeCo, are direct competitors in wireless mobile telephone services in the PCS/Cellular Overlap Areas. In each of the Overlapping Wireless Markets, the wireless businesses owned or to be owned in whole or in part by Bell Atlantic and GTE compete to sell the best quality service at the lowest possible rates and are among each other's most significant competitors.

---

[1]GTE plans to acquire the following cellular systems from Ameritech: Aurora-Elgin, IL MSA, Bloomington-Normal, IL MSA, Champaign-Urbana-Rantoul, IL MSA, Chicago, IL MSA, Decatur, IL MSA, Gary-Hammond-East Chicago, IN MSA, Joliet, IL MSA, Kankakee, IL MSA, Springfield, IL MSA, Illinois 2- Bureau (B3) RSA, Illinois 4- Adams (B1) RSA, Illinois 5- Mason (B2) RSA, Illinois 6- Montgomery RSA, Illinois 7- Vermilion RSA, and Indiana 1- Newton (B2) RSA.

6. If Bell Atlantic and GTE consummate their proposed merger, only one completely independent provider of cellular mobile telephone services (and a small number of wireless mobile telephone service providers) would remain available to consumers in the Cellular MSA Overlap Areas because the combined firm would have an ownership interest in both cellular businesses in those areas. Moreover, in the PCS/Cellular Overlap Areas, because the combined firm would have acquired or will acquire substantial control over the GTE cellular business, the Ameritech cellular business and the PrimeCo PCS business (and might ultimately choose to combine those businesses) the small number of wireless mobile telephone service competitors would be effectively reduced by one, making an already concentrated market even more concentrated. As a result, unless the Bell Atlantic/GTE merger is blocked, the level of concentration among firms providing wireless mobile telephone services in the Overlapping Wireless Markets, which is already high, will be significantly increased, and competition for wireless mobile telecommunications services will be substantially lessened in the Overlapping Wireless Markets. This will result in increased prices to consumers for wireless mobile telephone services and reductions in the quality of wireless mobile telephone services, either because of unilateral actions by Bell Atlantic/GTE or coordinated interaction among Bell Atlantic/GTE and the limited number of other competitors remaining in the Overlapping Wireless Markets.

I.

JURISDICTION AND VENUE

7. This action is filed by the United States under Section 15 of the Clayton Act, as amended, 15 U.S.C. § 25, to prevent and restrain defendants from violating Section 7 of the

Clayton Act, as amended, 15 U.S.C. § 18.

8. Defendants are engaged in interstate commerce and in activities substantially affecting interstate commerce. The Court has subject matter jurisdiction over this action and jurisdiction over the parties pursuant to 15 U.S.C. §§ 22 and 25, and 28 U.S.C. §§ 1331 and 1337.

9. Defendants transact business or are found in the District of Columbia. Venue is proper in this Court pursuant to 28 U.S.C. § 1391(b) and (c).

II.

THE DEFENDANTS AND THE TRANSACTION

10. Bell Atlantic, with headquarters in New York City, New York, is one of the largest RBOCs in the United States, with approximately 42 million total local telephone access lines. In 1998, Bell Atlantic had revenues in excess of $31 billion. Bell Atlantic provides local telephone services to retail customers in Connecticut, Delaware, the District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia, as well as cellular mobile telephone services in those states. Bell Atlantic also provides cellular mobile telephone services in some areas outside its local exchange service region, including areas within the states of Arizona, Georgia, North Carolina, New Mexico, South Carolina, and Texas. Through its 50% partnership in PrimeCo, Bell Atlantic provides wireless service in the states of Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Louisiana, Michigan, Minnesota, Mississippi, New Mexico, North Carolina, Ohio, Oklahoma, Texas, Virginia, and Wisconsin. Bell Atlantic is the nation's fourth largest wireless mobile telephone service provider, with about 6.6 million subscribers nationwide.

11. GTE, with headquarters in Irving, Texas, is the largest non-RBOC local telephone company in the United States, with over 23 million total local telephone access lines. In 1998, GTE had revenues in excess of $25 billion. GTE provides local telephone service to retail customers in Alabama, Alaska, Arizona, Arkansas, California, Florida, Hawaii, Idaho, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Nebraska, Nevada, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Texas, Virginia, Washington, and Wisconsin, and also provides wireless mobile telephone service in most of these states. GTE is a major wireless mobile telephone service provider, with about 4.8 million subscribers nationwide. GTE also has entered into an agreement, dated April 2, 1999, to acquire certain cellular mobile telephone businesses from Ameritech for $3.27 billion, which would make GTE a provider of cellular mobile telephone services in additional areas in Illinois and Indiana. The acquisition of the Ameritech cellular businesses would add about 1.7 million subscribers to GTE's total number of wireless subscribers nationwide.

12. On July 28, 1998, Bell Atlantic and GTE entered into a merger agreement whereby the two firms would merge in a transaction valued at approximately $53 billion dollars at the time of the agreement. If this transaction is consummated, the combined total of Bell Atlantic's and GTE's cellular and other wireless mobile telephone service subscribers will be 13.1 million, including the number of subscribers GTE would receive from its acquisition of Ameritech.

III.

TRADE AND COMMERCE

A. Nature of Trade and Commerce

13. Wireless mobile telephone services permit users to make and receive telephone calls,

using radio transmissions, while traveling by car or by other means. The mobility afforded by this service is a valuable feature to consumers, and cellular and other wireless mobile telephone services are commonly priced at a substantial premium above landline services. In order to provide this capability, wireless carriers must deploy an extensive network of switches and radio transmitters and receivers, and interconnect this network with the networks of local and long distance landline carriers, and with the networks of other wireless carriers. In 1998, revenues from the sale of wireless mobile telephone services totaled approximately $30 billion in the United States.

14. Initially, wireless mobile telephone services were provided principally by two cellular businesses in each license area. Cellular licenses were awarded by the Federal Communications Commission ("FCC") beginning in the early 1980s for each MSA and RSA. A provider of Specialized Mobile Radio ("SMR") services typically was also authorized to operate with some additional spectrum in these areas, including the Overlapping Wireless Markets. In 1995, the FCC allocated (and subsequently issued licenses for) additional spectrum for the provision of PCS, a category of services which includes wireless mobile telephone services comparable to those offered by cellular carriers. In 1996, one SMR spectrum licensee began to use its SMR spectrum to offer wireless mobile telephone services, comparable to that offered by cellular and PCS providers and bundled with dispatch services, in a number of areas including some of the Overlapping Wireless Markets. While the areas for which PCS providers are licensed (MTAs and basic trading areas ("BTAs")) differ somewhat from the cellular MSAs and RSAs, they generally overlap with them. In many areas, including most of the Overlapping Wireless Markets, not all of the PCS license holders have started to offer services or even begun

to construct the facilities necessary to begin offering service. The PCS providers have tended to enter in the largest cities first, entering in smaller markets only later and not on as wide a scale. Moreover, even in those areas where one or more PCS providers have constructed their networks and have started to offer service, including the Overlapping Wireless Markets, the incumbent cellular providers, such as Bell Atlantic and GTE, still typically have substantially larger market shares than the new entrants. In the Cellular MSA Overlap Areas, the combined market share of GTE and Bell Atlantic in the provision of wireless mobile telephone services, if measured by the number of subscribers, is in the range of 75 - 95%, taking into account other operational wireless mobile competitors. In the PCS/Cellular Overlap Areas, the combined market share of PrimeCo and the cellular business in question is generally in the 35-50% range. In almost all of these markets. PrimeCo is one of a very few PCS firms that have begun to vigorously compete against and take away share from, the two dominant cellular firms, one of which either already is (or after consummation of the GTE/Ameritech transaction, will be) owned, in whole or in part, by GTE.

B. Relevant Product Market

15. Wireless mobile telephone service is a relevant product market. There are no cost-effective alternatives to wireless mobile telephone services for those customers using these services. If the price of wireless mobile telephone service were to increase by a small but significant amount, there would not be a sufficient number of customers that would switch away from wireless mobile telephone services to make that price increase unprofitable. Wireless mobile telephone service is therefore a relevant product market, and a line of commerce within the meaning of Section 7 of the Clayton Act.

C. Relevant Geographic Markets

16. Each Overlapping Wireless Market is a relevant geographic market. The FCC has licensed only a limited number of firms to provide wireless mobile telephone services in these areas based upon availability of radio spectrum. If the price of wireless mobile telephone service were to increase by a small but significant amount in any of the Overlapping Wireless Markets, there would not be a sufficient number of customers that would switch to wireless mobile telephone services in a different Overlapping Wireless Market to make that price increase unprofitable, because consumers cannot turn to providers of wireless mobile telephone services outside of the Overlapping Wireless Markets to obtain wireless mobile telephone services in the Overlapping Wireless Markets. Each Overlapping Wireless Market is therefore a relevant geographic market, and a section of the country within the meaning of Section 7 of the Clayton Act. The PCS/Cellular Overlap Areas and the Cellular MSA Overlap Areas are listed below:

I. PCS/Cellular Overlap Areas

A. Jacksonville MTA
1. Jacksonville MSA
2. Florida 5- Putnam RSA

B. Miami-Fort Lauderdale MTA
1. Fort Myers MSA
2. Florida 1- Collier (B1) RSA
3. Florida 2- Glades (B1) RSA
4. Florida 3- Hardee RSA
5. Florida 11- Monroe (B2) RSA

C. Tampa-St. Petersburg-Orlando MTA
1. Tampa-St. Petersburg MSA
2. Lakeland-Winter Haven MSA
3. Sarasota MSA
4. Bradenton MSA
5. Florida 2- Glades (B1) RSA
6. Florida 3- Hardee RSA

7. Florida 4- Citrus (B1) RSA

D. New Orleans-Baton Rouge MTA
1. Mobile, AL MSA
2. Pensacola, FL MSA

E. Chicago MTA
1. Aurora-Elgin, IL MSA
2. Bloomington-Normal, IL MSA
3. Champaign-Urbana-Rantoul, IL MSA
4. Chicago, IL MSA
5. Decatur, IL MSA
6. Fort Wayne, IN MSA
7. Gary-Hammond-East Chicago, IN MSA
8. Joliet, IL MSA
9. Kankakee, IL MSA
10. Rockford, IL MSA
11. Springfield, IL MSA
12. Illinois 1- Jo Daviess RSA
13. Illinois 2- Bureau (B1) RSA
14. Illinois 2- Bureau (B3) RSA
15. Illinois 3- Mercer RSA
16. Illinois 4- Adams (B1) RSA
17. Illinois 5- Mason (B2) RSA
18. Illinois 6- Montgomery RSA
19. Illinois 7- Vermilion RSA
20. Indiana 1- Newton (B1) RSA
21. Indiana 1- Newton (B2) RSA
22. Indiana 3- Huntington RSA

F. Dallas-Fort Worth MTA
1. Dallas-Fort Worth MSA
2. Austin MSA
3. Sherman-Denison MSA
4. Texas 10- Navarro (B3) RSA
5. Texas 11- Cherokee (B1) RSA
6. Texas 16- Burleson RSA

G. Houston MTA
1. Houston MSA
2. Beaumont-Port Arthur MSA
3. Galveston MSA
4. Bryan-College Station MSA

5. Victoria MSA
6. Texas 10- Navarro (B3) RSA
7. Texas 11- Cherokee (B1) RSA
8. Texas 16- Burleson RSA
9. Texas 17- Newton RSA
10. Texas 20- Wilson (B2) RSA
11. Texas 21- Chambers RSA

H. San Antonio MTA
1. San Antonio MSA
2. Texas 16- Burleson RSA
3. Texas 20- Wilson (B2) RSA

I. Richmond-Norfolk MTA
1. Norfolk-Virginia Beach-Portsmouth MSA
2. Richmond MSA
3. Newport News-Hampton MSA
4. Petersburg-Colonial Heights MSA
5. Virginia 7- Buckingham (B1) RSA
6. Virginia 8- Amelia RSA
7. Virginia 9- Greensville RSA
8. Virginia 11- Madison (B1) RSA
9. Virginia 12- Caroline (B1) RSA
10. Virginia 12- Caroline (B2) RSA

J. Milwaukee MTA
1. Wisconsin 8- Vernon RSA

II. Cellular MSA Overlap Areas

A. Greenville, SC MSA
B. Anderson, SC MSA
C. El Paso, TX MSA
D. Las Cruces, NM MSA

D. Anticompetitive Effects and Entry

17. Currently, Bell Atlantic and GTE both own all or part of businesses that offer cellular mobile telephone service in the four Cellular MSA Overlap Areas. Their individual market shares in the Cellular MSA Overlap Areas, if measured on the basis of the number of

subscribers, exceed 35% and their combined market shares in these markets would range from 75 - 95%.

18. There is already a high level of concentration in the provision of wireless mobile telephone services in the Cellular MSA Overlap Areas. As measured by the Herfindahl-Hirschman Index ("HHI"), which is commonly employed by the Department of Justice in merger analysis and is explained in more detail in Appendix A to this Complaint, concentration in these markets is already in excess of 2800, well above the 1800 threshold at which the Department normally considers a market to be highly concentrated. After the merger, the HHI in these markets will be in excess of 5500.

19. Competition between GTE and Bell Atlantic, as the two largest providers of wireless mobile telephone services in the Cellular MSA Overlap Areas, has resulted in lower prices and higher quality in these markets than would otherwise have existed absent such competition. If GTE's merger with Bell Atlantic is consummated, the Cellular MSA Overlap Areas will become substantially more concentrated, and the competition between GTE and Bell Atlantic in wireless mobile telephone services in these markets will be eliminated. As a result of the loss in competition between GTE and Bell Atlantic, there will be an increased likelihood both of unilateral actions by the combined firm in these markets to increase prices, diminish the quality or quantity of service provided, or refrain from making investments in network improvements, and of coordinated interaction among the limited number of remaining competitors that could lead to similar anticompetitive results. Therefore, the likely effect of the merger of GTE and Bell Atlantic is that prices would increase, and the quality or quantity of service together with incentives to improve network facilities would decrease, in the provision of wireless mobile

telephone services in the Cellular MSA Overlap Areas.

20. Currently, in the PCS/Cellular Overlap Areas, PrimeCo offers, or will soon offer, wireless mobile telephone service, and either GTE or Ameritech owns all or part of a business offering cellular mobile telephone service. The Ameritech businesses will pass to GTE control upon consummation of the GTE/Ameritech acquisition agreement dated April 2, 1999. In each of the PCS Cellular Overlap Areas, the GTE or Ameritech cellular business has one of the two largest market shares in the provision wireless mobile telephone services and PrimeCo is one of a small number of new PCS entrants into these markets. In some of these markets, such as Richmond, Houston, and Tampa, PrimeCo was the first new PCS entrant, is the third largest wireless firm in terms of number of subscribers, and has managed to garner a significant share. Competition between PrimeCo and GTE or Ameritech, created by PrimeCo's entry into markets that were previously an effective duopoly, has resulted in lower prices and higher quality in these markets than would otherwise have existed absent such competition. There is already a high level of concentration in the provision of wireless mobile wireless telephone services in the PCS/Cellular Overlap Areas. In virtually all, the individual shares of the two cellular carriers--one of which is GTE or Ameritech--is in the 30-40% range and the HHI exceeds 2000. After Bell Atlantic's merger with GTE and GTE's acquisitions of the Ameritech properties, concentration in virtually all of these markets would increase significantly.

