Contents

Your Savings Plan

An important part of planning your financial future is saving for long-term needs. The Verizon Savings and Security Plan for New York and New England Associates (the Plan) can help you meet your financial goals. You can save up to 16 percent of your annual pay on a before-tax and/or an after-tax basis, using convenient payroll deductions. The Plan offers you a range of fund options for investing your contributions.

The Company matches a portion of your annual contributions. While you still are working, you may be eligible to take a loan or make a withdrawal to cover your financial needs. In the meantime, your account grows tax-deferred until you request a distribution after your employment with the Company ends.

About This SPD

This book is the summary plan description (SPD) for the Verizon Savings and Security Plan for New York and New England Associates, a Plan subject to federal law under the Employee Retirement Income Security Act of 1974 (ERISA) and its subsequent amendments. This book meets ERISA's requirements for an SPD and is based on Plan provisions effective January 1, 2001. It updates and replaces all previous SPDs and other descriptions of the Plan.

In addition, this SPD constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

The Plan is designed to be a "404(c) plan" within the meaning of ERISA. As such, Plan fiduciaries may be relieved of liability from any losses that are the direct result of participants' or beneficiaries' investment directions. The selection and timing of your investment choices are solely your responsibility and investment returns are not guaranteed by the Company.

Important Note

Verizon and its claims and appeals administrators have the discretionary authority to interpret the terms of this SPD and determine your eligibility for benefits under its terms.

This SPD is divided into the following major sections:

- **Participating in the Plan.** This section describes how to enroll and how much you can save.

- **Your Contributions.** Learn about saving before-tax and after-tax dollars in the Plan. You also may be eligible to make a rollover from another qualified plan to the Plan.

- **Company Contributions.** Learn how the Company helps you reach your financial goals.

- **Investing Your Account.** This section provides fund information for the investment of your account.

- **Account Access While You Are Working.** You can take a loan from your account or you may be eligible for a withdrawal. Important considerations are described in this section.

- **Final Distributions.** When your employment ends, you can receive a final distribution of your vested account balance (see vesting rules on pages 15 through 16). When you die, your beneficiary is entitled to your account.

- **Additional Information.** This section provides additional details about the administrative provisions of the Plan and your legal rights.

- **Glossary.** Certain terms used in this SPD are defined in the glossary.

Getting More Information

If you have questions about the Plan, the investment funds or need other information after reading this SPD, call the benefits administrator. See your Important Benefits Contacts insert for the telephone number and access information for the interactive voice response system, and to speak with a benefits representative. (See page 53 for the benefits administrator's mailing address.)

Every effort has been made to ensure the accuracy of the information included in this SPD, which is based on the Plan document, as amended and restated effective January 1, 2001. If, however, there is a discrepancy between the information contained in this SPD and the official Plan document, the Plan document will govern. Copies of Plan documents are available by contacting the Plan administrator in writing at the address provided on page 50 in the "Additional Information" section.

Changes to the Plan

While the Company expects to continue the Plan indefinitely, the Company, by action of the Company's board of directors or its delegates, also reserves the right to amend, modify, suspend, terminate or partially terminate the Plan at any time, at is discretion, with or without advance notice to participants, subject to any duty to bargain collectively.

Decisions regarding changes to, or termination of, benefits are made at the highest levels of management. Verizon employees below those levels do not know whether the Company will adopt any particular change and are not in a position to speculate about such changes. Unless and until changes formally are adopted and officially are announced, no one is authorized to assure that any particular change will or will not occur.

Participating in the Plan

Eligibility

You are eligible to enroll in the Plan if you are a regular full-time or part-time associate (non-salaried) employee of a Verizon participating company (see page 54). Also, certain eligible employees of Verizon New England Inc. and Verizon New York Inc. who are referred to as "temps" are eligible to enroll. For purposes of this Plan, eligible non-salaried employees include those associates who:

- Are in a bargaining unit that participates in the Plan based on the collective bargaining agreement with the participating company (subject to any restrictions included in the agreement)

- Are not salaried employees.

You are **not** eligible for the Plan if you:

- Are transferred from a salaried status to a non-salaried status for less than 30 days

- Are a retiree covered by the Working Retiree Program for non-management retirees

- Are a nonresident alien who receives no earned income within the United States.

Note: If a court, the Internal Revenue Service or any other enforcement authority or agency finds that an independent contractor or leased employee should be treated as a regular employee of a participating company, for example, for purposes of W-2 income reporting or tax withholding, such individual is nonetheless expressly excluded from the definition of eligible employee and is expressly ineligible for benefits under the Plan.

How to Enroll

You immediately are eligible to enroll in the Plan. Once you enroll, contributions will be deducted from your paychecks as soon as administratively possible. You can enroll when you first are eligible or any time after you first become eligible. As a new associate, you automatically will receive an Enrollment Kit that includes instructions for enrolling in the Plan. Enrollment in the Plan is voluntary.

To enroll at any time, call the benefits administrator (see your Important Benefits Contacts insert for the telephone number).

When enrolling, you will need to indicate:

- The percentage of your pay that you want to contribute on a before-tax basis and/or an after-tax basis. See "Your Contributions" (on pages 7 through 13) for details about the amount you can contribute.

- How you want to invest your contributions. See "Investing Your Account" (on pages 18 through 33) for investment fund information. With your Enrollment Kit, you also will receive a fund descriptions booklet with fund summaries and investment results. You also can call the benefits administrator to request more detailed investment fund information.

In addition, your Enrollment Kit will include these two forms:

- The Savings Plan Beneficiary Designation Form. See page 6 for important information about making a valid designation.

- The Distribution Authorization Form. The purpose of this form is to provide the benefits administrator with written authorization to complete certain transactions (for example, withdrawals and loans) for you when requested through the benefits administrator's voice response system.

Note: These forms also can be requested from the benefits administrator. (See your Important Benefits Contacts insert for the telephone number.)

Beneficiary Designation

You should complete and return the Beneficiary Designation Form included with your Enrollment Kit as soon as possible to the benefits administrator. You can name any individual or individuals, a trust or your estate as your beneficiary(ies). However, if you are married, your spouse must be your sole beneficiary, unless:

- Your spouse gives written, notarized consent to your designation of another beneficiary on the Beneficiary Designation Form.
- Your spouse cannot be located to give consent (which must be supported by documentation or an affidavit).
- An alternate payee is named under a Qualified Domestic Relations Order (QDRO), which is a court order that results from a divorce or child support action. (See page 47.)

You can change your beneficiary designation at any time by submitting a new Beneficiary Designation Form to the benefits administrator. Call the benefits administrator to request a new form.