21. If GTE and Bell Atlantic merge, and GTE completes its acquisition of the Ameritech cellular businesses, the PCS/Cellular Overlap Areas will become significantly more concentrated, and the competition between PrimeCo and GTE or Ameritech in wireless mobile telephone services in these markets will be eliminated. As a result of the loss in competition

between the PrimeCo and GTE or Ameritech cellular businesses, there will be an increased likelihood both of unilateral actions by the combined firm in these markets to increase prices, diminish the quality or quantity of service provided, or refrain from making investments in network improvements, and of coordinated interaction among the limited number of remaining competitors that could lead to similar anticompetitive results. Therefore, the likely effect of the merger of Bell Atlantic and GTE is that prices would increase, and the quality or quantity of service together with incentives to improve network facilities would decrease, in the provision of wireless mobile telephone services in the PCS/Cellular Overlap Areas.

22. It is unlikely that new entry in response to a small but significant price increase by the combined company for wireless mobile telephone services in the Overlapping Wireless Markets would be timely and sufficient to mitigate the competitive harm resulting from this acquisition, if it were to be consummated.

IV.

VIOLATION ALLEGED

23. The effect of Bell Atlantic's merger with GTE, if it were to be consummated, may be substantially to lessen competition in interstate trade and commerce in the Overlapping Wireless Markets, in violation of Section 7 of the Clayton Act.

24. Unless restrained, the transaction will likely have the following effects in wireless mobile telephone services in the Overlapping Wireless Markets, among others:

a. actual and potential competition between Bell Atlantic and GTE, between GTE and PrimeCo, and between Ameritech and PrimeCo will be eliminated;

b. competition in general will be lessened substantially;

c. prices are likely to increase;

d. the quality and/or quantity of services are likely to decrease; and

e. incentives to improve wireless networks will be reduced.

VI.

REQUESTED RELIEF

WHEREFORE, Plaintiff requests:

25. That the proposed merger of Bell Atlantic and GTE be adjudged to violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18;

26. That defendants be permanently enjoined from and restrained from carrying out the merger agreement, dated July 28, 1998, or from entering into or carrying out any agreement, understanding, or plan, the effect of which would be to bring Bell Atlantic and GTE under common ownership or control;

27. That plaintiff be awarded its costs of this action; and

28. That plaintiff have such other relief as the Court may deem just and proper.

Dated this ___th day of May, 1999.

Respectfully submitted,

FOR PLAINTIFF UNITED STATES

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Assistant Attorney General

Donald J. Russell
Cheif, Telecommunications Task Force

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APPENDIX A

DEFINITION OF "HHI"

The term "HHI" means the Herfindahl-Hirschman Index, a commonly accepted measure of market concentration. The HHI is calculated by squaring the market share of each firm competing in the market and then summing the resulting numbers. For example, for a market consisting of four firms with shares of 30, 30, 20, and 20 percent, the HHI is 2,600 ($30^2 + 30^2 + 20^2 + 20^2 = 2,600$). The HHI takes into account the relative size and distribution of the firms in a market. It approaches zero when a market is occupied by a large number of firms of relatively equal size and reaches its maximum of 10,000 when a market is controlled by a single firm. The HHI increases both as the number of firms in the market decreases and as the disparity in size between those firms increases.

Markets in which the HHI is between 1000 and 1800 are considered to be moderately concentrated, and markets in which the HHI is in excess of 1800 points are considered to be highly concentrated. Transactions that increase the HHI by more than 100 points in highly concentrated markets presumptively raise significant antitrust concerns under the Department of Justice and Federal Trade Commission 1992 Horizontal Merger Guidelines.

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,	)	
	)	
	)	
Plaintiff,	)	Civil No. 99 1119
	)	
v.	)	
	)	Filed:
	)	
BELL ATLANTIC CORPORATION and GTE CORPORATION,	)	
	)	
Defendants.	)	
	)	

STIPULATION

It is stipulated by and between the undersigned parties, by their respective attorneys, as follows:

(1) The Court has jurisdiction over the subject matter of this action and over each of the parties hereto, and venue of this action is proper in this Court.

(2) The parties stipulate that a Final Judgment in the form hereto attached may be filed and entered by the Court, upon the motion of any party or upon the Court's own motion, at any time after compliance with the requirements of the Antitrust Procedures and Penalties Act, 15 U.S.C. § 16, and without further notice to any party or other proceedings, provided that plaintiff has not withdrawn its consent, which it may do at any time before entry of the proposed Final Judgment by serving notice thereof on defendants and by filing that notice with the Court.

(3) Defendants shall abide by and comply with the provisions of the proposed Final Judgment pending entry of the Final Judgment by the Court, or until expiration of time for all appeals of any Court ruling declining entry of the proposed Final Judgment, and shall, from the date of the signing of this Stipulation, comply with all the terms and provisions of the proposed Final Judgment as though the same were in full force and effect as an order of the Court.

(4) This Stipulation shall apply with equal force and effect to any amended proposed Final Judgment agreed upon in writing by the parties and submitted to the Court.

(5) In the event plaintiff withdraws its consent, as provided in paragraph (2) above, or in the event that the Court declines to enter the proposed Final Judgment pursuant to this Stipulation, the time has expired for all appeals of any Court ruling declining entry of the proposed Final Judgment, and the Court has not otherwise ordered continued compliance with the terms and provisions of the proposed Final Judgment, then the parties are released from all further obligations under this Stipulation, and the making of this Stipulation shall be without prejudice to any party in this or any other proceeding.

(6) Defendants represent that the divestiture ordered in the proposed Final Judgment can and will be made, and that defendants will later raise no claims of hardship or difficulty as grounds for asking the Court to modify any of the divestiture provisions contained therein.

Dated: May 7, 1999

FOR PLAINTIFF UNITED STATES OF AMERICA:

Joel I. Klein
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U.S. Department of Justice
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Date Signed: May 6, 1999

FOR BELL ATLANTIC CORPORATION:

John Thorne
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Bell Atlantic Corporation
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Date Signed: May 6, 1999

FOR GTE CORPORATION:

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(202) 879-5000

Date Signed: May 6, 1999

STIPULATION APPROVED FOR FILING

Done this ____ day of __________, 1999

____
United States District Judge

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,	)	
Plaintiff,	)	Civil No.: 99 1119
v.	)	Filed:
BELL ATLANTIC CORPORATION and GTE CORPORATION,	)	
Defendants.	)	

FINAL JUDGMENT

WHEREAS, plaintiff, United States of America, filed its Complaint on May 7, 1999;

AND WHEREAS, plaintiff and defendants, by their respective attorneys, have consented to the entry of this Final Judgment without trial or adjudication on any issue of fact or law;

AND WHEREAS, entry of this Final Judgment does not constitute any evidence against or an admission by any party with respect to any issue of law or fact;

AND WHEREAS, defendants have further consented to be bound by the provisions of the Final Judgment pending its approval by the Court;

AND WHEREAS, plaintiff the United States believes that entry of this Final Judgment is necessary to protect competition in markets for mobile wireless telecommunications services in Alabama, Florida, Illinois, Indiana, New Mexico, South Carolina, Texas, Virginia and

Wisconsin;

AND WHEREAS, the essence of this Final Judgment is prompt and certain divestiture of certain wireless businesses that would otherwise be commonly owned and in many cases controlled, including their licenses and all relevant assets of the wireless businesses, and the imposition of related injunctive relief to ensure that competition is not substantially lessened;

AND WHEREAS, plaintiff the United States requires that defendants make certain divestitures of such licenses and assets for the purpose of ensuring that competition is not substantially lessened in any relevant market for mobile wireless telecommunications services in Alabama, Florida, Illinois, Indiana, New Mexico, South Carolina, Texas, Virginia or Wisconsin;

AND WHEREAS, defendants have represented to plaintiff that the divestitures ordered herein can and will be made and that defendants will not raise any claims of hardship or difficulty as grounds for asking the Court to modify any of the divestiture provisions contained herein below;

THEREFORE, before the taking of any testimony, and without trial or adjudication of any issue of fact or law herein, and upon consent of the parties hereto, it is hereby ORDERED, ADJUDGED and DECREED:

I

Jurisdiction

This Court has jurisdiction of the subject matter of this action and of each of the parties consenting to this Final Judgment. The Complaint states a claim upon which relief may be granted against defendants under Section 7 of the Clayton Act, 15 U.S.C. § 18, as amended.

II

Definitions

A. "Bell Atlantic" means Bell Atlantic Corporation, a corporation with its headquarters in New York City, New York and includes its successors and assigns, its subsidiaries and affiliates, and its directors, officers, managers, agents and employees acting for or on behalf of any of the foregoing entities.

B. "Bell Atlantic/GTE Merger" means the merger of Bell Atlantic and GTE, as detailed in the Agreement and Plan of Merger entered into by Bell Atlantic and GTE on July 28, 1998.

C. "GTE" means GTE Corporation, a corporation with its headquarters in Irving, Texas and includes its successors and assigns, its subsidiaries and affiliates, and its directors, officers, managers, agents and employees acting for or on behalf of any of the foregoing entities.

D. "Overlapping Wireless Markets" means the following Metropolitan Statistical Areas ("MSA"), Major Trading Areas ("MTA"), and Rural Service Areas ("RSA") used to define cellular and PCS license areas by the Federal Communications Commission ("FCC"), in which, as of the date of the filing of the Complaint in this case, Bell Atlantic, by virtue of its partnership interest in PCS PrimeCo, L.P. ("PrimeCo"), held an interest in PCS businesses, and GTE held, or has plans to acquire,[1] an ownership interest in cellular businesses which serve the following

---

[1]Pursuant to an April 2, 1999 purchase agreement, GTE plans to acquire the following cellular systems from Ameritech Mobile Phone Service of Illinois, Inc., and Ameritech Mobile Phone Service of Chicago, Inc.: Aurora-Elgin, IL MSA, Bloomington-Normal, IL MSA, Champaign-Urbana-Rantoul, IL MSA, Chicago, IL MSA, Decatur, IL MSA, Gary-Hammond-

MSAs and RSAs that geographically overlap with the applicable PrimeCo MTA, as indicated:

I. PCS/Cellular Overlap Areas

A. Jacksonville MTA
   1. Jacksonville MSA
   2. Florida 5- Putnam RSA

B. Miami-Fort Lauderdale MTA
   1. Fort Myers MSA
   2. Florida 1- Collier (B1) RSA
   3. Florida 2- Glades (B1) RSA
   4. Florida 3- Hardee RSA
   5. Florida 11- Monroe (B2) RSA

C. Tampa-St. Petersburg-Orlando MTA
   1. Tampa-St. Petersburg MSA
   2. Lakeland-Winter Haven MSA
   3. Sarasota MSA
   4. Bradenton MSA
   5. Florida 2- Glades (B1) RSA
   6. Florida 3- Hardee RSA
   7. Florida 4- Citrus (B1) RSA

D. New Orleans-Baton Rouge MTA
   1. Mobile, AL MSA
   2. Pensacola, FL MSA

E. Chicago MTA
   1. Aurora-Elgin, IL MSA
   2. Bloomington-Normal, IL MSA
   3. Champaign-Urbana-Rantoul, IL MSA
   4. Chicago, IL MSA
   5. Decatur, IL MSA
   6. Fort Wayne, IN MSA
   7. Gary-Hammond-East Chicago, IN MSA
   8. Joliet, IL MSA
   9. Kankakee, IL MSA
   10. Rockford, IL MSA

East Chicago, IN MSA, Joliet, IL MSA, Kankakee, IL MSA, Springfield, IL MSA, Illinois 2-Bureau (B3) RSA, Illinois 4- Adams (B1) RSA, Illinois 5- Mason (B2) RSA, Illinois 6-Montgomery RSA, Illinois 7- Vermilion RSA, and Indiana 1- Newton (B2) RSA.

11. Springfield, IL MSA
12. Illinois 1- Jo Daviess RSA
13. Illinois 2- Bureau (B1) RSA
14. Illinois 2- Bureau (B3) RSA
15. Illinois 3- Mercer RSA
16. Illinois 4- Adams (B1) RSA
17. Illinois 5- Mason (B2) RSA
18. Illinois 6- Montgomery RSA
19. Illinois 7- Vermilion RSA
20. Indiana 1- Newton (B1) RSA
21. Indiana 1- Newton (B2) RSA
22. Indiana 3- Huntington RSA

F. Dallas-Fort Worth MTA
1. Dallas-Fort Worth MSA
2. Austin MSA
3. Sherman-Denison MSA
4. Texas 10- Navarro (B3) RSA
5. Texas 11- Cherokee (B1) RSA
6. Texas 16- Burleson RSA

G. Houston MTA
1. Houston MSA
2. Beaumont-Port Arthur MSA
3. Galveston MSA
4. Bryan-College Station MSA
5. Victoria MSA
6. Texas 10- Navarro (B3) RSA
7. Texas 11- Cherokee (B1) RSA
8. Texas 16- Burleson RSA
9. Texas 17- Newton RSA
10. Texas 20- Wilson (B2) RSA
11. Texas 21- Chambers RSA

H. San Antonio MTA
1. San Antonio MSA
2. Texas 16- Burleson RSA
3. Texas 20- Wilson (B2) RSA

I. Richmond-Norfolk MTA
1. Norfolk-Virginia Beach-Portsmouth MSA
2. Richmond MSA
3. Newport News-Hampton MSA

4. Petersburg-Colonial Heights MSA
5. Virginia 7- Buckingham (B1) RSA
6. Virginia 8- Amelia RSA
7. Virginia 9- Greensville RSA
8. Virginia 11- Madison (B1) RSA
9. Virginia 12- Caroline (B1) RSA
10. Virginia 12- Caroline (B2) RSA

J. Milwaukee MTA

1. Wisconsin 8- Vernon RSA

II. Cellular MSA Overlap Areas

A. Greenville, SC MSA
B. Anderson, SC MSA
C. El Paso, TX MSA
D. Las Cruces, NM MSA

E. "Wireless System Assets" means, for each wireless business to be divested under this Final Judgment, all types of assets, tangible and intangible, used by defendants in the operation of each of the wireless businesses to be divested (including the provision of long distance telecommunications services for wireless calls). "Wireless System Assets" shall be construed broadly to accomplish the complete divestitures of the entire business of one of the two wireless systems in each of the Overlapping Wireless Markets required by this Final Judgment and to ensure that the divested wireless businesses remain viable, ongoing businesses. With respect to each overlap in the Overlapping Wireless Markets, the Wireless System Assets to be divested shall be either those in which Bell Atlantic has an interest or those in which GTE has or will acquire an interest, but not both. These divestitures of the Wireless System Assets as defined in this Section II.E shall be accomplished by: (i) transferring to the purchaser the complete ownership and/or other rights to the assets (other than those assets used substantially in the operations of either defendant's overall wireless business that must be retained to continue the existing operations of the wireless properties defendants are not required to divest, and that either are not capable of being divided between the divested wireless businesses and those that are not divested or are assets that the divesting defendant and the purchaser(s) agree shall not be divided); and (ii) granting to the purchaser(s) an option to obtain a non-exclusive, transferable license from defendants for a reasonable period at the election of the purchaser to use any of the divesting defendant's assets used in the operation of the wireless business being divested, so as to enable the purchaser to continue to operate the divested wireless businesses without impairment, where those assets are not subject to complete transfer to the purchaser under (i). Assets shall include, without limitation, all types of real and personal property, monies and financial instruments, equipment, inventory, office furniture, fixed assets and furnishings, supplies and materials, contracts, agreements, leases, commitments, spectrum licenses issued by the FCC and all other licenses, permits and authorizations, operational support systems, customer support and billing systems, interfaces with other service providers, business and customer records and information, customer lists, credit records, accounts, and historic and current business plans, as well as any patents, licenses, sub-licenses, trade secrets, know-how, drawings, blueprints, designs, technical and quality specifications and protocols, quality assurance and control procedures, manuals and other technical information defendants supply to their own employees, customers, suppliers, agents, or licensees, and trademarks, trade names and service marks (except for trademarks, trade names and service marks containing "Airbridge," "AmericaChoice," "Bell Atlantic Mobile," "Cellular One," "Conversation Card," "DigitalChoice," "EasternChoice," "GTE," "HomeChoice," "MetroMobile," "Mobilnet," "PCS Now," "PCS Ultra," "PrimeCo," "Welcome to the United State of America," and

"WesternChoice") or other intellectual property, including all intellectual property rights under third party licenses that are capable of being transferred to a purchaser either in their entirety, for assets described above under (i), or through a license obtained through or from the divesting defendant, for assets described above under (ii). Defendants shall identify in a schedule submitted to plaintiff and filed with the Court, as expeditiously as possible following the filing of the Complaint in this case and in any event prior to any divestitures and before the approval by the Court of this Final Judgment, any intellectual property rights under third party licenses that are used by the wireless businesses being divested but that defendants could not transfer to a purchaser entirely or by license without third party consent, and the specific reasons why such consent is necessary and how such consent would be obtained for each asset.