If all beneficiaries you have designated predecease you or you don't name a beneficiary and you are not married when you die, any distribution available as a result of your death will be paid to your estate.

Your Contributions

How Much You Can Contribute

You can contribute from one percent to 16 percent of your annual pay (subject to certain limits—see page 13). Your contribution rate must be designated as a whole percentage(s) of pay contributed on a before-tax basis, an after-tax basis or a combination of both. A percentage of your annual contributions up to six percent of pay is matched by Verizon. (See "Company Contributions" on pages 14 through 17). Some temporary employees do not receive matching contributions. Your annual contributions that are not matched will share in other Plan advantages—like tax deferral of any earnings while they are invested in the Plan.

In addition, for a year that an annual Corporate Profit Sharing (CPS) award is paid, subject to the terms of the applicable collective bargaining agreement, eligible employees may choose to defer their **full** CPS award into their Plan account subject to any applicable payroll deductions, such as union dues. You will be provided with an opportunity to make your deferral election prior to payment. The first six percent of your deferred CPS award also is eligible to receive matching contributions from the Company. (See page 14.)

Note: An election to defer your full CPS award is inclusive of any Plan contribution election. Also, any CPS award you receive after your employment ends is not eligible for consideration under the Plan.

For purposes of the Plan, annual pay includes your basic weekly pay paid while you are an eligible associate. In addition, pay includes:

- Any annual CPS award you are eligible to receive.

- For pay periods ending on or after January 1, 2001, differentials that are considered benefit-bearing pay for purposes of a supplemental monthly pension from the Verizon Pension Plan for New York and New England Associates will be included in pay for the Plan.

- Benefits under the Verizon Sickness and Accident Disability Benefit Plan or any other short-term disability benefit plan maintained by the Company.

- If you are an employee of the Verizon Information Resources Company, your basic weekly pay also includes earned and unearned commission payments.

Overtime, other ineligible differentials and special payments are excluded. Also, basic weekly pay does not include any payments you receive from other Company benefits, such as reimbursements for travel, business or health care expenses, long-term disability plan or separation payments and transfer or relocation reimbursements.

Before-Tax Contributions

With before-tax savings, your contributions are deposited in your Plan account from your paycheck **before** federal income taxes are deducted. In most cases, your before-tax savings are deducted before state and local income taxes are figured too. This means your current taxable pay is lower and, as a result, your current income taxes generally are lower too. **Note**: Before-tax contributions **are** subject to Social Security—FICA—tax.

In exchange for the tax advantage you receive with before-tax savings, there are restrictions the Internal Revenue Service (IRS) imposes on withdrawing these funds from your account and a 10 percent penalty tax may apply. (See page 35.)

If you save before-tax dollars in the Plan, your before-tax savings in a calendar year cannot exceed the IRS annual limit ($10,500 in 2001, adjusted periodically based on changes in the cost of living). If the percentage of annual pay you are saving results in before-tax contributions that reach the IRS limit during the year, your basic before-tax contributions automatically will change to after-tax contributions for the remainder of the calendar year; any supplemental before-tax contributions will stop or switch to after-tax contributions, depending on your election.

Note: If you participated in a plan with another employer and your before-tax contributions under both plans combined exceed the annual IRS limit for the year, you have until March 1 of the next calendar year to request from the benefits administrator a withdrawal of your excess before-tax contributions from the Plan. To avoid this situation, you can advise Payroll of the amount you have contributed on a before-tax basis through your prior employer so that your before-tax contributions with the Company are coordinated with this amount.

In the event that your contributions during a Plan year happen to exceed any of several IRS limitations on contributions to the Plan, the benefits administrator has a legal duty to correct that excess contribution. There are a variety of methods available, which may include returning excess dollars, or recharacterizing the tax treatment of certain contributions or potentially forfeiting Company matching contributions associated with any excess employee contributions.

After-Tax Contributions

With after-tax savings, your contributions are deposited in your account after any applicable taxes have been deducted from your paycheck. This means you will not receive any current tax advantage. However, after-tax savings are more accessible for withdrawal while you are working, and you will not be taxed on these contributions when you receive a final payout of your account. Any earnings on these contributions are tax-deferred until you receive them. (See pages 42 through 44 for special tax rules.)

Savings Example

Here's an example that compares the tax effect of before-tax savings with after-tax savings in the Plan. The example uses 2000 tax rules. Assume:

- Your annual pay is $40,000.
- You elect to save six percent of your annual pay, or $2,400.
- You are married and claim two exemptions on your federal income tax return.

	Saving Before-Tax Dollars	**Saving After-Tax Dollars**
Your Annual Pay	$ 40,000	$ 40,000
Before-Tax Savings	- 2,400	- 0
Taxable Annual Pay	$ 37,600	$ 40,000
Estimated Federal Income taxes	- 3,698	- 4,058
Estimated Social Security Taxes	- 3,060	- 3,060
Annual Pay After Taxes	$ 30,842	$ 32,882
After-Tax Savings	- 0	- 2,400
Remaining Annual Pay	$ 30,842	$ 30,482

In this example, you have an additional **$360** in remaining annual pay if you save on a before-tax basis compared with saving the same amount on an after-tax basis. And, you may have an even greater amount in extra take-home pay when state and local taxes are considered. Keep in mind, individual tax situations differ. You may want to consult with a tax advisor about your individual situation.

Insufficient Pay

If your basic weekly pay is not enough, after all legally required deductions, to cover the full contribution of the particular type you have elected, then no contribution of that type will be made for that pay period. Types of contributions include basic before-tax, basic after-tax, supplementary before-tax and supplementary after-tax. If you have insufficient pay due to union business, you may be able to make up the missed payments once per year. Call the Benefits administrator for details.

Union-Sponsored Trust for Savings

You may be eligible to contribute on an after-tax basis to a union-sponsored trust. If you participate, your payroll deductions will be directed to the union-sponsored trust rather than to the Plan. However, the Company match on your savings will be invested in the Plan in the Verizon Shares Fund. For more information, contact your local collective bargaining representative.

Changing or Stopping Your Contributions

You can change the percentage you contribute on a before-tax and/or an after-tax basis or stop contributing at any time by accessing the benefits administrator's voice response system. When you change your contribution percentage, the change takes effect as soon as administratively possible—generally with your next paycheck or the one following it.

There are certain situations when your contributions to the Plan **automatically** will stop, including if you:

- Change to management status (you generally will have the option of enrolling in the Verizon Savings Plan for Salaried Employees)
- Take an approved leave of absence
- Are laid off
- Make certain withdrawals (see pages 34 through 40)
- Default on a loan (until the loan is repaid or has been offset against your account).