1. In the event that defendants elect to divest Bell Atlantic's interest in a PCS business in one of the PCS/Cellular Overlap Areas, defendants may retain up to 10 MHz of broadband PCS spectrum within that PCS/Cellular Overlap Area upon completion of the divestiture of the Wireless System Assets.

2. In the event that defendants elect to divest Bell Atlantic's interest in a PCS business in one of the PCS/Cellular Overlap Areas, defendants, at least 90 calendar days prior to the consummation of the Bell Atlantic/GTE Merger, may request approval from plaintiff to partition the PCS license along Basic Trading Area ("BTA") geographic boundaries and retain assets in one or more specified non-overlapping BTAs. Plaintiff's approval of the request shall be subject to a determination by plaintiff in its sole discretion that the assets to be sold in the non-overlapping BTAs are not needed to assure the competitive viability of the divested business in the remainder of the MTA, and that the purchaser of the Wireless System Assets in the

remainder of the MTA will be able to operate the divested PCS business as a fully competitive entity.

3. In a PCS/Cellular Overlap Area where GTE holds a non-controlling minority interest in an overlapping cellular business, defendants, at least 90 calendar days prior to the consummation of the Bell Atlantic/GTE Merger, may request approval from plaintiff to retain both the PCS business and GTE's interest in such overlapping cellular business. Plaintiff's approval of the request shall be subject to a determination by plaintiff in its sole discretion that the retention of a non-controlling minority interest will be entirely passive and will not significantly diminish competition.

III

Applicability and Effect

A. The provisions of this Final Judgment shall be applicable to each of defendants, its affiliates, subsidiaries, successors, and assigns, and its directors, officers, managers, agents, employees, attorneys, and shall also be applicable to all other persons in active concert or participation with any of them who shall have received actual notice of this Final Judgment by personal service or otherwise.

B. Defendants shall require, as a condition of the sale or other disposition to an Interim Party, which shall be defined to mean any person other than a purchaser approved by plaintiff pursuant to Section IV.C, of all or substantially all of their assets, or of a lesser business unit containing the Wireless System Assets required to be divested by this Final Judgment, that the Interim Party agrees to be bound by the provisions of this Final Judgment, and shall also require that any purchaser of the Wireless System Assets agree to be bound by Section X of this Final Judgment.

IV

Divestiture of Wireless Interests

A. Defendants Bell Atlantic and GTE shall divest themselves of the Wireless System Assets in each of the Overlapping Wireless Markets, including both any direct or indirect financial ownership interests and any direct or indirect role in management or participation in control, to a purchaser or purchasers acceptable to plaintiff in its sole discretion, or to a trustee designated pursuant to Section V of this Final Judgment, in accordance with the following schedule:

1. On or before consummation of the Bell Atlantic/GTE Merger, defendants shall divest Wireless System Assets in the Cellular MSA Overlap Areas;

2. If Bell Atlantic has acquired 100% ownership of one or more of the PCS businesses currently operated by PrimeCo in MTAs in the PCS/Cellular Overlap Areas more than ninety (90) calendar days prior to consummation of the Bell Atlantic/GTE Merger, defendants shall divest the Wireless System Assets in the PCS/Cellular Overlap Areas on or before consummation of the Bell Atlantic/GTE Merger;

3. If Bell Atlantic has not acquired, more than ninety (90) calendar days prior to consummation of the Bell Atlantic/GTE Merger, 100% ownership of one or more of the PCS businesses currently operated by PrimeCo in MTAs in the PCS/Cellular Overlap Areas:

a) defendants will submit to plaintiff, on or before consummation of the Bell

Atlantic/GTE Merger, a definitive Divestiture List identifying the specific Wireless System Assets in each of the PCS/Cellular Overlap Areas that will be divested;

b) the cellular MSA and RSA businesses on the Divestiture List shall be divested within ninety (90) calendar days after consummation of the Bell Atlantic/GTE Merger; except that if Bell Atlantic acquires 100% ownership of one or more of the PCS businesses currently operated by PrimeCo in MTAs in the PCS/Cellular Overlap Areas within the ninety (90) calendar day period prior to consummation of the Bell Atlantic/GTE Merger, the cellular MSA and RSA businesses on the Divestiture List shall be divested on or before consummation of the Bell Atlantic/GTE Merger;

c) the PCS MTA businesses on the Divestiture List shall be divested within 90 calendar days after Bell Atlantic acquires 100% ownership of one or more of the PCS businesses currently operated by PrimeCo in MTAs in the PCS/Cellular Overlap Areas, but in no event later than one hundred eighty (180) calendar days after consummation of the Bell Atlantic/GTE Merger.

B. Defendants agree to use their best efforts to accomplish the divestitures set forth in this Final Judgment and to seek all necessary regulatory approvals as expeditiously as possible. The divestitures carried out under the terms of this decree shall also be conducted in compliance with the applicable rules of the FCC, including 47 C.F.R. § 20.6 (spectrum aggregation) and 47 C.F.R. § 22.942 (cellular cross-ownership), or any waiver of such rules or other authorization granted by the FCC. Authorization by the FCC to conduct divestiture of a cellular business in a particular manner will not modify any of the requirements of this decree.

C. Unless plaintiff otherwise consents in writing, the divestitures pursuant to Section IV, or by trustee appointed pursuant to Section V of the Final Judgment, shall be accomplished by (1) divesting all of the Wireless System Assets in any individual Overlapping Wireless Market entirely to a single purchaser (but Wireless System Assets used by GTE in the operation of its cellular business in different Overlapping Wireless Markets may be divested to different purchasers), and (2) selling or otherwise conveying the Wireless System Assets to the purchaser(s) in such a way as to satisfy plaintiff, in its sole discretion, that each wireless business can and will be used by the purchaser(s) as part of a viable, ongoing business engaged in the provision of wireless mobile telephone service. The divestitures pursuant to this Final Judgment shall be made to one or more purchasers for whom it is demonstrated to plaintiff's sole satisfaction that (1) the purchaser has the capability and intent of competing effectively in the provision of wireless mobile telephone service using the Wireless System Assets, (2) the purchaser has the managerial, operational and financial capability to compete effectively in the provision of wireless mobile telephone service using the Wireless System Assets, and (3) none of the terms of any agreement between the purchaser and either of defendants shall give defendants the ability unreasonably (i) to raise the purchaser's costs, (ii) to lower the purchaser's efficiency, (iii) to limit any line of business which a purchaser may choose to pursue using the Wireless System Assets (including, but not limited to, entry into local telecommunications services on a resale or facilities basis or long distance telecommunications services on a resale or facilities basis), or otherwise to interfere with the ability of the purchaser to compete effectively.

D. If they have not already done so, defendants shall make known the availability of the

Wireless System Assets in each of the Overlapping Wireless Markets by usual and customary means, sufficiently in advance of the time of consummation of the Bell Atlantic/GTE Merger reasonably to enable the required divestitures to be accomplished according to the schedule outlined herein. Defendants shall inform any person making an inquiry regarding a possible purchase of the Wireless System Assets that the sale is being made pursuant to the requirements of this Final Judgment, as well as the rules of the FCC, and shall provide such person with a copy of the Final Judgment.

E. Defendants shall offer to furnish to all prospective purchasers, subject to customary confidentiality assurances, access to personnel, the ability to inspect the Wireless System Assets, and all information and any financial, operational, or other documents customarily provided as part of a due diligence process, including all information relevant to the sale and to the areas of business in which the cellular business has been engaged or has considered entering except documents subject to attorney-client or work product privileges, or third party intellectual property that defendants are precluded by contract from disclosing and that has been identified in a schedule pursuant to Section II.E. Defendants shall make such information available to the plaintiff at the same time that such information is made available to any other person.

F. Defendants shall not interfere with any negotiations by any purchaser to retain any employees who work or have worked since July 29, 1998 (other than solely on a temporary assignment basis from another part of Bell Atlantic or GTE) with, or whose principal responsibility relates to, the divested Wireless System Assets.

G. To the extent that the wireless businesses to be divested use intellectual property, as required to be identified by Section II.E, that cannot be transferred or assigned without the consent of the licensor or other third parties, defendants shall cooperate with the purchaser(s) and trustee to seek to obtain those consents.

H. Defendants shall preserve all records of all efforts made to preserve and divest any or all of the Wireless System Assets required to be divested until the termination of this Final Judgment.

V

Appointment of Trustee

A. If defendants have not divested all of the Wireless System Assets required to be divested in accordance with the schedule in Section IV to a purchaser or purchasers that have been approved by plaintiff pursuant to Section IV.C, then:

1. Defendants shall identify to plaintiff in writing the remaining Wireless System Assets to be divested in the Overlapping Wireless Markets, and this written notification shall also be provided to the trustee promptly upon his or her appointment by the Court;

2. The Court shall, on application of plaintiff, appoint a trustee selected by plaintiff, who will be responsible for (a) accomplishing a divestiture of all Wireless System Assets transferred to the trustee from defendants, in accordance with the terms of this Final Judgment, to a purchaser or purchasers approved by plaintiff under Section IV.C, and (b) exercising the responsibilities of the licensee and controlling and operating the transferred Wireless System Assets, to ensure that the wireless businesses remain ongoing, economically viable competitors in the

provision of mobile wireless telecommunications services in the Overlapping Wireless Markets, until they are divested to a purchaser or purchasers, and the trustee shall agree to be bound by this Final Judgment;

3. Defendants shall submit a form of trust agreement ("Trust Agreement") to plaintiff, which must be consistent with the terms of this Final Judgment and which must have received approval by plaintiff, who shall communicate to defendants within ten (10) business days approval or disapproval of that form; and

4. After obtaining any necessary approvals from the FCC for the transfer of control of the licenses of the remaining Wireless System Assets to the trustee, defendants shall irrevocably divest the remaining Wireless System Assets to the trustee, who will own such assets (or own the stock of the entity owning such assets, if divestiture is to be effected by the creation of such an entity for sale to purchaser(s)) and control such assets, subject to the terms of the approved Trust Agreement.

B. After the appointment of a trustee becomes effective, only the trustee shall have the right to sell the wireless business(es) to be divested, which shall be done within the time periods set forth in this Final Judgment. Those assets shall be the Wireless System Assets as designated by defendants as set forth in Section V.A.1 for the Overlapping Wireless Markets. In addition, notwithstanding any provision to the contrary, plaintiff may, in its sole discretion, require defendants to include additional assets that substantially relate to the wireless mobile telephone business in the Wireless System Assets to be divested if it would facilitate a prompt divestiture to an acceptable purchaser. The trustee shall have the power and authority to accomplish the divestiture at the best price then obtainable upon a reasonable effort by the trustee, subject to the provisions of Sections IV, V, and VI of this Final Judgment. Subject to Section V.C of this Final Judgment, the trustee shall have the power and authority to hire at the cost and expense of defendants any investment bankers, attorneys, or other agents reasonably necessary in the judgment of the trustee to assist in the divestiture and in the management of the Wireless System Assets transferred to the trustee, and such professionals and agents shall be accountable solely to the trustee. The trustee shall have the power and authority to accomplish the divestiture at the earliest possible time to a purchaser acceptable to plaintiff in its sole discretion, and shall have such other powers as this Court shall deem appropriate. Defendants shall not object to a sale by the trustee on any grounds other than the trustee's malfeasance. Any such objections by the defendants must be conveyed in writing to plaintiff and the trustee within ten (10) days after the trustee has provided the notice required under Section VI of this Final Judgment.

C. The trustee shall serve at the cost and expense of defendants, on such terms and conditions as the Court may prescribe, and shall account for all monies derived from the sale of the wireless business(es) sold by the trustee and all costs and expenses so incurred. After approval by the Court of the trustee's accounting, including fees for its services and those of any professionals and agents retained by the trustee, all remaining money shall be paid to defendants and the trust shall then be terminated. The compensation of such trustee and of professionals and agents retained by the trustee shall be reasonable in light of the value of the divested wireless business(es) and based on a fee arrangement providing the trustee with an incentive based on the price and terms of the divestiture and the speed with which it is accomplished.

D. Defendants shall use their best efforts to assist the trustee in accomplishing the required divestiture, including their best efforts to effect all necessary regulatory approvals. The trustee and any consultants, accountants, attorneys, and other persons retained by the trustee shall have full and complete access to the personnel, books, records, and facilities of the wireless business(es) to be divested, and defendants shall develop financial or other information relevant to the business to be divested customarily provided in a due diligence process as the trustee may reasonably request, subject to customary confidentiality assurances. As required and limited by Sections IV.E and F of this Final Judgment, defendants shall permit prospective purchaser(s) of the Wireless System Assets to have reasonable access to personnel and to make such inspection of the Wireless System Assets to be sold and any and all financial, operational, or other documents and other information as may be relevant to the divestiture required by this Final Judgment

E. After being appointed and until the divestiture of the Wireless System Assets is complete, the trustee shall file monthly reports with the parties and the Court setting forth the trustee's efforts to accomplish the divestiture ordered under this Final Judgment; provided, however, that, to the extent such reports contain information that the trustee deems confidential, such reports shall not be filed in the public docket of the Court. Such reports shall include the name, address, and telephone number of each person who, during the preceding month, made an offer to acquire, expressed an interest in acquiring, entered into negotiations to acquire, or was contacted or made an inquiry about acquiring the Wireless System Assets to be sold, and shall describe in detail each contact with any such person during that period. The trustee shall maintain full records of all efforts made to divest the Wireless System Assets.

F. The Trustee shall divest the Wireless System Assets in each of the PCS/Cellular Overlap Areas to a purchaser or purchasers acceptable to plaintiff in its sole discretion, as required in Section IV.C of this Final Judgment, no later than one hundred and eighty (180) calendar days after the Wireless Systems Assets are transferred to a trustee in accordance with the schedule outlined in Section IV; provided however, that if applications have been filed with the FCC within the one hundred eighty day period seeking approval to assign or transfer licenses to the purchaser(s) of the Wireless System Assets but approval of such applications has not been granted before the end of the one hundred eighty day period, the period shall be extended with respect to the divestiture of those Wireless System Assets for which final FCC approval has not been granted until five (5) days after such approval is received.

G. If the trustee has not accomplished the divestiture of all of the Wireless System Assets within the time specified for completion of divestiture to a purchaser or purchasers under Section V.F of this Final Judgment, the trustee thereupon shall file promptly with this Court a report setting forth: (1) the trustee's efforts to accomplish the required divestiture; (2) the reasons, in the trustee's judgment, why the required divestiture has not been accomplished; and (3) the trustee's recommendations; provided, however, that, to the extent such reports contain information that the trustee deems confidential, such reports shall not be filed in the public docket of the Court. The trustee shall at the same time furnish such report to the parties, who shall each have the right to be heard and to make additional recommendations consistent with the purpose of the trust. The Court shall enter thereafter such orders as it deems appropriate in order to carry out the purpose of the trust, which may, if necessary, include extending the trust and the term of the trustee's appointment by a period agreed to by plaintiff.

H. After defendants transfer the Wireless System Assets to the trustee, and until those Wireless System Assets have been divested to a purchaser or purchasers approved by plaintiff pursuant to Section IV.C, the trustee shall have sole and complete authority to manage and operate the Wireless System Assets and to exercise the responsibilities of the licensee, and shall not be subject to any control or direction by defendants. Defendants shall not retain any economic interest in the Wireless System Assets transferred to the trustee, apart from the right to receive the proceeds of the sale or other disposition of the Wireless System Assets. The trustee shall operate the wireless business(es) as a separate and independent business entity from Bell Atlantic or GTE, with sole control over operations, marketing and sales. Bell Atlantic and GTE shall not communicate with, or attempt to influence the business decisions of, the trustee concerning the operation and management of the wireless businesses, and shall not communicate with the trustee concerning the divestiture of the Wireless System Assets or take any action to influence, interfere with, or impede the trustee's accomplishment of the divestitures required by this Final Judgment, except that defendants may communicate with the trustee to the extent necessary for defendants to comply with this Final Judgment and to provide the trustee, if requested to do so, with whatever resources or cooperation may be required to complete the divestitures of the Wireless System Assets and to carry out the requirements of this Final Judgment. In no event shall defendants provide to, or receive from, the trustee or the wireless businesses under the trustee's control any non-public or competitively sensitive marketing, sales, or pricing information relating to their respective mobile wireless telecommunications service businesses.

VI

Notification

A. Within two (2) business davs following execution of a binding agreement to effect, in whole or in part, any proposed divestiture required by this Final Judgment, whichever defendant is divesting the Wireless System Assets, or the trustee if the trustee is divesting the Wireless System Assets, shall notify plaintiff of the proposed divestiture. If the trustee is responsible for the divestiture, the trustee shall similarly notify defendants. The notice shall set forth the details of the proposed transaction and list the name, address, and telephone number of each person not previously identified who theretofore offered to, or expressed an interest in or a desire to, acquire any ownership interest in the Wireless System Assets that are the subject of the binding agreement, together with full details of same.

B. Within fifteen (15) calendar days of receipt by plaintiff of such notice, plaintiff may request from defendants, the proposed purchaser(s), any other third party, or the trustee (if applicable), additional information concerning the proposed divestiture and the proposed purchaser(s) or any other potential purchaser(s). Defendants and the trustee shall furnish any such additional information requested within fifteen (15) calendar days of the receipt of the request, unless the parties shall otherwise agree. Within thirty (30) calendar days after receipt of the notice, or within twenty (20) calendar days after plaintiff has been provided the additional information requested from defendants, the proposed purchaser(s), any third party, or the trustee, whichever is later, plaintiff shall provide written notice to defendants and the trustee, if there is one, stating whether or not plaintiff objects to the proposed divestiture. If plaintiff provides written notice to defendants and the trustee, if there is one, that it does not object, then the divestiture may be consummated subject only to defendants' limited right to object to the sale under Section V.B of this Final Judgment. Absent written notice that plaintiff does not object to the proposed purchaser(s) or in the event of an objection by plaintiff, a divestiture shall not be consummated. Upon objection by a defendant under the proviso of Section V.B, a divestiture proposed under Section V shall not be consummated unless approved by the Court.

VII

Affidavits

A. Within twenty (20) calendar days of the filing of the Complaint in this matter and every thirty (30) calendar days thereafter until all divestitures have been completed, defendants shall deliver to plaintiff an affidavit as to the fact and manner of defendants' compliance with this Final Judgment. With respect to the period preceding the consummation of the Bell Atlantic/GTE Merger, each such affidavit shall (i) include, *inter alia*, the name, address, and telephone number of each person who, at any time after the period covered by the last such report, made an offer to acquire, expressed an interest in acquiring, entered into negotiations to acquire, or was contacted or made an inquiry about acquiring, any or all of the Wireless System Assets required to be divested, (ii) describe in detail each contact with any such person during that period, and (iii) include a summary of the efforts that defendants have made to solicit a purchaser(s) for the Wireless System Assets to be divested in the Overlapping Wireless Markets pursuant to this Final Judgment and to provide required information to prospective purchasers.

B. Within twenty (20) calendar days of the filing of the Complaint in this matter, defendants shall deliver to plaintiff an affidavit which describes in reasonable detail all actions defendants have taken and all steps defendants have implemented on an ongoing basis to preserve the Wireless System Assets to be divested pursuant to this Final Judgment. Defendants shall deliver to plaintiff another affidavit describing any changes to the efforts and actions outlined in defendants' earlier affidavits filed pursuant to Section VII.B of this Final Judgment within fifteen (15) calendar days after the change is implemented.

VIII

Financing

Defendants shall not finance all or any part of any purchase by an acquirer made pursuant to Sections IV or V of this Final Judgment.

IX

Hold Separate Order

A. Until accomplishment of the divestitures of the Wireless System Assets to purchaser(s) approved by plaintiff pursuant to Section IV.C, each defendant shall take all steps necessary to ensure that each of the wireless businesses that it owns or operates in the Overlapping Wireless Markets shall continue to be operated as a separate, independent, ongoing, economically viable and active competitor to the other mobile wireless telecommunications providers operating in the same license area; and that except as necessary to comply with this

Final Judgment, the operation of said wireless businesses (including the performance of decision-making functions relating to marketing and pricing) will be kept separate and apart from, and not influenced by, the operation of the other wireless business, and the books, records, and competitively sensitive sales, marketing, and pricing information associated with said wireless businesses will be kept separate and apart from the books, records, and competitively sensitive sales, marketing, and pricing information associated with the other wireless business; provided that defendants may continue to use any trademarks, trade names or service marks used in the operation of such wireless businesses prior to the consummation of the Bell Atlantic/GTE Merger.

B. Until the Wireless System Assets in each Overlapping Wireless Market have been divested to purchaser(s) approved by plaintiff, or transferred to a trustee pursuant to Section V of this Final Judgment, each defendant shall in accordance with past practices, with respect to each wireless business that it has an ownership interest in or operates in the Overlapping Wireless Markets:

1. Use all reasonable efforts to maintain and increase sales of wireless mobile telephone services, and maintain and increase promotional, advertising, sales, technical assistance, and marketing support for the mobile telephone services sold by the wireless businesses;

2. Take all steps necessary to ensure that each wireless business that it has an ownership interest in or operates in the Overlapping Wireless Markets is fully maintained in operable condition and shall maintain and adhere to normal maintenance schedules;

3. Provide and maintain sufficient working capital and lines and sources of credit to maintain the Wireless System Assets as viable ongoing businesses;

4. Not remove, sell, lease, assign, transfer, pledge or otherwise dispose of or pledge as collateral for loans, any asset of each wireless business that it has an ownership interest in or operates in the Overlapping Wireless Markets, other than in the ordinary course of business, except as approved by plaintiff;

5. Maintain, in accordance with sound accounting principles, separate, true, accurate and complete financial ledgers, books and records that report, on a periodic basis, such as the last business day of each month, consistent with past practices, the assets, liabilities, expenses, revenues, income, profit and loss of each wireless business that it has an ownership interest in or operates in the Overlapping Wireless Markets;

6. Be prohibited from terminating, transferring, or altering to the detriment of any employees who work with each wireless business that it has an ownership interest in or operates in the Overlapping Wireless Markets as of the date of consummation of the Bell Atlantic/GTE Merger, any current employment or salary agreements, except (a) in the ordinary course of business, (b) for transfer bids initiated by employees pursuant to defendants' regular, established job posting policies, (c) for an individual who has a written offer of employment from a third party for a like position, or (d) as necessary to promote accomplishment of defendants' obligations under this Final Judgment; and

7. Take no action that would impede in any way or jeopardize the sale of each wireless business that it has an ownership interest in or operates in the Overlapping Wireless Markets.

C. On or before the consummation of the Bell Atlantic/GTE Merger, defendants shall assign complete managerial responsibility over each wireless business that they have an ownership interest in or operate in the Overlapping Wireless Markets to a specified manager who shall not participate, during the period of such responsibility, in the management of any of defendants' other businesses.

D. Defendants shall, during the period before all Wireless System Assets have been divested to a purchaser(s) or transferred to the trustee pursuant to Section V of this Final Judgment, each appoint a person or persons to oversee the Wireless System Assets owned by that defendant, who will be responsible for defendants' compliance with the requirements of Sections VII and IX of this Final Judgment. Such person(s) shall not be an officer, director, manager, employee, or agent of the other defendant.

X

Compliance Inspection

For the purposes of determining or securing compliance of defendants with this Final Judgment, and subject to any legally recognized privilege, from time to time:

A. Duly authorized representatives of the United States Department of Justice, upon written request of the Attorney General or the Assistant Attorney General in charge of the Antitrust Division, and on reasonable notice to the relevant defendant made to its principal office, shall be permitted without restraint or interference from defendants:

1. to have access during office hours of defendants to inspect and copy all books, ledgers, accounts, correspondence, memoranda, and other records and documents in the possession or under the control of defendants, who may have counsel present, relating to any matters contained in this Final Judgment; and

2. to interview, either informally or on the record, and to take sworn testimony from the officers, directors, employees, or agents of defendants, who may have counsel present, relating to any matters contained in this Final Judgment.

B. Upon the written request of the Attorney General or the Assistant Attorney General in charge of the Antitrust Division, made to defendants at their principal offices, defendants shall submit written reports, under oath if requested, relating to any of the matters contained in this Final Judgment.

C. No information or documents obtained by the means provided in this Section X or Sections VI and VII shall be divulged by plaintiff to any person other than a duly authorized representative of the Executive Branch of the United States, or to the FCC (pursuant to a customary protective order or a waiver of confidentiality by defendants), except in the course of legal proceedings to which the United States is a party (including grand jury proceedings), or for the purpose of securing compliance with this Final Judgment, or as otherwise required by law.

D. If, at the time information or documents are furnished by defendants to plaintiff, defendants represent and identify in writing the material in any such information or documents as to which a claim of protection may be asserted under Rule 26(c)(7) of the Federal Rules of Civil Procedure, and mark each pertinent page of such material, "Subject to claim of protection under Rule 26(c)(7) of the Federal Rules of Civil Procedure," then ten (10) calendar days' notice shall be given by plaintiff to defendants prior to divulging such material in any legal proceeding (other than a grand jury proceeding) to which defendants are not a party.

XI

Retention of Jurisdiction

Jurisdiction is retained by this Court for the purposes of enabling any of the parties to this Final Judgment to apply to this Court at any time for such further orders or directions as may be necessary or appropriate for the construction or carrying out of this Final Judgment, for the modification of any of the provisions hereof, for the enforcement of compliance herewith, and for the punishment of any violations hereof.

XII

Further Provisions and Termination

A. The entry of this judgment is in the public interest.

B. Unless this Court grants an extension, this Final Judgment shall expire on the tenth anniversary of the date of its entry.

____

United States District Judge

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N. MAYER-WHITTINGTON
CLERK
U.S. DISTRICT COURT
DISTRICT OF COLUMBIA

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA, *Plaintiff,* v. BELL ATLANTIC CORPORATION and GTE CORPORATION, *Defendants*	Civil No.: 99-1119 (LFO) Filed: May 7, 1999

COMPETITIVE IMPACT STATEMENT

The United States, pursuant to Section 2(b) of the Antitrust Procedures and Penalties Act, 15 U.S.C. § 16(b)-(h) ("APPA"), files this Competitive Impact Statement relating to the proposed Final Judgment submitted for entry in this civil antitrust proceeding.

I. NATURE AND PURPOSE OF THE PROCEEDING

The United States filed a civil antitrust Complaint on May 7, 1999, alleging that the proposed acquisition of GTE Corporation ("GTE") by Bell Atlantic Corporation ("Bell Atlantic") would violate Section 7 of the Clayton Act, 15 U.S.C. § 18 by lessening competition in the markets for wireless mobile telephone services in 10 major trading areas ("MTAs"), 65 metropolitan statistical areas ("MSAs") and rural service areas ("RSAs") in Florida, Alabama, Illinois, Indiana, Texas, Virginia, Wisconsin, New Mexico, and South Carolina. In the 10 MTAs, Bell Atlantic has a 50% interest in PCS PrimeCo, L.P ("PrimeCo"), a firm that provides personal communications services ("PCS") in 61 MSAs and RSAs where cellular mobile telephone services are provided by GTE, or by a firm that GTE has an interest in or will acquire. In addition, this acquisition affects four additional MSAs where competing cellular mobile wireless telephone businesses are owned in whole or in part by Bell Atlantic and GTE. These areas are identified in the Complaint as the "Overlapping Wireless Markets."

Shortly before the Complaint in this matter was filed, the United States and defendants reached agreement on the terms of a proposed Final Judgment, which requires Bell Atlantic and GTE to divest one of the wireless telephone businesses in each of the Overlapping Wireless Markets. In each of the Overlapping Wireless Markets, defendants can choose which wireless business to divest. The proposed Final Judgment also contains provisions, explained below, designed to minimize any risk of competitive harm that otherwise might arise pending completion of the divestiture. The proposed Final Judgment and a Stipulation by plaintiff and defendants consenting to its entry were filed simultaneously with the Complaint.

The United States and defendants have stipulated that the proposed Final Judgment may be entered after compliance with the Antitrust Procedures and Penalties Act, 15 U.S.C. § 16 ("APPA"). Entry of the proposed Final Judgment would terminate this action, except that the Court would retain jurisdiction to construe, modify, or enforce the provisions of the proposed Final Judgment and to punish violations thereof. The United States and defendants have also stipulated that defendants will comply with the terms of the proposed Final Judgment from the date of signing of the Stipulation, pending entry of the Final Judgment by the Court. Should the

Court decline to enter the Final Judgment, defendants have also committed to continue to abide by its requirements until the expiration of time for any appeals of such ruling.