Rollovers and Transfers

If you are eligible to receive a distribution from another employer's qualified savings or retirement plan, or if you have a rollover conduit Individual Retirement Account (IRA) that holds only a distribution from a previous employer's qualified plan, you can roll over all or part of the taxable portion of a qualifying distribution or IRA into the Plan. You have the same choice of investment funds for your rollover as you do for your contributions.

Please note that there are important tax implications in receiving a distribution from your previous employer's plan or from a conduit IRA. See "Tax Considerations" (on pages 42 through 44) for more information on how a direct rollover allows you to avoid the automatic 20 percent federal income tax withholding required by the IRS.

Under certain circumstances, you can transfer another account to the Plan.

Employees Who Participated in Another Company-Sponsored Savings Plan

You may elect to have the value of your account in the Verizon Savings Plan for Salaried Employees or the Verizon Savings and Security Plan for Mid-Atlantic Associates transferred to your account in this Plan and invested as you wish. Note that certain types of money may not be transferred to this Plan.

For more information on completing a rollover or transfer, call the benefits administrator and speak with a representative.

Limits That May Affect Your Contributions

Government rules impose certain limits on contributions to your account:

- **Annual IRS before-tax contribution limit:** This limit on your before-tax contributions is adjusted periodically to reflect changes in the cost of living. For 2001, this limit is $10,500. If your before-tax contributions in the Plan reach the maximum during the year, your basic before-tax contributions automatically will switch to after-tax contributions for the rest of the calendar year; any supplemental before-tax contributions will stop or revert to after-tax contributions, depending on your election. The following January, contributions automatically will begin again at the prior before-tax percentage rate—unless you change your election.

- **Annual pay limit:** Under IRS rules for qualified plans, an employee may not make before-tax or after-tax contributions or receive matching contributions based on annual pay over the IRS annual limit, which is $170,000 in 2001. This pay limit is increased periodically to reflect changes in the cost of living.

- **The highly compensated limit:** The IRS sets annual limits on the total before-tax, after-tax and Company contributions that can be deposited in your account in a calendar year to ensure that contributions made by or made on behalf of highly paid employees are not significantly greater than contributions made by other employees. To satisfy these rules, it may be necessary to reduce or refund contributions made by higher-paid employees. For example, under current IRS rules, you are considered a highly paid participant in 2001 if your annual pay in 2000 was $85,000 or more.

- **The IRS Section 415 limit:** This is a per-employee limit on the total annual amount of employee contributions and Company contributions that may be made to all Company-sponsored qualified plans. If your combined contributions (before-tax, after-tax and Company contributions) exceed this limit (in 2001, $35,000 or, if less, 25 percent of your pay), you will be notified and contributions will be restricted or refunded, as necessary, so as to not exceed this limit.

If you have questions about these limits, you can call the benefits administrator. If you are affected by the limits, you may want to speak with a financial advisor to discuss the best approach for you in designating your contribution percentage for the year so that you can receive the maximum contribution for your account.

Company Contributions

Company Matching Contributions

The Company matches your basic annual contributions regardless of whether you save on a before-tax or an after-tax basis. In general, for each dollar you contribute to your account, up to the first six percent of pay you contribute, the Company contributes another 80 cents. Effective August 5, 2001, for pay periods that include one or more days on or after this date, the Company will contribute 82 cents for every dollar you contribute to your account. Company matching contributions automatically are invested in Verizon common stock through the Verizon Shares Fund.

Exception: Certain New York and New England IBEW-represented temporary employees who are eligible to contribute to the Plan do not receive Company matching contributions.

An Example

Here's an example showing the Company matching contribution at the rate of 80 percent up to August 5, 2001, and then at the rate of 82 percent after that date, on your savings up to six percent of pay. The example assumes your annual pay is $40,000 and you contribute two percent, four percent, six percent or eight percent of your pay to the Plan in a year. The Company match is the same whether you save before-tax dollars or after-tax dollars.

		Annual Company Match (rounded to the nearest dollar) With Before-Tax or After-Tax Savings	
Percentage of Pay Saved	Your Annual Contribution	At 80% Up to August 5, 2001	At 82% Effective August 5, 2001
2%	$ 800	$ 640	$ 656
4%	$ 1,600	$ 1,280	$ 1,312
6%	$ 2,400	$ 1,920	$ 1,968
8%	$ 3,200	$ 1,920	$ 1,968

Vesting in Company Contributions

You "vest" or gain ownership in Company contributions to your account when you have accumulated three years of service. A year of service is defined as a period of 12 consecutive months during which you are credited with at least 1,000 hours of service. You are credited with 45 hours of service for each week you work at least one hour. Years are measured from the beginning date of your employment with the Company and anniversaries thereafter. Also, service credit for vesting continues if you have a job change from one Verizon company to another.

You are credited with one hour of service for each hour you are paid—including hours you actually are at work, plus time off for holidays, vacation, illness, jury duty, military duty or other approved leaves of absence. In general, for a period when you are not at work, 501 hours are the maximum number of hours that you will receive credit for in a computation period.

In addition, vesting in the value of Company contributions occurs automatically regardless of the length of your service in these situations:

- At the time your employment ends, provided you qualify for benefits under a Company-sponsored severance plan or a similar retirement or separation incentive program administered by the Plan Committee, which provides for vesting regardless of your years of service.

- You become totally disabled or die while employed by the Company.

- You become employed by a company subject to the Portability Agreement within 30 days of your termination from employment with the Company. Call the benefits administrator for additional information.

If you leave Verizon employment and you are not vested at the time you leave, the value of your Company contributions is forfeited after you receive a distribution of the value of your contributions or, if earlier, when a five-year break in service occurs (or a six-year break in service if the first year of your break was due to a Care for Newborn Children Leave—a maternity/paternity leave).

Keep in mind, you always are 100 percent vested in the value of your contributions.

Years of Service With Certain Companies

You may receive credit for years of service with certain prior companies, such as Bellcore, an interchange or portability company, or service that would have been recognized by the former NYNEX Corporation. Call the benefits administrator for additional information.

Effect of a Break in Service

A one-year break in service occurs when you are credited with less than 501 hours of service in a computation period (generally, 12-month periods measured from your date of hire and each anniversary).

If you experience five consecutive one-year breaks in service, you will lose credit for your earlier years of service unless you already had earned three or more years of service for vesting purposes.