II. DESCRIPTION OF THE EVENTS GIVING RISE TO THE ALLEGED VIOLATION

A. The Defendants and the Proposed Transaction

Bell Atlantic is one of the remaining five Regional Bell Operating Companies ("RBOCs") created in 1984 by the consent decree settling the United States' antitrust case against American Telephone & Telegraph Co. GTE is the largest non-RBOC local telephone operating company in the United States. Bell Atlantic and GTE each provide local exchange services in distinct regions, and they also provide wireless mobile telephone services, including cellular mobile telephone services and PCS, both within and outside of their local exchange service regions. Bell Atlantic is a 50% partner in PrimeCo, a firm that provides wireless mobile telephone services in many areas of the country.

Bell Atlantic, with headquarters in New York City, New York, is one of the largest RBOCs in the United States, with approximately 42 million total local telephone access lines. In 1998, Bell Atlantic had revenues in excess of $31 billion. Bell Atlantic provides local telephone services to retail customers in Connecticut, Delaware, the District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia, as well as cellular mobile telephone services in those states. Bell Atlantic also provides cellular mobile telephone services in some areas outside its local exchange service region, including areas within the states of Arizona, Georgia, North

Carolina, New Mexico, South Carolina, and Texas. Through its 50% partnership in PrimeCo, Bell Atlantic provides wireless service in the states of Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Louisiana, Michigan, Minnesota, Mississippi, New Mexico, North Carolina, Ohio, Oklahoma, Texas, Virginia, and Wisconsin. Bell Atlantic is the nation's fourth largest wireless mobile telephone service provider, with about 6.6 million subscribers nationwide.

GTE, with headquarters in Irving, Texas, is the largest non-RBOC local telephone company in the United States, with over 23 million total local telephone access lines In 1998, GTE had revenues in excess of $25 billion. GTE provides local telephone service to retail customers in Alabama, Alaska, Arizona, Arkansas, California, Florida, Hawaii, Idaho, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Nebraska, Nevada, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Texas, Virginia, Washington, and Wisconsin, and it also provides wireless mobile telephone service in most of these states. GTE is a major wireless mobile telephone service provider, with about 4.8 million subscribers nationwide. GTE also has entered into an agreement, dated April 2, 1999, to acquire certain cellular mobile telephone businesses from Ameritech Mobile Phone Service of Illinois, Inc., and Ameritech Mobile Phone Services of Chicago, Inc., ("Ameritech") for $3.27 billion, which would make GTE a provider of cellular mobile telephone services in additional areas in Illinois and Indiana. The acquisition of the Ameritech cellular businesses would add about 1.7 million subscribers to GTE's total number of wireless subscribers nationwide.

On July 28, 1998, Bell Atlantic and GTE entered into a merger agreement whereby the two firms would merge in a transaction valued at approximately $53 billion dollars at the time of the agreement. If this transaction is consummated, the combined total of Bell Atlantic's and GTE's cellular and other wireless mobile telephone service subscribers, absent divestitures, would be 13.1 million, including the number of subscribers GTE would receive from its acquisition of Ameritech cellular businesses.

B. Wireless Mobile Telephone Services

Wireless mobile telephone services permit users to make and receive telephone calls, using radio transmissions, while traveling by car or by other means. The mobility afforded by this service is a valuable feature to consumers, and cellular and other wireless mobile telephone services are commonly priced at a substantial premium above landline services. In order to provide this capability, wireless carriers must deploy an extensive network of switches and radio transmitters and receivers, and interconnect this network with the networks of local and long distance landline carriers, and with the networks of other wireless carriers. In 1998, revenues from the sale of wireless mobile telephone services totaled approximately $30 billion in the United States.

Initially, wireless mobile telephone services were provided principally by two cellular systems in each MSA and RSA license area. Cellular licenses were awarded by the Federal Communications Commission ("FCC") beginning in the early 1980s, within any given MSA or RSA.[1] Providers of Specialized Mobile Radio ("SMR") services typically were also authorized to operate with some additional spectrum in these areas, including the Overlapping Wireless

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[1] 25 MHz of spectrum was allocated to each cellular system in an MSA or RSA. MSAs are the 306 urbanized areas in the United States, defined by the federal government, and used by the FCC to define the license areas for urban cellular systems. RSAs are the 428 areas defined by the FCC used to define the license areas for rural cellular systems outside of MSAs.

Markets.

In 1995, the FCC allocated (and subsequently issued licenses for) additional spectrum for the provision of PCS, a type of wireless telephone service that includes wireless mobile telephone services comparable to those offered by cellular carriers. In 1996 one SMR spectrum licensee began to use its SMR spectrum to offer wireless mobile telephone services, comparable to that offered by cellular providers and bundled with dispatch services, in a number of areas including some of the Overlapping Wireless Markets. While the areas for which PCS providers are licensed (MTAs and basic trading areas ("BTAs")) differ somewhat from the cellular MSAs and RSAs, they generally overlap with them. In many areas, including most of the Overlapping Wireless Markets, not all of the PCS license holders have started to offer services or even begun to construct the facilities necessary to begin offering service The PCS providers have tended to enter in the largest cities first, entering in smaller markets only later and not on as wide a scale. Moreover, even in those areas where one or more PCS providers have constructed their networks and have started to offer service, including the Overlapping Wireless Markets, the incumbent cellular providers, such as Bell Atlantic and GTE, still typically have substantially larger market shares than the new entrants.

C. Anticompetitive Consequences of the Proposed Acquisition

Bell Atlantic and GTE, or firms in which they have an interest, are or will be competing providers of wireless mobile telephone services in 65 cellular license areas in nine states. These areas are referred to in the Complaint as follows:

I. PCS/Cellular Overlap Areas

A. Jacksonville MTA

1. Jacksonville MSA

2. Florida 5- Putnam RSA

B. Miami-Fort Lauderdale MTA
   1. Fort Myers MSA
   2. Florida 1- Collier (B1) RSA
   3. Florida 2- Glades (B1) RSA
   4. Florida 3- Hardee RSA
   5. Florida 11- Monroe (B2) RSA

C. Tampa-St. Petersburg-Orlando MTA
   1. Tampa-St. Petersburg MSA
   2. Lakeland-Winter Haven MSA
   3. Sarasota MSA
   4. Bradenton MSA
   5. Florida 2- Glades (B1) RSA
   6. Florida 3- Hardee RSA
   7. Florida 4- Citrus (B1) RSA

D New Orleans-Baton Rouge MTA
   1. Mobile, AL MSA
   2. Pensacola, FL MSA

E. Chicago MTA
   1 Aurora-Elgin, IL MSA
   2. Bloomington-Normal, IL MSA
   3. Champaign-Urbana-Rantoul, IL MSA
   4. Chicago, IL MSA
   5. Decatur, IL MSA
   6 Fort Wayne, IN MSA
   7. Gary-Hammond-East Chicago, IN MSA
   8. Joliet, IL MSA
   9. Kankakee, IL MSA
   10. Rockford, IL MSA
   11. Springfield, IL MSA
   12. Illinois 1- Jo Daviess RSA
   13. Illinois 2- Bureau (B1) RSA
   14. Illinois 2- Bureau (B3) RSA
   15. Illinois 3- Mercer RSA
   16. Illinois 4- Adams (B1) RSA
   17. Illinois 5- Mason (B2) RSA
   18. Illinois 6- Montgomery RSA
   19. Illinois 7- Vermilion RSA
   20. Indiana 1- Newton (B1) RSA

21. Indiana 1- Newton (B2) RSA
22. Indiana 3- Huntington RSA

F. Dallas-Fort Worth MTA
1. Dallas-Fort Worth MSA
2. Austin MSA
3. Sherman-Denison MSA
4. Texas 10- Navarro (B3), RSA
5. Texas 11- Cherokee (B1) RSA
6. Texas 16- Burleson RSA

G. Houston MTA
1. Houston MSA
2. Beaumont-Port Arthur MSA
3. Galveston MSA
4. Bryan-College Station MSA
5. Victoria MSA
6. Texas 10- Navarro (B3) RSA
7. Texas 11- Cherokee (B1) RSA
8. Texas 16- Burleson RSA
9. Texas 17- Newton RSA
10. Texas 20- Wilson (B2) RSA
11. Texas 21- Chambers RSA

H. San Antonio MTA
1. San Antonio MSA
2. Texas 16- Burleson RSA
3. Texas 20- Wilson (B2) RSA

I. Richmond-Norfolk MTA
1. Norfolk-Virginia Beach-Portsmouth MSA
2. Richmond MSA
3. Newport News-Hampton MSA
4. Petersburg-Colonial Heights MSA
5. Virginia 7- Buckingham (B1) RSA
6. Virginia 8- Amelia RSA
7. Virginia 9- Greensville RSA
8. Virginia 11- Madison (B1) RSA
9. Virginia 12- Caroline (B1) RSA
10. Virginia 12- Caroline (B2) RSA

J. Milwaukee MTA
1. Wisconsin 8- Vernon RSA

II. Cellular MSA Overlap Areas

A. Greenville, SC MSA
B. Anderson, SC MSA
C. El Paso, TX MSA
D. Las Cruces, NM MSA

In the Overlapping Wireless Markets, the population potentially addressable by wireless mobile telephone systems exceeds 25 million.

GTE and Bell Atlantic are direct competitors in wireless mobile telephone services in the Cellular MSA Overlap Areas. The cellular businesses owned in whole or in part by Bell Atlantic and GTE are the only two providers of cellular mobile telephone services, and the two primary providers of all wireless mobile telephone services, in the Cellular MSA Overlap Areas In addition, GTE and PrimeCo, and Ameritech and PrimeCo, are direct competitors in wireless mobile telephone services in the PCS/Cellular Overlap Areas. In each of the Overlapping Wireless Markets, the wireless businesses owned or to be owned in whole or in part by Bell Atlantic and GTE compete to sell the best quality service at the lowest possible rates and are among each other's most significant competitors. In each of the PCS/Cellular Overlap Areas, the cellular business to be acquired or owned in whole or in part by GTE and the PCS business owned by PrimeCo are two of a small number of providers of wireless mobile telephone services.

Therefore, Bell Atlantic's acquisition of GTE would cause the level of concentration among firms providing wireless mobile telephone services in each of the Overlapping Wireless Markets to increase significantly. A high level of concentration in the provision of wireless mobile telephone services already exists in each of the Overlapping Wireless Markets. In the

Cellular MSA Overlap Areas, Bell Atlantic's and GTE's individual market shares, measured on the basis of the number of subscribers, exceed 35%. The combined market share of GTE and Bell Atlantic in the provision of wireless mobile telephone services, measured by the number of subscribers, is in the range of 75 to 95%, taking into account other operational wireless mobile competitors. As measured by the Herfindahl-Hirschman Index ("HHI"), which is commonly employed by the Department of Justice in merger analysis and is explained in more detail in Appendix A to the Complaint, concentration in these markets is already in excess of 2800, well above the 1800 threshold at which the Department normally considers a market to be highly concentrated. After the merger, the HHI in these markets will be in excess of 5500.

In each of the PCS/Cellular Overlap Areas, the GTE or Ameritech cellular business has one of the two largest market shares in the provision of wireless mobile telephone services, and PrimeCo is one of a small number of new PCS entrants into these markets. In some of these markets, such as Richmond, Houston, and Tampa, PrimeCo was the first new PCS entrant, is the third largest wireless firm in terms of number of subscribers, and has managed to garner a significant share. Competition between PrimeCo and GTE or Ameritech, created by PrimeCo's entry into markets that were previously an effective duopoly, has resulted in lower prices and higher quality in these markets than would otherwise have existed absent such competition. There is already a high level of concentration in the provision of wireless mobile telephone services in the PCS/Cellular Overlap Areas. In virtually all, the individual shares of the two cellular carriers--one of which is GTE or Ameritech--are in the range of 30 to 40% and the HHI exceeds 2000. In the PCS/Cellular Overlap Areas, the combined market share of PrimeCo and the cellular business in question is generally in the 35 to 50% range.

If GTE and Bell Atlantic merge, and GTE completes its acquisition of the Ameritech cellular businesses, the PCS/Cellular Overlap Areas will become significantly more concentrated, and the competition between PrimeCo and GTE or Ameritech in wireless mobile telephone services in these markets will be eliminated. As a result of the loss in competition between the PrimeCo and GTE or Ameritech cellular businesses, there will be an increased likelihood both of unilateral actions by the combined firm in these markets to increase prices, diminish the quality or quantity of service provided, or refrain from making investments in network improvements, and of coordinated interaction among the limited number of remaining competitors that could lead to similar anticompetitive results Therefore, the likely effect of the merger of Bell Atlantic and GTE is that prices would increase, and the quality or quantity of service together with incentives to improve network facilities would decrease, in the provision of wireless mobile telephone services in the PCS/Cellular Overlap Areas.

It is unlikely that entry within the next two years into wireless mobile telephone services in the Overlapping Wireless Markets would be sufficient to mitigate the competitive harm resulting from this acquisition, if it were to be consummated.

For these reasons, the United States concluded that the merger as proposed may substantially lessen competition, in violation of Section 7 of the Clayton Act, in the provision of wireless mobile telephone services in the Overlapping Wireless Markets.

III. EXPLANATION OF THE PROPOSED FINAL JUDGMENT

A. The Divestiture Requirement

The proposed Final Judgment will preserve competition in the sale of mobile wireless telephone services in each of the Overlapping Wireless Markets by requiring defendants to divest one of their two wireless telephone businesses in each of the Overlapping Wireless Markets. This divestiture will eliminate the change in market structure caused by the merger.

The divestiture requirements of the proposed Final Judgment, as stated in Sections IV.A and II.E, direct defendants to divest one of their their wireless telephone businesses (to be selected by defendants) in each of the Overlapping Wireless Markets. Section IV.C permits different wireless businesses in separate Overlapping Wireless Markets to be divested to different purchasers, but requires that, for any individual wireless business, the Wireless System Assets be divested entirely to a single purchaser, unless the United States otherwise consents in writing

The proposed Final Judgment's divestiture provisions are intended to accomplish the "complete divestiture of the entire business of one of the two wireless systems in each of the Overlapping Wireless Markets," as Section II.E states. Section II.E also specifies in detail the types of assets to be divested, which collectively are described throughout the consent decree as "Wireless System Assets," and addresses some special circumstances concerning the divestiture of those assets. In all of the Overlapping Wireless Markets, Wireless System Assets means all types of assets, tangible and intangible, used by defendants in the operation of each of the wireless businesses to be divested, including the provision of long distance telecommunications service for wireless calls. Section II.E enumerates in detail, without limitation, particular types of assets covered by the divestiture requirement.

For the most part, the divesting defendant is required to transfer to the purchaser the complete ownership and/or other rights to the Wireless System Assets. However, the merged firm will retain a number of other wireless businesses in areas that do not overlap, and prior to the merger each defendant may have had certain assets that were used substantially in the operations of its overall wireless business and that must be retained to some extent to continue the existing operations of the wireless businesses not being divested. Section II.E permits special divestiture arrangements for such assets if they are not capable of being divided between the divested and retained wireless businesses, or if the divesting defendant and the purchaser agree not to divide them. For these assets, the divestiture requirement is satisfied if the divesting defendant grants to the purchaser, at the election of the purchaser, an option to obtain a non-exclusive, transferable license for a reasonable period to use the assets in the operation of the wireless business being divested, so as to enable the purchaser to continue to operate the divested wireless businesses without impairment.

The definition of Wireless System Assets in Section II.E contains special provisions relating to intellectual property. One addresses intellectual property rights that defendants may have under third-party licenses that could not be transferred to a purchaser entirely or by license without the consent of the third-party licensor If any such assets are used by the wireless businesses being divested, defendants must identify them in a schedule submitted to plaintiff and filed with the Court as expeditiously as possible following the filing of the Complaint, in any event, prior to any divestiture and before the Court approves the proposed Final Judgment. Defendants must explain the necessary consents and how a consent would be obtained for each asset. This proviso is not intended to afford defendants any opportunity to withhold intellectual property rights over which they have any control, which could impair the ability of a purchaser to use the divested wireless business to compete effectively. It relates only to intellectual property assets that defendants have no power to transfer themselves, and defendants must do all that is possible to transfer the entire business of the divested wireless businesses. To make this clear, Section IV.G obligates defendants to cooperate with any purchaser as well as a trustee, if any, to seek to obtain the necessary third-party consents, if any assets require such consents before they may be transferred to a purchaser.

Another proviso relates to certain specific trademarks, trade names and service marks. Section II.E, defining the Wireless System Assets to be divested, generally requires the divestiture of trademarks, trade names and service marks, with the sixteen specified exceptions which contain names under which defendants' retained wireless businesses, or their corporate parents or affiliates, do business. Such trademarks, trade names and service marks, like other assets, are either to be divested in their entirety, except for marks and names that must be retained to continue the existing operations of defendants' remaining wireless properties and that are not capable of being divided (or that the divesting defendant and purchaser agree not to divide), which are to be made available to the purchaser through a non-exclusive, transferable license.

Under limited circumstances, defendants are allowed to retain specified portions of the Wireless System Assets in the Overlapping Wireless Markets. First, Section II.E.1 provides that if defendants elect to divest Bell Atlantic's interest in a PCS business in one of the PCS/Cellular Overlap Areas, defendants may retain up to 10 MHz of broadband PCS spectrum within that PCS/Cellular Overlap Area upon completion of the divestiture of the Wireless System Assets. In this instance, defendants will still be required to divest the entire PCS business, including 20 MHz of broadband PCS spectrum, to insure that the market structure does not change as a result of the merger and that the divested business will be able to compete as effectively under new ownership as under its current ownership.

Second, Section II.E.2 of the Final Judgment allows defendants to request approval from plaintiff to partition the PCS license along BTA geographic boundaries and retain assets in one or more specified non-overlapping BTAs, in the event that defendants elect to divest Bell Atlantic's interest in a PCS business in one of the PCS/Cellular Overlap Areas. Plaintiff's approval of the request shall be subject to a determination by plaintiff in its sole discretion that the assets to be sold in the non-overlapping BTAs are not needed to assure the competitive viability of the divested business in the remainder of the MTA, and that the purchaser of the Wireless System Assets in the remainder of the MTA will be able to operate the divested PCS business as a fully competitive entity. Section II.E.2 requires defendants to seek this approval at least 90 calendar days prior to the consummation of the Bell Atlantic/GTE Merger.

Finally, Section II.E.3 allows, with approval from plaintiff, the merged entity to retain both Bell Atlantic's PCS business and GTE's non-controlling minority interest in an overlapping cellular business in a PCS/Cellular Overlap Area. Plaintiff's approval of the request shall be subject to a determination by plaintiff in its sole discretion that the retention of a non-controlling minority interest will be entirely passive and will not significantly diminish competition. GTE has a number of non-controlling minority interests in cellular businesses, ranging from 2% to 40%, in the Overlapping Wireless Markets. To be permitted to retain a minority cellular interest, defendants will be required to demonstrate that the interest they wish to keep is entirely passive, such that they receive no competitively sensitive information about the competing cellular business, and have no input into the business decisions of the competing cellular provider that could have anticompetitive consequences. Plaintiff, in its sole discretion, will determine that the retention of the non-controlling minority interest will not significantly diminish competition before approval will be granted for the merged firm to retain a minority interest. Section II.E.3 requires defendants to seek this approval at least 90 calendar days prior to the consummation of the Bell Atlantic/GTE Merger.

Section IV contains other provisions to facilitate divestiture, including notification of the availability of the Wireless System Assets for purchase in Section IV.D, access to information about the Wireless System Assets in Section IV.E, and preservation of records in Section IV.H. In addition, to ensure that a purchaser will be able to operate the divested wireless businesses without impairment, Section IV.F prohibits defendants from interfering with a purchaser's negotiations to retain any employees who work or have worked with the Wireless System Assets since the date of the announcement of the merger, or whose principal responsibility relates to the Wireless System Assets.

B. Timing of Divestiture

In antitrust cases involving mergers in which the United States seeks a divestiture remedy, it requires completion of the divestiture within the shortest time period reasonable under the circumstances. The proposed Final Judgment in this case requires, in Section IV A, the divestitures of the Wireless System Assets in the Overlapping Wireless Markets on a strict schedule, but provides defendants with some flexibility in recognition of the special circumstances regarding Bell Atlantic's interest in PrimeCo.

Currently, Bell Atlantic has a 50% interest in PrimeCo, and its ability to divest this interest is limited by its partnership agreement. Bell Atlantic has publicly announced plans to dissolve the PrimeCo partnership. If this dissolution does occur, Bell Atlantic may take full ownership of some or all of the PrimeCo PCS businesses, and the other PrimeCo partner, Airtouch, may also take full ownership of some or all of the other PrimeCo PCS businesses. To the extent that Bell Atlantic's interest in one or more of the PrimeCo businesses is transferred to Airtouch, one or more of the wireless overlaps would be eliminated, thereby obviating the need for any further divestiture. To the extent that Bell Atlantic takes full control over one or more PrimeCo properties, it will enhance its ability to completely and satisfactorily divest its interest to an interested purchaser.

Under Section II.A, defendants must divest the Wireless System Assets in the Cellular MSA Overlap Areas to a purchaser or purchasers approved by the United States on or before consummation of the Bell Atlantic/GTE merger. Similarly, if Bell Atlantic has acquired 100% ownership of one or more of the PCS businesses currently operated by PrimeCo in MTAs in the PCS/Cellular Overlap Areas more than ninety (90) calendar days prior to consummation of the Bell Atlantic/GTE Merger, defendants will be required to divest the Wireless System Assets in the PCS/Cellular Overlap Areas on or before consummation of the Bell Atlantic/GTE Merger.

If, ninety (90) calendar days prior to consummation of the Bell Atlantic/GTE Merger, the PrimeCo dissolution is not complete and Bell Atlantic has not acquired 100% ownership of one or more of the PCS businesses currently operated by PrimeCo in MTAs in the PCS/Cellular Overlap Areas, defendants will submit to plaintiff, on or before consummation of the Bell Atlantic/GTE Merger, a definitive Divestiture List identifying the specific Wireless System Assets in each of the PCS/Cellular Overlap Areas that will be divested. The cellular MSA and RSA businesses on the Divestiture List are required to be divested within ninety (90) calendar days after consummation of the Bell Atlantic/GTE Merger, except that if Bell Atlantic acquires 100% ownership of one or more of the PCS businesses currently operated by PrimeCo in MTAs in the PCS/Cellular Overlap Areas within the ninety (90) calendar day period prior to consummation of the Bell Atlantic/GTE Merger, the cellular MSA and RSA businesses on the Divestiture List shall be divested on or before consummation of the Bell Atlantic/GTE Merger. Additionally, the PCS MTA businesses on the Divestiture List shall be divested within 90 calendar days after Bell Atlantic acquires 100% ownership of one or more of the PCS businesses currently operated by PrimeCo in MTAs in the PCS/Cellular Overlap Areas, but in no event later than one hundred eighty (180) calendar days after consummation of the Bell Atlantic/GTE Merger. If all Wireless System Assets have not been divested upon consummation of the Bell Atlantic/GTE merger, there will be no adverse impact on competition, because defendants are required to operate the businesses independently, pursuant to the Hold Separate Order contained in Section IX of the Final Judgment. Defendants are also required by Section IV.B to use their best efforts to accomplish the divestitures of the Wireless System Assets in the Overlapping Wireless Markets and to obtain all required regulatory approvals as expeditiously as possible.

The divestiture timing provisions of the proposed Final Judgment will ensure that the divestitures are carried out in a timely manner, and at the same time do not burden the parties unnecessarily. Although the proposed Final Judgment, in some circumstances, permits the parties to retain both wireless properties for some period of time after closing, the primary reason for this involves the nature of Bell Atlantic's interest in PrimeCo. The proposed Final Judgment is designed to provide time for the PrimeCo partnership to be dissolved. The additional time period, beyond the closing date of the Bell Atlantic/GTE merger, in which the merged firm can hold both wireless properties pending divestiture applies only to PCS/cellular overlaps and is dependent in part on when Bell Atlantic takes control of one or more PrimeCo properties. However, in no event can the merged firm retain both wireless properties beyond 180 days after closing. Thus, the Final Judgment strikes a balance between allowing the parties time to resolve their special situation and guaranteeing a timely divestiture. The period in which the merged firm will own both entities should not pose any significant competitive risks because the Hold Separate Order, contained in Section IX, will be in place during this time, and the time will be short.

In addition, the proposed Final Judgment requires in Section IV.B that, in carrying out the divestitures, defendants comply with all of the applicable rules of the FCC, or any waiver of such rules or other authorization granted by the FCC. These rules include 47 C.F.R. § 20.6 (spectrum aggregation) and 47 C.F.R. § 22.942 (cellular cross-ownership).[2] These FCC requirements may add to, but cannot subtract from or impair, the requirements of the proposed Final Judgment, since Section IV.B specifies that authorization by the FCC to conduct divestiture of a wireless business in a particular manner will not modify any of the requirements of the decree. The provisions of the proposed Final Judgment have been designed to avoid any conflict with the FCC's rules. Since the FCC's approval is required for the transfer of the

[2] The FCC's spectrum aggregation rules, in 47 C.F.R. § 20.6, do not permit a licensee to have an attributable interest in more than 45 MHz of spectrum licensed for cellular, PCS or SMR with significant overlap in any geographic area. The FCC will attribute an interest if it is controlling, or if in most cases it is 20% or more of the equity, outstanding stock or voting stock of the licensee. The FCC's cellular cross-ownership rules, in 47 C.F.R. § 22.942, also prohibit a licensee or any person controlling a licensee from having a direct or indirect ownership interest of more than 5% in both cellular systems in an overlapping cellular geographic service area, unless such interests pose "no substantial threat to competition."

wireless licenses to a purchaser. Section V.F provides one exception to the 180-day divestiture period. If applications for transfer of a wireless license have been filed by the FCC within the 180-day period, but the FCC has not granted approval before the end of that time, the period for divestiture of the specific Wireless System Assets covered by the license that cannot yet be transferred shall be extended until five days after the FCC's approval is received. This extension is to be applied only to the individual wireless license affected by the delay in approval of the license transfer and does not entitle defendants to delay the divestiture of any other Wireless System Assets for which license transfer approval has been granted.

C. Use of a Trustee Subsequent to Consummation of the Acquisition

The proposed Final Judgment provides in Section IV.A that Bell Atlantic and GTE must divest the Wireless System Assets in each of the Overlapping Wireless Markets in accordance with the schedule contained therein, either to purchasers acceptable to plaintiff in its sole discretion, or to a trustee designated pursuant to Section V of the Final Judgment. As part of this divestiture, Bell Atlantic and GTE must relinquish any direct or indirect financial ownership interests and any direct or indirect role in management or participation in control. Pursuant to Section V of the proposed Final Judgment, the trustee will own and control the systems until they are sold to a final purchaser, subject to safeguards to prevent Bell Atlantic and GTE from influencing their operation.

Section V details the requirements for the establishment of the trust, the selection and compensation of the trustee, the responsibilities of the trustee in connection with divestiture and operation of the Wireless System Assets, and the termination of the trust. If defendants have not divested all of their Wireless System Assets in the Overlapping Wireless Markets to approved purchasers in accordance with Section IV.A, Section V.A requires: (1) defendants to identify the Wireless System Assets in each Overlapping Wireless Market to be divested; (2) the Court to appoint a trustee, which shall be selected by the United States; (3) defendants to submit a form of Trust Agreement consistent with the terms of the Final Judgment, and which form agreement must have received approval by the United States; and (4) defedants, after receiving FCC approval for the license transfers, to divest irrevocably the unsold Wireless System Assets to the trustee.

The trustee will have the obligation and the sole responsibility, under Section V.B, for the divestiture of any transferred Wireless System Assets. The trustee has the authority to accomplish divestitures at the earliest possible time and "at the best price then obtainable upon a reasonable effort by the trustee." In addition, notwithstanding any provision to the contrary, plaintiff may, in its sole discretion, require defendants to include additional assets that substantially relate to the wireless mobile telephone business in the Wireless System Assets to be divested if it would facilitate a prompt divestiture to an acceptable purchaser. This provision allows plaintiff, in its discretion, to require defendants to divest additional Wireless System Assets that substantially relate to the wireless mobile telephone business to insure that the trustee can promptly locate and divest to a purchaser acceptable to plaintiff. Defendants are not entitled to object to divestiture based on the adequacy of the price the trustee obtains or any other ground, unless the trustee's conduct amounts to malfeasance. The terms of the trustee's compensation, under Section V C, will provide incentives based on the price and terms of the divestiture and the speed with which it is accomplished. As provided by Sections V.B and V.C., defendants will pay the compensation and expenses of the trustee, and of any investment bankers, attorneys or other agents that the trustee finds reasonably necessary to assist in the divestiture and the management of the Wireless System Assets.

The trusteeship mechanism has been used by the FCC, in a variety of contexts, to provide a short period of time in which to complete a sale of a spectrum licensee that must be divested, while permitting the broader merger or acquisition that necessitates the divestiture to go forward. In this context, the critical feature of the trusteeship arrangement is that the trustee will not only have responsibility for sale of the Wireless System Assets, but will also be the authorized holder of the wireless license, with full responsibility for the operations, marketing and sales of the wireless business to be divested, and will not be subject to any control or direction by defendants. Defendants will no longer have any role in the ownership, operation or management of the Wireless System Assets to be divested following consummation of their merger, as provided by Section V.H, other than the right to receive the proceeds of the sale, and certain obligations to provide cooperation to the trustee in order to complete the divestiture, as indicated in Section V.D. Defendants are precluded under Section V.H from communicating with the trustee, or seeking to influence the trustee, concerning the divestiture or the operation and management of the wireless businesses transferred, apart from the limited communications necessary to carry out the Final Judgment and to provide the trustee with the necessary resources and cooperation to complete the divestitures. Defendants and the trustee are subject to an absolute prohibition on exchanging any non-public or competitively sensitive marketing, sales or pricing information relating to either of the wireless businesses in the Overlapping Wireless Markets. These safeguards will protect against any competitive harm that could arise from coordinated behavior or information sharing between the two wireless businesses during the limited period while sale of the Wireless System Assets is not yet complete. They ensure that the trusteeship arrangement is consistent with the FCC's rules.