If you have a one-year break in service and later return to work and begin earning hours of service, your years of service before the break will be taken into account for vesting purposes if:

- You were **vested** at the time you had a break in service.
- You have **non-vested** amounts in your account and your one-year breaks in service number less than five years or less than your total years of service.

Care for Newborn Children Leave (CNC) Rules

In determining if a one-year break in service has occurred, if you are absent from work due to a Care for Newborn Children Leave (a maternity/paternity leave), you will receive credit for up to 501 hours of service in a computation period to prevent a one-year break in service. A Care for Newborn Children Leave includes your period of absence from work due to your pregnancy, the birth of your child or care of your child following birth, adoption or placement of your child in your home. If you have already earned 501 hours or more for the year in which your leave begins, credit can be given to you in the following year, if needed, to prevent a break in service.

Restoring Forfeited Contributions if You Are Rehired

If you are not vested when you have a one-year break in service, you do not receive the Company contributions and associated earnings that were in your Plan account. These amounts are forfeited after you receive a distribution of the value of your contributions or if earlier, after a five-year break in service (six years for a Care for Newborn Children Leave—a maternity/paternity leave).

If you received a distribution from your account when you left the Company, the forfeited amounts will be restored to your account only if you repay the distribution to the Plan. You must repay the distribution either before you have had five consecutive one-year breaks in service or before the fifth anniversary of the date you are re-employed, whichever is earlier.

If you do not restore all contributions distributed to you or you return before a period of five one-year breaks in service has occurred (six years for a Care for Newborn Children Leave—a maternity/paternity leave), you permanently will lose the Company contributions that you forfeited.

Investing Your Account

You have 11 funds available for the investment of your contributions. (Company matching contributions automatically are invested in the Verizon Shares Fund—see page 14.) You indicate your investment direction for contributions going into your account in increments of one percent, which must add up to 100 percent. The election you make at the time you enroll will continue to be used until you call the benefits administrator and make a change. For your existing account balance, you also can transfer your contributions and associated earnings among the Plan funds. All investment changes can be made through the Benefits administrator. You will receive a confirmation in the mail of any changes you make. For information on Union-sponsored Trust Savings account investments, contact your Plan sponsor.

Changing the Investment of Future Contributions

You can change the investment direction of new contributions at any time. If you call the benefits administrator and make an investment direction change before **4:00 p.m.** Eastern time on any business day, it will be effective on that day. Otherwise, it will be effective the next business day.

Transferring Money Among Funds

You can transfer the value of your existing contributions among the funds at any time as well. (See the Income Fund and the Government Money Market Fund descriptions that follow for information about certain restrictions.) When you call the benefits administrator, the voice response system will indicate the dollar amount available in each fund for transfer. First, you indicate the percentage you want transferred from each fund and then, you indicate the fund(s) to which you want to transfer your money. Investment changes made before **12:00 p.m.** Eastern time on any business day will be effective on that day based on the fair market value of the fund at the close of that day. Otherwise, the transfer will be effective at the end of the next business day.

Deadline for Making Changes

"Business day" refers to any New York Stock Exchange business day and the deadline for making a change—4:00 p.m. or 12:00 p.m. Eastern time, as applicable—may be earlier on a particular day if the stock exchange closes early on that day. Also, local natural disasters temporarily may affect your deadline due to power outages.

Fund Descriptions

The information that follows is an overview of the funds that are offered in the Plan and constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

The descriptions of risk and return are based on historical data and estimates. The descriptions and data are intended only as guides to past performance and are not indications of future performance or relative risk. The fund descriptions are based on investment managers' information as of June 30, 2000. For fund performance and more detailed fund information, refer to the separate booklet "More About the Verizon Savings and Security Plan Funds (New York and New England Associates)," which is updated annually. The booklet is available from the benefits administrator.

Although all of the funds generally are fully invested in the investment portfolios described on the following pages, each fund may hold a portion of its assets in short-term or money market instruments, including, but not limited to, short-term securities issued by the U.S. government or its agencies, corporations or financial institutions. Financial futures or forwards and other derivatives also may be held.

Government Money Market Fund

Objective

To provide a level of current return that is consistent with a high degree of security for your principal. The fund does this by attempting to provide returns generally similar to the Salomon Brothers 30-Day Treasury Bill Index. Since it does not attempt to replicate the characteristics of its market index, the fund is not a true index (passive) fund and therefore is considered an actively managed fund.

Fund Manager

Deutsche Bank Asset Management.

***Market Index*:** Salomon Brothers 30-Day Treasury Bill.

Investment Portfolio

The Government Money Market Fund invests in securities of the U.S. government or its agencies, obligations guaranteed or insured by the U.S. government and repurchase agreements that use these securities as collateral. The average maturity of the securities in the fund generally will be 30 to 60 days, but may vary from one to 90 days.

The fund may use interest rate futures for cash management purposes or to adjust the average duration of the portfolio.

Fund Returns

Current performance information is available by using the benefits administrators voice response system.

Equity Wash Transfer Restriction

If you want to transfer money from the Income Fund to the Government Money Market Fund, you first must transfer those savings to another fund and have the money reside there for at least 90 days. This transfer restriction is referred to as an "equity wash."

Risk and Return Characteristics

The risk of loss in the fund is minimized by investing principally in securities that have been issued or guaranteed by the U.S. government or its agencies and that have maturities of one year or less. It is considered the least risky of the options. While the securities in the Government Money Market Fund may be guaranteed or insured by the U.S. government, the fund itself is not insured by the government.

Income Fund

Objective

To provide stability of principal and a higher return than can be earned on a money market fund investment. The fund attempts to outperform its market index over time.

Fund Managers

Verizon Investment Management Corp. (VIMCO) selects the insurance companies, banks and other financial institutions to invest the assets of this fund. The investment advisor to VIMCO is J.P. Morgan Investment Management Inc.

Market Index: Ryan 3-Year Master Guaranteed Investment Contract (GIC).

Investment Portfolio

The Income Fund is a diversified portfolio of investment contracts with insurance companies that are highly rated at the time of investment and other arrangements with insurance companies, banks, money managers or other financial institutions that invest on behalf of the fund in highly rated (on average, AA+) fixed income securities such as U.S. Treasury and federal agency obligations, corporate bonds, government-backed mortgage securities and asset-backed securities. The return your money earns is a blend of returns provided by all outstanding contracts and investments. The average maturity of the Income Fund portfolio is two to three years.

The institutions also may use interest rate features and various other kinds of derivatives (e.g., options, CMOs, IOs, POs—see glossary for definitions) in order to adjust portfolio duration and to hedge against changes in the value of securities in the fund due to anticipated changes in interest rates.