D. Criteria for the United States' Approval of Purchasers

Under the proposed Final Judgment, the United States has an important role in the approval of purchasers for each of the divested wireless businesses, to ensure that the purchasers chosen by defendants or the trustee are adequate from a competitive viewpoint. The United States' approval or rejection of a purchaser is at its sole discretion, as Section IV.A specifies, but the consent decree also embodies certain criteria that the United States will apply in making the approval decision.

In the case of any divestiture, by defendants or the trustee, it is important to ensure that the ongoing wireless businesses go to purchasers with the capability and intent to operate them as effective competitors in the lines of business they already serve, and that there are no conditions restricting competition in the terms of the sale. Specifically, Section IV.C of the proposed Final Judgment requires that the divestitures of Wireless System Assets be made to a purchaser or purchasers for whom it is demonstrated to plaintiff's sole satisfaction that: (1) the purchaser(s) has the capability and intent ot compete effectively in the provision of wireless mobile telephone service using the Wireless System Assets; (2) the purchaser(s) has the managerial, operational and financial capability to compete effectively in the provision of wireless mobile telephone service using the Wireless System Assets; and (3) none of the terms of any agreement between the purchaser(s) and either of defendants shall give defendants the ability unreasonably (i) to raise the purchaser(s)'s costs, (ii) to lower the purchaser(s)'s efficiency, (iii) to limit any line of business which a purchaser(s) may choose to pursue using the

Wireless System Assets, or otherwise to interfere with the ability of the purchaser(s) to compete effectively All of these criteria must be satisfied whether the divestiture is accomplished by defendants or the trustee.

E. Other Provisions of the Decree

Section III specifies the persons to whom the Final Judgment is applicable, and provides for the Final Judgment to be applicable to certain Interim Parties to whom defendants might transfer the Wireless System Assets, other than purchasers approved by the United States.

Section VI obliges defendants, or the trustee if applicable, to notify the United States of any planned divestiture of Wireless System Assets within two business days of executing a binding agreement with a purchaser. It enables the United States to obtain information to evaluate the chosen purchaser as well as other prospective purchasers who expressed interest and establishes a procedure for the United States to notify defendants and the trustee whether it objects to a divestiture. The United States' notification of its lack of objection is necessary for a divestiture to proceed. This section also provides for an objection by defendants to a sale by the trustee under the limited situation of alleged malfeasance, but in that case it is possible for the Court to approve a sale over defendants' objection.

Section VII establishes affidavit requirements for defendants to report to the United States on their compliance with the proposed Final Judgment, their activities in seeking to divest the Wireless System Assets prior to consummating their merger, and their actions to preserve the Wireless System Assets to be divested. Under V.E, the trustee also has monthly reporting obligations concerning the efforts made to divest the Wireless System Assets.

Section VIII prohibits defendants from financing all or any part of a purchase made by an acquirer of the Wireless System Assets, whether the divestiture is carried out by defendants or by the trustee.

Section IX, the Hold Separate Order, contains important requirements concerning the operation of the wireless businesses before divestiture is complete, and the preservation of the Wireless System Assets as a viable, ongoing business. The obligations of Section IX A fall on both defendants and both wireless businesses in any Overlapping Wireless Market, obliging them to ensure that such wireless businesses continue to be operated as separate, independent, ongoing, economically viable and active competitors to the other wireless mobile telecommunications providers in the same area. Section IX.A requires separation of the operations of the two wireless businesses and their books, records and competitively sensitive information. The requirements of Section IX.A serve to ensure that defendants maintain their two wireless businesses in the Overlapping Wireless Markets as fully separate competitors prior to consummating their merger, notwithstanding their expectations that the merger will take place, and reinforce the provisions of Section V.H concerning the separation of defendants and the trustee after the merger is consummated but while there are still Wireless System Assets awaiting sale.

Section IX.B requires the defendant whose assets will be divested (or both, if it has not yet been decided which system will be divested in a particular market) to take certain specified steps to preserve the assets in accordance with past practices. These steps include maintaining and increasing sales, maintaining the assets in operable condition, providing sufficient credit and working capital, not selling the assets (except with approval of plaintiff), not terminating, transferring or reassigning employees who work with the assets (with certain limited exceptions), and not taking any actions to impede or jeopardize the sale of the assets. Section IX.D obliges each defendant, during the period while they still control Wireless System Assets, to appoint persons not affiliated with the other defendant to oversee the Wireless System Assets to be divested and to be responsible for compliance with the Final Judgment.

In order to ensure compliance with the Final Judgment, Section X gives the United States various rights, including inspection of defendants' records, the ability to conduct interviews and take sworn testimony of defendants' officers, directors, employees and agents, and to require defendants to submit written reports. These rights are subject to legally recognized privileges, and information the United States obtains using these powers is protected by specified confidentiality obligations, which permit sharing of information with the FCC under a customary protective order issued by that agency or a waiver of confidentiality. Under Section III.B, purchasers of the Wireless System Assets must also agree to give the United States similar access to information.

The Court retains jurisdiction under Section XI, and Section XII provides that the proposed Final Judgment will expire on the tenth anniversary of the date of its entry, unless extended by the Court. Although the required divestitures will be accomplished in a considerably shorter time, defendants are also precluded from reacquiring the divested properties within the term of the decree.

IV. REMEDIES AVAILABLE TO POTENTIAL PRIVATE LITIGANTS

Section 4 of the Clayton Act, 15 U.S.C. § 15, provides that any person who has been injured as a result of conduct prohibited by the antitrust laws may bring suit in federal court to recover three times the damages that the person has suffered, as well as costs and reasonable attorneys' fees. Entry of the proposed Final Judgment will neither impair nor assist the bringing of any private antitrust damage action. Under the provisions of Section 5(a) of the Clayton Act, 15 U.S.C. § 16(a), the proposed Final Judgment has no *prima facie* effect in any subsequent private lawsuit that may be brought against defendants.

V. PROCEDURES AVAILABLE FOR MODIFICATION OF THE PROPOSED FINAL JUDGMENT

Plaintiff and defendants have stipulated that the proposed Final Judgment may be entered by the Court after compliance with the provisions of the APPA, provided that the United States has not withdrawn its consent. The APPA conditions entry upon the Court's determination that the proposed Final Judgment is in the public interest.

The APPA provides a period of at least sixty (60) days preceding the effective date of the proposed Final Judgment within which any person may submit to the United States written comments regarding the proposed Final Judgment. Any person who wishes to comment should do so within sixty (60) days of the date of publication of this Competitive Impact Statement in the Federal Register. The United States will evaluate and respond to the comments. All comments will be given due consideration by the United States, which remains free to withdraw its consent to the proposed Final Judgment at any time prior to entry. The comments and the responses of the United States will be filed with the Court and published in the Federal Register.

Written comments should be submitted to:

Donald J. Russell
Chief, Telecommunications Task Force
Antitrust Division
United States Department of Justice
1401 H Street, N.W., Suite 8000
Washington, D.C. 20530

The proposed Final Judgment provides, in Section XI, that the Court retains jurisdiction over this action, and the parties may apply to the Court for any order necessary or appropriate to carry out or construe the Final Judgment, to modify any of its provisions, to enforce compliance, and to punish any violations of its provisions.

VI. ALTERNATIVES TO THE PROPOSED FINAL JUDGMENT

The United States considered, as an alternative to the proposed Final Judgment, seeking an injunction to block consummation of the merger and a full trial on the merits. The United States is satisfied, however, that the divestiture of Wireless System Assets and other relief contained in the proposed Final Judgment will preserve competition in the provision of wireless mobile telephone services in the Overlapping Wireless Markets. This proposed Final Judgment will also avoid the substantial costs and uncertainty of a full trial on the merits on the violations alleged in the complaint. Therefore, the United States believes that there is no reason under the antitrust laws to proceed with further litigation if the divestitures of the Wireless System Assets are carried out in the manner required by the proposed Final Judgment.

VII. STANDARD OF REVIEW UNDER THE APPA FOR PROPOSED FINAL JUDGMENT

The APPA requires that proposed consent judgments in antitrust cases brought by the United States be subject to a sixty (60) day comment period, after which the court shall determine whether entry of the proposed Final Judgment "is in the public interest." In making that determination, the court *may* consider --

> (1) the competitive impact of such judgment, including termination of alleged violations, provisions for enforcement and modification, duration or relief sought, anticipated effects of alternative remedies actually considered, and any other considerations bearing upon the adequacy of such judgment;
>
> (2) the impact of entry of such judgment upon the public generally and individuals alleging specific injury from the violations set forth in the complaint including consideration of the public benefit, if any, to be derived from a determination of the issues at trial.

15 U.S.C. § 16(e) (emphasis added). As the United States Court of Appeals for the D.C. Circuit held, this statute permits a court to consider, among other things, the relationship between the remedy secured and the specific allegations set forth in the government's complaint, whether the decree is sufficiently clear, whether enforcement mechanisms are sufficient, and whether the decree may positively harm third parties. *See United States v. Microsoft*, 56 F.3d 1448, 1461-62 (D.C. Cir. 1995).

In conducting this inquiry, "[t]he Court is nowhere compelled to go to trial or to engage in extended proceedings which might have the effect of vitiating the benefits of prompt and less costly settlement through the consent decree process."[3] Rather,

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[3] 119 Cong. Rec. 24598 (1973). *See United States v. Gillette Co.*, 406 F. Supp. 713, 715 (D. Mass. 1975). A "public interest" determination can be made properly on the basis of the Competitive Impact Statement and Response to Comments filed pursuant to the APPA.

> [a]bsent a showing of corrupt failure of the government to discharge its duty, the Court, in making its public interest finding, should . . . carefully consider the explanations of the government in the competitive impact statement and its responses to comments in order to determine whether those explanations are reasonable under the circumstances.

United States v. Mid-America Dairymen, Inc., 1977-1 Trade Cas. (CCH) ¶ 61,508, at 71,980 (W.D. Mo. 1977).

Accordingly, with respect to the adequacy of the relief secured by the decree, a court may not "engage in an unrestricted evaluation of what relief would best serve the public." *United States v. BNS, Inc.*, 858 F.2d 456, 462 (9th Cir. 1988) (citing *United States v. Bechtel Corp.*, 648 F.2d 660, 666 (9th Cir.), *cert. denied*, 454 U.S. 1083 (1981)); *see also Microsoft*, 56 F.3d at 1460-62. Precedent requires that

> the balancing of competing social and political interests affected by a proposed antitrust consent decree must be left, in the first instance, to the discretion of the Attorney General. The court's role in protecting the public interest is one of insuring that the government has not breached its duty to the public in consenting to the decree. The court is required to determine not whether a particular decree is the one that will best serve society, but whether the settlement is "*within the reaches of the public interest.*" More elaborate requirements might undermine the effectiveness of antitrust enforcement by consent decree.[4]

The proposed Final Judgment, therefore, should not be reviewed under a standard of

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Although the APPA authorizes the use of additional procedures, 15 U S.C. § 16(f), those procedures are discretionary. A court need not invoke any of them unless it believes that the comments have raised significant issues and that further proceedings would aid the court in resolving those issues. *See* H.R. Rep. 93-1463, 93d Cong. 2d Sess. 8-9 (1974), *reprinted in* U.S.C.C.A.N. 6535, 6538.

[4] *Bechtel*, 648 F.2d at 666 (emphasis added); *see BNS*, 858 F.2d at 463; *United States v. National Broadcasting Co.*, 449 F. Supp. 1127, 1143 (C.D. Cal. 1978); *Gillette*, 406 F. Supp. at 716. *See also Microsoft*, 56 F.3d at 1461 (whether "the remedies [obtained in the decree are] so inconsonant with the allegations charged as to fall outside of the 'reaches of the public interest'").

whether it is certain to eliminate every anticompetitive effect of a particular practice or whether it mandates certainty of free competition in the future. Court approval of a final judgment requires a standard more flexible and less strict than the standard required for a finding of liability. "[A] proposed decree must be approved even if it falls short of the remedy the court would impose on its own, as long as it falls within the range of acceptability or is 'within the reaches of public interest.'" *United States v. American Tel. & Tel Co.*, 552 F. Supp. 131, 151 (D.D.C. 1982), *aff'd sub nom., Maryland v. United States*, 460 U.S. 1001 (1983) (quoting *Gillette Co.*, 406 F Supp. at 716); *United States v. Alcan Aluminum, Ltd.*, 605 F. Supp. 619, 622 (W.D. Ky. 1985).

Moreover, the court's role under the Tunney Act is limited to reviewing the remedy in relationship to the violations that the United States has alleged in its complaint, and does not authorize the court to "construct [its] own hypothetical case and then evaluate the decree against that case." *Microsoft*, 56 F.3d at 1459. Since "[t]he court's authority to review the decree depends entirely on the government's exercising its prosecutorial discretion by bringing a case in the first place," it follows that the court "is only authorized to review the decree itself," and not to "effectively redraft the complaint" to inquire into other matters that the United States might have but did not pursue. *Id.*

VIII. DETERMINATIVE DOCUMENTS

There are no determinative materials or documents within the meaning of the APPA that were considered by the United States in formulating the proposed Final Judgment.

Consequently, the United States has not attached any such materials to the proposed Final Judgment.

Respectfully submitted,

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Dated: June 7, 1999

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing Plaintiff United States' Competitive Impact Statement, were served via U.S. Mail, first class postage prepaid, on this 7th day of June, 1999 upon each of the parties listed below:

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13

Telecommunications Merger Policy

The Double Standard Hurts Workers and Consumers

COMMUNICATIONS
WORKERS
OF
AMERICA

Regulators are Picking Winners and Losers Based on an Outdated View of the Telecommunications Industry

The framework which regards local telephone company mergers as anti-competitive and "bad" but mergers that result in integrated global carriers such as MCI WorldCom and AT&T-TCI as pro-competitive and "good" is based on an out-dated view of the telecommunications industry. This outmoded analytic framework fails to recognize the fundamental changes in the industry wrought by the Telecommunications Act of 1996 and by new technologies. Together, these two forces are breaking down the potential power local telephone companies can exercise through their control over the last mile.

Telecommunications companies which were formerly limited by regulation or technology to certain market segments are merging or acquiring other firms to jumpstart entry into new markets and to gain the efficiencies of scale and scope necessary to make the billions of dollars of investment in next-generation networks and services. As a result, the telecommunications industry is rapidly consolidating into five or six global carriers, capable of providing customers with a package of local, long distance, wireless, and data services.

Market forces and the rapid pace of merger announcements indicate that a primary condition to succeed in the new competitive world of telecommunications will be scope and size. As a result, the number and size of telecommunications mergers since the Telecommunications Act of 1996 was passed has been astonishing. In this three-year period, major telecommunications company mergers and acquisitions have totaled $400 billion. (See Appendix)

As the industry consolidates and globalizes, regulatory policy that prevents local exchange company mergers in fact prevents them from contending with their competitors on an equal footing. Hampering local exchange carriers from merging with one another will create losers in a game that can only be won by behemoths.

Wall Street's View: Local Telcos Rank Below Integrated Global Carriers

The telecommunications industry is undergoing massive restructuring. Telecommunications firms have assembled billions of dollars of capital to create corporations ready to compete in the global marketplace.