Equity Wash Transfer Restriction

If you want to transfer money from the Income Fund to the Government Money Market Fund, you first must transfer those savings to another fund and have the money reside there for at least 90 days. This transfer restriction is known as an "equity wash" restriction.

Risk and Return Characteristics

The Income Fund returns should fluctuate least, but its risk is considered to be greater than the Government Money Market Fund. The fund's diversified portfolio of contracts and other arrangements is intended to provide stability of principal and returns that are generally higher than those earned by the Government Money Market Fund, but lower than those earned by the balanced funds and equity funds. Investment in the Income Fund is subject to both interest rate risk and credit risk. Interest rate risk refers to the fact that a bond's value will vary inversely with changes in the general level of interest rates. Credit risk is the possibility that the issuer of a bond or investment contract could default or, in other words, fail to make a promised interest and/or principal payment. Any guarantee of payment of interest and repayment of principal on investment contracts or bonds are commitments of the issuer of the contracts and other arrangements, not Verizon, the Plan or the fund manager.

U.S. Bond Market Index Fund

Objective

To provide capital appreciation from investment results that parallel the U.S. bond market. The fund does this by attempting to replicate the Lehman Brothers Aggregate Bond Index (LBA). The LBA is compiled by Lehman Brothers to represent the U.S. investment-grade bond market.

Fund Manager

Barclays Global Investors, N.A.

Market Index**:** Lehman Brothers Aggregate Bond (LBA).

Investment Portfolio

The LBA includes all U.S. Treasury, government-sponsored, mortgage-backed, asset-backed and investment-grade corporate bonds, with at least one year maturity and at least $100 million outstanding.

The fund may use interest rate futures and various other kinds of derivatives (e.g., options, forwards, CMOs, IOs, POs—see glossary definitions) to adjust portfolio duration or as interest rate hedges (i.e., to hedge against changes in the value of securities in the fund due to anticipated changes in interest rates).

Risk and Return Characteristics

The U.S. Bond Market Index Fund can be expected to have risks similar to those of the bond market. Investments in the fund are subject to both interest rate risk and credit risk. Interest rate risk refers to the fact that a bond's value will vary inversely with changes in the general level of interest rates. Credit risk is the possibility that the issuer of a bond or investment contract could default or, in other words, fail to make a promised interest and/or principal payment to the fund. Although the fund invests only in bonds that are rated investment-grade at the time of purchase, some credit risk does exist. If any issuer should fail to make committed payments when due, then the fund's value would be adversely affected. The bonds included in the portfolio represent a diversified selection of securities, which are intended to reduce credit risk. The performance of the fund may vary from the LBA.

U.S. Balanced Fund

Objective

To provide capital appreciation from both income and long-term growth through an actively managed combination of fixed income investments and equity investments primarily made in the domestic market. The fund attempts to outperform its market index over time.

Fund Managers

Equity Fund Managers

Barrow, Hanley, Mewhinney & Strauss, Inc.; Fidelity Management Trust Company; Franklin Portfolio Associates, Inc.; Gardner Lewis Asset Management, L.P.; Goldman Sachs Asset Management Co.; Independence Investment Associates, Inc.; Miller Anderson & Sherrerd, LLP; Palisade Capital Management LLC; Provident Investment Counsel Inc.; Transamerica Investment Services; Wilshire Associates Inc.

Fixed Income Fund Manager

State Street Research and Management Company.

Market Index**:** VIMCO designed the index based upon the following indices that separately measure performance of the component categories of the fund's investments: Wilshire 5000 and Lehman Brothers Government/Corporate Bond.

Investment Portfolio

The U.S. Balanced Fund invests primarily in domestic stocks and bonds. The fixed income portion of the fund may invest a small portion of its assets in issues of international agencies, foreign governments, their agencies and foreign corporations. The U.S. Balanced Fund targets approximately 60 percent in stocks and 40 percent in bonds.

The fund may use equity and interest rate futures and various kinds of derivatives (e.g., options, forwards, CMOs, IOs, POs—see glossary definitions) to adjust portfolio duration, or as interest rate or foreign currency hedges (i.e., to hedge against changes in the value of securities in the fund due to anticipated changes in interest rates or, for foreign investments, the value of foreign currency). Also, the fund may maintain a portion of its assets in short-term debt instruments, money market instruments and equity index futures and options for cash management purposes.

Risk and Return Characteristics

Because the fund holds both stocks and bonds, its pattern of returns is frequently less volatile than any of the equity-only options, such as the Passive U.S. Equity Index Fund, the Active U.S. Equity Fund or the Active International Equity Fund. Generally, investments in stocks are considered more risky than investments in fixed income assets, such as bonds. The fixed income portion of the U.S. Balanced Fund is exposed to risks similar to those of the U.S. Bond Market Index Fund (see pages 21 through 22). In addition, the fund may be exposed to some currency risk.

Global Balanced Fund

Objective

To provide capital appreciation from both income and long-term growth through an actively managed combination of fixed income investments and equity investments made in the domestic and international markets. The fund attempts to outperform its market index over time.

Fund Managers

Equity Fund Managers

Barrow, Hanley, Mewhinney & Strauss, Inc.; Capital Guardian Trust Company; Fidelity Management Trust Company; Franklin Portfolio Associates LLC; Gardner Lewis Asset Management, L.P.; Goldman Sachs Asset Management Co.; Independence Investment Associates, Inc.; Miller Anderson & Sherrerd, LLP; Morgan Stanley Dean Witter Investment Management Inc.; Northern Cross Investments, Ltd; Palisade Capital Management LLC; Provident Investment Counsel Inc.; State Street Global Advisors; Transamerica Investment Services; Wilshire Associates Inc.

Fixed Income Fund Managers

Rogge Global Partners PLC; State Street Research and Management Company.

Market Index**:** VIMCO designed the index based upon the following indices that separately measure performance of the component categories of the fund's investments: Wilshire 5000; Lehman Brothers Government/Corporate Bond; Morgan Stanley Capital International Europe, Australia, Far East Index, weighted by each country's aggregate market capitalization and net of foreign withholding taxes (referred to as MSCI-EAFE-NET); International Finance Corporation (IFC) Global Composite, an index comprised of emerging markets of 26 countries representing Latin America, East Asia, South Asia, Europe, the Mideast and Africa; and the Salomon Brothers World Government Bond Index (WGBI) X US Net Hedged.