A look at the top telecommunications carriers as valued by investors is revealing. Wall Street's valuation of the local telephone companies recognizes that current regulatory policies and market structures leave the local telephone companies weaker than the integrated global carriers in the emerging competitive telecommunications environment. The investment community no longer significantly values the potential economic power of the local exchange carriers' control of the last mile copper wireline network.

TABLE 1.
MARKET CAPITALIZATION OF TELECOM FIRMS
in billions of dollars

RANK	COMPANY	MARKET CAP
1	AT&T-TCI	$193.5
2	MCI WorldCom	$138.3
3	NTT	$130.9
4	Deutsche Telekom	$123.6
5	Vodafone-Air Touch	$114.1
6	SBC	$113.0
7	British Telecom	$102.7
8	France Telecom	$94.3
9	BellSouth	$91.9
10	Bell Atlantic	$89.9
11	Ameritech	$75.2
12	AOL	$65.7
13	GTE	$64.5
14	Cable and Wireless	$35.8
15	U S WEST	$31.5
16	Sprint	$27.5
17	Qwest	$20.8
18	Telemex	$19.9

as of 1/21/99 (NTT as of 7/98)

The integrated global carriers have the largest market capitalization, reflecting Wall Street's expectation that these carriers have the greatest growth potential.[1] Only one Bell company (SBC) ranks among the top eight global telecommunications firms.

The market capitalization of AT&T-TCI of $193.5 billion is more than twice that of Bell Atlantic ($89.9 billion), Ameritech ($75.2 billion), or GTE ($64.5 billion), and more than 40 percent higher than that of SBC ($113 billion). These local telephone companies' market capitalization also trails that of the merged MCI WorldCom by 20 percent or more.

Five of the top ten telecommunications companies are foreign companies (NTT, Deutsche Telekom, Vodafone-AirTouch, British Telecom, and France Telecom). The market capitalization of the three largest foreign competitors—NTT ($130.9 billion), Deutsche Telekom ($123.6 billion), and Vodafone-AirTouch ($114.1 billion)—exceeds that of Bell Atlantic, Ameritech, or GTE by 20 to 50 percent and that of SBC by more than 10 percent.

The leading U.S. and foreign telecommunications companies have amassed hundreds of billions of dollars to build new networks and to provide new services to U.S. businesses and consumers. U.S. policymakers should permit the Bell companies to participate in this global marketplace by allowing the Bell companies to achieve the size and scope necessary to compete effectively with the integrated global carriers.[2]

The Local Exchange Carriers Should Not be Barred From the New Emerging Markets

These communications giants are competing for giant new markets. Consumer demand for Internet services is driving billions of dollars of investment in new communications networks and services. According to the U.S. Department of Commerce, investment in information technology and services reached $800 billion in 1998, more than doubling in size since 1993. Telecommunications services and equipment companies' revenues increased from $250 billion in 1993 to $408 billion in 1998, increasing their share of GDP by more than 20 percent. The number of public telecommunications companies has surged from under 100 in 1984 to over 200 in 1993 to just under 400 in 1997.[3]

The leading U.S. and foreign telecommunications companies have amassed hundreds of billions of dollars to build new networks and to provide new services to U.S. businesses and consumers. U.S. policymakers should permit the Bell companies to participate in this global marketplace by allowing the Bell companies to achieve the size and scope necessary to compete effectively with the integrated global carriers.

Moreover, a recent report by the Federal Communications Commission (FCC) on deployment of advanced data networks confirms that the transformation from voice to data communications is attracting hundreds of new entrants that together are investing tens of billions of dollars in wireline and wireless broadband technologies. As a result, the FCC notes, "the preconditions for monopoly (in the last mile of the broadband consumer market) are absent."[4]

This trend will only accelerate as data replaces voice as the dominant means of communications. According to most industry leaders, by the year 2004, 99 percent of bandwidth will be for Internet-related applications. Voice will effectively become a niche market.[5] Data traffic also will dominate wireless networks and comprise 70 percent of wireless traffic by 2005.[6]

The effects of competition in these markets can already be seen. Facilities-based wireline networks in the urban centers have created a robust competitive market for business customers. Competitive carriers now surpass incumbent carriers in the number of new access lines sold to business customers.[7]

New developments in wireless and two-way cable technology are creating real facilities-based alternatives to the copper wire network for consumers. Ten cents a minute local/long distance wireless calling plans make wireless an affordable alternative for high-end customers. As the price of wireless calls continues to decline, analysts predict that wireless traffic will represent 18 percent of all telecommunications traffic four years from now.[8]

AT&T's planned multi-billion dollar investment in TCI's and Time Warner's cable plant holds the promise of making cable-based telephony and Internet access a choice for many consumers in the near future. (Cable modems now hold the lead over the telephone companies' xDSL service for high-speed Internet access.)[9] AT&T's merger with TCI and its joint venture with Time Warner will provide AT&T with cable access to 50 million U.S. households.

As a result of these technological and regulatory changes, the old telecommunications market structure of distinct local monopoly markets no longer exists. In its place, a new market structure is emerging dominated by integrated global carriers capable of providing customers with a single package of voice and data communications services with a national, indeed international, footprint.

Finally, MCI WorldCom's recent announcement that it is re-entering the residential market in New York City indicates that at least in high-density urban areas, competitive carriers may begin marketing to some residential consumers.

As a result of these technological and regulatory changes, the old telecommunications market structure of distinct local monopoly markets no longer exists. In its place, a new market structure is emerging dominated by integrated global carriers capable of providing customers with a single package of voice and data communications services with a national, indeed international, footprint.

Regulatory Policies Create Unfair Handicaps for Local Telephone Companies

Absent changes in regulatory policies, the local telephone companies—the most heavily unionized firms in the telecommunications industry and the only carriers with the obligation to serve all consumers—will not be able to grow, or even survive.

Already, the current regulatory regime has created an unlevel playing field upon which the local telephone companies must compete.

- **Regulatory Barriers to Bundled Services.** While long distance carriers and new entrants are competing for business customers with a bundled package of local, long distance, data, and wireless services, the Bell companies continue to face regulatory barriers to entering the long distance market for either voice or data traffic.

- **Regulatory Disincentives to Broadband Investment.** AT&T's CEO Michael Armstrong articulated the problem facing the Bells in his reaction to unbundling requirements for cable systems. He noted that "any company would be foolhardy to risk" expensive build-out only to turn over plant to competitors. But that is what the current interconnection rules require of the Bell companies.

- **Regulatory Obligations to Service Everyone.** For 80 years, U.S. policy has correctly required local telephone companies to serve everyone. This has been the foundation of our policy of universal service, the belief that we all benefit when every American has affordable access to quality telecommunications services. Now we must expand that policy to advanced telecommunications services. Financing that investment will not be possible if the local telephone carriers—the only carriers that have this obligation to serve low-margin residential consumers—cannot recover the costs of that investment because they are losing their high-revenue business customers to global carriers who do not share these costly obligations. Unless the local telephone companies are able to grow in order to retain their lucrative customers, universal service will suffer as well.

- **Tougher Merger Review Standard.** The Bells face tougher standards in the merger review process than do the long distance and wireless companies. Should federal regulators determine that the pending Bell mergers are anti-competitive, the Bell companies will remain small and weak in comparison to other segments of the industry. However, should regulators approve the mergers, the market capitalization of a merged SBC-Ameritech ($188 billion) and Bell Atlantic-GTE ($154 billion) will place these carriers among the top five global carriers, with the scale and scope necessary to compete effectively and to make investments in next-generation networks and services.[10]

Mergers Do Not Mean the End of Regulation

Approval of large local exchange carrier mergers does nothing to change the current regulatory structure. Regulatory controls over the Bell companies continue in force after the merger. State regulators will continue to regulate local rates, protecting consumers in local markets where competition is slow to develop. State regulators have shown little inclination to abdicate this responsibility, even where competition is thriving such as in the exchange access market.

Furthermore, the Telecommunications Act of 1996 established a regulatory framework to open local markets to competition. The Act requires Bell companies to adopt non-discriminatory interconnection policies (which they have done); to meet a fourteen-point checklist demonstrating that they have opened local markets to competition before they are allowed into the long distance market; and to adopt numerous accounting and other safeguards (including separate subsidiary requirements) to protect against discrimination and cross-subsidies. These regulatory requirements will continue in a post-merger environment, protecting consumers while stimulating the development of competition where market incentives exist.

Mergers between Local Telephone Companies Create High Quality Jobs

Since the merger of MCI and WorldCom in the fall of 1998, MCI WorldCom has announced 2,000-3,500 merger-related layoffs. Yet, it is important to note that not all telecommunications mergers are about job-cutting. In fact, in the 18 months since the SBC-Pactel merger closed, SBC created more than 3,600 non-management jobs in California and Nevada. Similarly, Bell Atlantic has created new, permanent jobs in the former NYNEX footprint.[11]

In contrast to the MCI WorldCom merger, CWA is confident that the SBC-Ameritech and Bell Atlantic-GTE mergers will lead to the growth of good union jobs in the industry. SBC-Ameritech plans an additional $2 billion capital investment and $23.5 billion in operating expenditures over the next ten years. This will result in the creation of an estimated 8,000 new jobs. Based on CWA's experience after the SBC-Pactel merger, we have every reason to believe this projection.[12]

Furthermore, the jobs that these mergers create will be good jobs. The acquiring companies—SBC and Bell Atlantic—recognize the value of a high-skill, high quality, productive workforce and good labor-management relations. SBC and Bell Atlantic have recognized the value that the union adds to corporate performance, and have negotiated pathbreaking agreements with CWA to ensure that the new jobs in the industry will be high-wage, high-skill union jobs.

Conclusion

Telecommunications market structures have changed substantially since 1984. Wall Street recognizes this new market structure which favors the integrated global carriers over the local telephone companies. Yet, many policymakers remain wedded to the old framework.

The local telephone companies must have a level playing field in order to compete with the integrated global carriers. Absent the ability to grow, the local telephone companies—the only telecommunications carriers who must serve all consumers—will lose market share and substantial revenue in lucrative markets, limiting their ability to provide and advance universal service. Similarly, the loss of market share in the most heavily organized segment of the telecommunications industry will lead not only to job loss for union workers, but a steady erosion of employment standards throughout the industry.

APPENDIX
TELECOMMUNICATION MERGERS, 1996-1999
$500 MILLIONs

COMPANY	PURCHASE	YEAR	TERMS ($ BILLIONs)
SBC	Comcast Cellular	Jan-99	1.7
Vodafone	Airtouch	Jan-99	54.0
Alltel	Aliant	Dec-98	15.0
AT&T	IBM's Global Network Operations	Dec-98	5.0
AOL	Netscape	Dec-98	4 .0
Teleglobe	Excel Communications	Nov-98	3.5
AT&T	Vanguard Cellular	Oct-98	.8
Northern Telecom	Bay Networks	Oct-98	7.7
SBC	SNET	Oct-98	4.2
WorldCom	MCI	Sep-98	37.0
British Telecom	Concert Communications (MCI's stake)	Aug-98	1.0
GTE	Puerto Rico Telephone	Aug-98	2.0
Jacor Communications	Nationwide Communications	Aug-98	.6
Alltel	360 Degrees	Jul-98	4.1
AT&T	TCI	Jul-98	32.7
Bell Atlantic	GTE	Jul-98	52.9
Dobson Communications	Sygnet Wireless	Jul-98	.6
MCI	Embratel (Brazilian long distance)	Jul-98	2.3
Cable & Wireless	MCI's Internet business	Jun-98	1.8
SBC	Ameritech	May-98	62.0
PriCellular Corp.	American Cellular	Mar-98	1.4
AT&T	Teleport	Jan-98	11.3
WorldCom	Brooks Fiber Properties	Jan-98	2.4
WorldCom	Compuserve	Jan-98	1.2
Century Telephone	PacifiCorp	Dec-97	2.2
CUC International	HFS (became Cendant Corp)	Dec-97	14.0
Ameritech	Republic Industries (security monitoring assets)	Sep-97	.6
Bell Atlantic	NYNEX	Aug-97	25.6
GTE	BBN	Aug-97	.6
Lucent	Octel	Jul-97	1.8
Excel Communications	Telco Communications Group	Jun-97	1.2
Blackstone Capital Partners	CommNet Cellular	May-97	.5
SBC	Pacific Telesis	Apr-97	16.6
Hewlitt-Packard	Verifone	Apr-97	1.2
AirTouch	Cellular Communications	Apr-97	1.6
MCI WorldCom	MFS Communications	Dec-96	12.0
US WEST	Continental Cablevision	Nov-96	10.8
MFS	UUNET	Aug-96	2.0

TOTAL **$400 BILLION**

Endnotes

1 Measuring market capitalization (shares of outstanding stock times share price) summarizes the investment community's view of how earnings will grow and which companies will succeed. The financial markets value companies based on their assessment of future earnings' growth. High expectations of growth of the Internet, for example, have driven AOL's market capitalization to $65.7 billion, about the same market cap as GTE's $64.5 billion, even though AOL's revenues today are only one-tenth those of GTE.

2 The recently announced Vodafone-AirTouch merger is the most recent in a series of consolidations taking place in the telecommunications industry. Policymakers have been markedly silent on this merger, despite the fact that in this instance a foreign company gains 100 percent ownership of a U.S. firm. As a result of the merger, Vodafone will become the sixth largest telecommunications carrier in the world. This thundering silence among policymakers stands in contrast to the negative reaction of some in the policy community to the pending mergers of local telephone companies (Bell Atlantic-GTE and SBC-Ameritech).

3 U.S. Council of Economic Advisors, *Progress Report: Growth and Competition in U.S. Telecommunications, 1993-1998*, Feb. 8, 1999.

4 *In the Matter of Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996*, CC No. 98-146, Feb. 2, 1999 (rel), 48.

5 "Sidgmore Wants 'Unfettered Access' to ILEC, CATV High-Speed Wires," *Telecommunications Reports Daily*, Jan 29, 1999. John Sidgmore is vice chairman of MCI WorldCom, Inc.

6 U.S. Department of Commerce, *U.S. Industry and Trade Outlook '99*.

7 "CLECs Surpass Bells in Net Business Line Additions for First Time," Salomon Smith Barney, May 6, 1998.

8 "A Cell Phone in Every Pocket?," *Business Week*, Jan. 18, 1999, 38-39.

9 *Progress Report: Growth and Competition in U.S. Telecommunications*, 1993-1998.

10 Policymakers should recall that at the time of AT&T diverstiture, the Department of Justice (DOJ) did not mandate the number of Regional Bell Operating Companies (RBOCs) to survive after the break-up. The DOJ's concern was to sever AT&T's power to use the local bottleneck to control long distance and equipment downstream markets. The DOJ left the decision as to the number of surviving Bell companies to AT&T. AT&T chose seven RBOCs. If the DOJ did not care in 1984 how many Bell operating companies survived the break-up, there is even less economic justification today.

11 CWA Membership Reports.

12 Applicants' Description of the Transaction, Public Interest Showing and Related Demonstrations, In the Matter of Application for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from Ameritech Corporation, Transferor, to SBC Communications Inc., Transferee, July 24, 1998; Applicants' Public Interest Statement, In the Matter of GTE Corporation, Transferor and Bell Atlantic Corporations, Transferee, for Consent to Transfer of Control, Oct., 2, 1998.

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