Investment Portfolio

The Global Balanced Fund invests in the world's capital markets, primarily in equity and fixed income instruments. The fund is diversified and has representation in a variety of countries, from those of the most mature and developed nations to those still in their developmental stages (generally referred to as emerging market countries). The fund may invest in large or small capitalization stocks. The Global Balanced Fund typically targets 75 percent of its investments for the domestic market and 25 percent for the foreign market, and approximately 70 percent in stocks and 30 percent in bonds. Emerging markets investments are targeted at four percent of the total fund.

The fund may use equity and interest rate futures and various other kinds of derivatives (e.g., futures, options, forwards, CMOs, IOs, POs—see glossary definitions) to adjust portfolio duration, or as interest rate or foreign currency hedges (i.e., to hedge against changes in the value of securities in the fund due to anticipated changes in interest rates or, for foreign investments, the value of foreign currency). Also, the fund may maintain a portion of its assets in short-term debt instruments, money market instruments and equity index futures and options for cash management purposes.

Risk and Return Characteristics
Like the U.S. Balanced Fund, the fund's mix of stocks and bonds makes it frequently less volatile than any of the equity-only options and, in this regard, the Global Balanced Fund has risk and return characteristics similar to the U.S. Balanced Fund. However, its international component of stocks and bonds introduces additional risks such as currency risk. Additionally, the portion of the portfolio that may be in emerging markets also introduces the risk of political and social instability, and, in some countries, less stringent accounting and reporting standards than those of the United States. This fund offers additional diversification through participation in international stock and bond markets.

The majority of the fund's foreign investments normally will be held in established, developed countries in Europe and the Asia Pacific region. The balance of its foreign holdings may be held in emerging markets. These countries offer the potential of higher return, but also of higher risks, including political and social risks. Examples include the lack of shareholder rights and political instability which could lead to the possibility of expropriation, nationalization or confiscatory taxation, foreign exchange controls, foreign investment controls on daily stock market movements or default in foreign government securities. The international portion of the portfolio currently includes approximately 20 developed countries of Europe and the Asia Pacific region. Emerging market countries were included in the fund beginning on January 2, 1998. This portion of the fund is targeted at four percent of the total fund.

Passive U.S. Equity Index Fund
Objective
To provide capital appreciation from long-term growth and returns that parallel those of the S&P 500. The S&P 500 is an index comprised of widely held stocks of large-and medium-sized companies that account for approximately 74 percent of the value of all publicly traded common stocks in the United States as of December 1999.

Fund Manager
VIMCO.

***Market Index*:** Standard & Poor's 500 Stock Index (S&P 500).

Investment Portfolio
The Passive U.S. Equity Index Fund invests in a variety of U.S. common stocks such that it closely mirrors the makeup of the S&P 500 Index.

The fund may maintain a portion of its assets in short-term debt instruments, money market instruments and equity index futures and options for cash management purposes and to assist in tracking the S&P 500 Index.

Risk and Return Characteristics
The Passive U.S. Equity Index Fund may be more or less volatile than the Active U.S. Equity Fund. Due to potential fluctuations in the value of this stock fund, its risk level is higher than the balanced funds. However, since the fund is broadly diversified among stocks of larger U.S. companies, it is considered lower risk than certain other equity funds, such as the Active International Equity Fund and the U.S. Small Capitalization Fund.

Active U.S. Equity Fund
Objective
To provide capital appreciation through active stock selection. This fund attempts to outperform the Wilshire 5000 Index over time. The Wilshire 5000 is an index that contains, on average, over 5,000 stocks of large, medium and small companies. This index is representative of the performance of the overall U.S. stock market.

Fund Managers
Barrow, Hanley, Mewhinney & Strauss, Inc.; Fidelity Management Trust Company; Franklin Portfolio Associates, LLC; Gardner Lewis Asset Management, L.P.; Goldman Sachs Asset Management Co.; Independence Investment Associates, Inc.; Miller Anderson & Sherrerd, LLP; Palisade Capital Management LLC; Provident Investment Counsel Inc.; Transamerica Investment Services; Wilshire Associates Inc.

***Market Index*:** Wilshire 5000.

Investment Portfolio
The Active U.S. Equity Fund primarily invests in a broad array of domestic companies. The fund managers invest in stocks they believe have greater value than indicated by the current market price or have above-average prospects for long-term growth.

The fund may maintain a portion of its assets in short-term debt instruments, money market instruments and equity index futures and options for cash management purposes. Managers may hold options and other derivatives consistent with the objective of the fund.

Risk and Return Characteristics
The Active U.S. Equity Fund may be more or less volatile than the passive U.S. Equity Index Fund, but generally less so than the U.S. Small Capitalization Fund.

U.S. Small Capitalization Fund
Objective
To provide capital appreciation through active selection of small capitalization companies. The fund attempts to outperform, over time, the Russell 2000 Index, an index established by the Frank Russell Company that includes U.S. small Company stocks generally with a market capitalization that is in the smallest 15 percent of publicly traded stocks.

Fund Managers
Columbus Circle Investors; Gardner Lewis Asset Management, L.P.; Investment Counselors of Maryland, Inc.; Provident Investment Counsel Inc.; The Boston Company Asset Management, Inc.; Wilshire Associates Inc.

***Market Index*:** Russell 2000.

Investment Portfolio
The fund primarily invests in the stocks of smaller sized domestic companies. The fund managers believe these stocks have greater value than indicated by the current market price, or have above-average prospects for long-term growth.

The fund may maintain a portion of its assets in short-term debt instruments, money market instruments and equity index futures and options for cash management purposes. Managers may hold options and other derivatives consistent with the objective of the fund.

Risk and Return Characteristics
Because the prices of smaller company stocks generally are more volatile than those of large companies, the risk of the U.S. Small Capitalization Fund is considered higher than that of the Active U.S. Equity Fund or the Passive U.S. Equity Index Fund.

Passive International Equity Index Fund

Objective

To provide capital appreciation through participation in foreign stock markets.

Fund Manager

Barclays Global Investors, N.A.

***Market Index*:** Morgan Stanley Capital International Europe, Australia, Far East Index, weighted by Gross Domestic Product (MSCI-EAFE-GDP).

Investment Portfolio

Investments mirror the MSCI-EAFE-GDP, which is an index established by Morgan Stanley, comprised of approximately 1,000 companies from 20 of the largest countries outside the United States, including Japan, Germany and the United Kingdom. The weighting of each country in the index is based upon its GDP, which is a measure of domestic economic output. The fund holds stocks represented in the index. As Morgan Stanley substitutes stocks in the index or as a country's GDP weight changes, the fund's holding will change accordingly.

The fund may use futures, forwards and options to hedge foreign currency risk, and for cash management and other purposes, consistent with the objective of the fund.

Risk and Return Characteristics

The Passive International Equity Index Fund may be more or less volatile than the Active International Equity Fund. The fund can be expected to have a higher volatility than fund options that primarily invest in domestic markets because of foreign currency fluctuations and the potentially greater political and economic risk associated with foreign markets. Its risk may be higher than the Passive U.S. Equity Index Fund and lower than the Active International Equity Fund because it does not contain an emerging markets component.

Active International Equity Fund

Objective

To provide capital appreciation through active selection of non-U.S. company stocks. The fund attempts to outperform, over time, the MSCI-EAFE-NET for developed, non-U.S. markets and the International Finance Corporation Global Composite (IFC) for emerging markets.

Fund Managers

Capital Guardian Trust Company; Morgan Stanley Dean Witter Investment Management Inc.; Northern Cross Investments, Ltd.; State Street Global Advisors.

***Market Index*:** VIMCO designed the index based on the following indices that separately measure performance of the component categories of the fund's investments: Morgan Stanley Capital International Europe, Australia, Far East Index, weighted by each country's aggregate market capitalization and net of foreign withholding taxes (MSCI-EAFE-NET); and the IFC Global Composite, an index comprised of emerging markets of 26 countries representing Latin America, East Asia, South Asia, Europe, the Mideast and Africa.

Investment Portfolio

The Active International Equity Fund invests in international equity markets throughout the world, generally excluding the United States. It is well-diversified and has representation in a variety of economies, from those of the most mature and developed nations to those still in their developmental stages (generally referred to as emerging market countries). The fund may invest in large or small capitalization stocks. It targets 80 percent of its investments for developed countries such as Japan, Germany and the United Kingdom and 20 percent for emerging markets, such as Brazil, Mexico and Taiwan.

The fund may use futures, forwards and options to hedge foreign currency risk, and for cash management and other purposes, consistent with the objective of the fund.

Risk and Return Characteristics

The Active International Equity Fund may be more or less volatile than the Passive International Equity Index Fund. The Active International Equity Fund is considered higher risk than the Active U.S. Equity Fund or the Passive U.S. Equity Index Fund. The value of the fund fluctuates with changes in international stock markets, exchange rates and other factors. In addition, the fund's value may be influenced by political or social instability, or in some countries, by less stringent accounting and reporting standards than those of the United States. Its emerging markets component makes the fund a higher risk than the Passive International Equity Index Fund.

Approximately 80 percent of the fund’s investments will normally be held in established, developed countries in Europe and the Asia Pacific region. The balance of its holdings may be held in emerging markets in the belief that these are among the fastest growing economies in the world. These countries offer higher return potential, but also higher risks, such as the lack of shareholder rights and political instability which could lead to the possibility of expropriation, nationalization or confiscatory taxation, foreign exchange controls, foreign investment controls on daily stock market movements or default in government securities. Approximately 20 developed countries of Europe and the Asia Pacific region are currently in the portfolio. Approximately 25 emerging market countries were included in the fund beginning January 2, 1998.

Verizon Shares Fund

Objective

To provide capital appreciation through participation in the performance of the Company’s common stock.

Fund Manager

The Boston Company Asset Management, Inc.

Investment Portfolio

Contributions to this fund are invested substantially in shares of Verizon common stock. The value of Verizon stock is affected by a number of factors: The Company’s financial performance, the state of the economy and the stock market in general, as well as the investment community’s view of the telecommunications industry.

Risk and Return Characteristics

Because it invests in only one stock, the Verizon Shares Fund is considered higher risk than the other investment funds. Since this fund is not diversified, its pattern of returns may be more volatile than that of any of the other fund options. The Verizon Shares Fund is not actively managed. The fund manager buys or sells shares to meet cash flow requirements.

Dividend Payment Option

Before the start of each calendar year, you will have the option to elect a direct cash payment of any dividends paid on Verizon shares instead of reinvesting them in your Plan account. Any payment to you will be taxable.

"Frozen" Telecommunications Fund

Objective

To provide capital appreciation from a return that parallels the combined stock performance of North American telephone utility and telecommunications companies with a minimum market capitalization value of approximately $1 billion.

Fund Manager

VIMCO.

Market Index: VIMCO created the index for this fund. The fund's performance is benchmarked to the return of the index as reported by Vestek, a portfolio management system.

Investment Portfolio

VIMCO has established criteria for inclusion in the fund that 24 stocks meet currently. The fund includes North American companies in the long distance, local and cellular businesses. Representative stocks are AT&T, Verizon, BellSouth, Sprint and WorldCom. The fund is not managed based on anticipated growth prospects; rather, stocks are held in the fund in proportion to their relative market capitalization. From time to time, stocks may be added to or deleted from the fund portfolio based on the pre-established criteria.

The fund may maintain a portion of its assets in short-term debt instruments, money market instruments and equity index futures and options for cash management purposes and in order to maintain a closer parallel between the fund and the combined stock performance of the companies in the fund.

Risk and Return Characteristics

Because the fund invests in a limited number of companies in the same industry, it is considered a higher risk than the more diversified U.S. equity funds, such as the Passive U.S. Equity Index Fund and Active U.S. Equity Fund. In addition, with the potential to hold Canadian and Mexican stocks, the fund's value may fluctuate due to changes in exchange rates and/or political or social instability.

Frozen Fund

The Telecommunications Fund was "frozen" as of January 1, 1998. Pre-merger New York and New England employees may have a portion of their accounts invested in this fund. No new contributions can be added and no transfers can be made into the fund.

Investment of Company Contributions

Company contributions are invested in the Verizon Shares Fund. Dividends on these shares automatically are reinvested in the fund, unless you choose direct payment of dividends.

Diversification

You are not allowed to move the value of Company contributions invested in the Verizon Shares Fund into other funds until you are age 50. When you become eligible for diversification, you will receive a letter explaining your options:

- **Upon reaching age 50** (or, if later, after participating in the Plan for one year), you may, once per calendar year and in one percent increments, transfer up to 50 percent (measured cumulatively) of your Company matching contributions from investment in the Verizon Shares Fund to one or more other investment options under the Plan.

- **Upon reaching age 55** (or, if later, after participating in the Plan for one year), you may, at any time, without limit, transfer all or part (in one percent increments) of the value of Company matching contributions from the Verizon Shares Fund to one or more other investment options under the Plan.

You can call the benefits administrator to complete a diversification transaction. If you need assistance, speak with a representative.

Note: The above diversification rules do not apply for IBEW New England units.

Voting of Your Verizon Shares—Confidentiality

As a general matter, information regarding your account is subject to confidentiality requirements imposed on those who provide services to the Plan. This information includes how many equivalent shares of Company stock you have invested in the Verizon Shares Fund and how you vote them. In its role as trustee, Mellon Bank, N.A. votes any shares of Company stock that have not been directed by participants. Pursuant to Section 404(c), Mellon Bank, N.A. also has been appointed to act as an independent fiduciary under special circumstances, such as a tender offer for the Company, where the Company's and participants' interests potentially could be in conflict.

Mellon Bank, N.A.'s responsibility in this role is to preserve the confidentiality of participants' decisions from the Company, thereby allowing participants to act in their own best interests without any concern that the Company will obtain information regarding their decision.

The Plan fiduciary responsible for monitoring compliance with these procedures and appointing an independent fiduciary where necessary is the Senior Executive Vice President and Chief Financial Officer of Verizon Communications Inc.

Keeping Track of Your Account

You can obtain a daily update of your account balance by using the benefits administrator voice response system. (See your Important Benefits Contacts insert for the telephone number.) In addition, you will receive a quarterly statement of your account showing the number of units you own, your account value and fund returns.

If You Want Additional Investment Fund Information

The following additional investment fund information can be requested calling or by writing to the benefits administrator (see page 53) and requesting the most current investment fund information. An investment fund booklet will be forwarded to you, which includes:

- Annual fees by Plan fund
- For each investment fund, information on the current investment managers and a list of assets and the current value of these assets
- For the Income Fund, a report that includes the name, issuer, term, current credit rating and rate of return of fixed rate investment contracts issued by a bank or insurance company.

In addition to these fund reports, various supplemental financial statements and reports of a very technical nature are available by calling and requesting this information from a benefits administrator.

Account Access While You Are Working

Withdrawals

The Plan is designed to help you save for long-term needs. But, there may be a time when you need access to your account while you still are working. Making a withdrawal may be an option for you. You may make an in-service withdrawal or, if eligible, a hardship withdrawal. Keep in mind, however, that you may face a Plan suspension or tax penalty depending on the type of withdrawal, and other restrictions apply.

In-Service Withdrawals

If you make an in-service withdrawal, there are restrictions on the order in which you can receive certain money from your account. In addition, you may be required to pay taxes on amounts that you withdraw and you may incur a suspension of your participation in the Plan for a period of time. The following chart summarizes the type of monies available and the order in which money will be withdrawn from your account, as well as the tax implications of a withdrawal. Money is withdrawn proportionately from the affected investment funds for each type of money withdrawn. Call the benefits administrator with questions. (See your Important Benefits Contacts insert for the telephone number.)

Description of In-Service Withdrawals	Plan Penalty	Tax Implications
Tax-Free Withdrawal: Your pre-1987 "offset" or tax-free basis that remains from pre-1987 after-tax contributions (supplemental and basic)	None	None
Regular Withdrawal Without Suspension: After all tax-free withdrawal monies are taken, these categories of money (as applicable): • Post-1986 supplemental after-tax contributions and associated earnings • Post-1986 basic after-tax contributions (excluding those contributed in prior 24 months) and associated earnings • Remaining pre-1987 after-tax account monies • Rollover contributions and associated earnings • Vested Company matching contributions and associated earnings (if you have less than 5 years of participation in the Plan, excludes contributions made in the prior 24 months and associated earnings)	None	You will owe income taxes on all monies that are withdrawn, including earnings, to the extent the withdrawal exceeds your non-taxable basis, if applicable. In addition, an IRS 10% early withdrawal tax on the taxable portion of withdrawals made before age 59-1/2 generally applies
Regular Withdrawal With Suspension: After all tax-free withdrawal monies and regular withdrawal without suspension monies are taken post-1986 basic after-tax contributions made in the prior 24 months and associated earnings	Company matching contributions are suspended for 6 months. Your contributions can continue	You will owe income taxes on all monies that are withdrawn, including earnings, to the extent the withdrawal exceeds your non-taxable basis, if applicable. In addition an IRS 10% early withdrawal tax on the taxable portion of withdrawals made before age 59-1/2 generally applies
Age 59-1/2 Withdrawal: All of the above monies as applicable; then, before-tax supplemental contributions and associated earnings and basic contributions and associated earnings	None	You will owe income taxes on all monies that are withdrawn, including earnings, to the extent the withdrawal exceeds your non-taxable basis, if applicable
Retiree Eligible Withdrawal: Up to full account balance (but some portion of account must be left in the Plan)	None	You will owe income taxes on all monies that are withdrawn, including earnings, to the extent the withdrawal exceeds your non-taxable basis, if applicable

Note the following if you take an in-service withdrawal:

- You cannot withdraw vested Company matching contributions made during the rolling 24 months following the withdrawal if you have less than five years of Plan participation.

- You cannot withdraw basic after-tax contributions made during the rolling 24 months following the withdrawal without a resulting suspension.

- Your withdrawal must be in $50 increments, unless you elect all available amounts.

- You can select cash or shares for the amount of the withdrawal invested in the Verizon Shares Fund. Your election will apply to all types of money withdrawn.

- You may make a direct rollover from one percent to 100 percent of the eligible portion of the withdrawal into a validated qualified plan or individual retirement account (IRA). The stock/check will be made payable to the institution you designate and mailed to you.

- The taxable portion that's not rolled over will be subject to a mandatory 20 percent tax withholding.

- You cannot elect a joint tenant on a withdrawal that includes a stock rollover.

Hardship Withdrawals

Based on Internal Revenue Service (IRS) rules, you are allowed to request a withdrawal from your account of the same monies available at age 59-1/2 with the exception of associated earnings on before-tax contributions credited after January 1, 1989. You can withdraw your before-tax savings for certain immediate and heavy financial needs if you have exhausted all available loans and withdrawals, including amounts that may result in a suspension.

Note: Verizon will require a financial statement from any employee who has a loan amount available, but who cannot take a loan because of financial hardship.

In general, to qualify for a hardship withdrawal, the money you withdraw must be used to pay for:

- The purchase of your principal residence (excluding mortgage payments)

- Expenses that prevent you from being evicted from your principal residence or from foreclosure on your principal residence

- Certain health care expenses for you or an immediate family member that are above what is reimbursed by your health care insurance

- College or post-graduate tuition, room and board, as well as certain fees for the next 12 months for you, your spouse, your children or your eligible dependents

- Funeral expenses for a family member.

You will be required to provide reasonable documentation of the expense you are covering when you apply for the withdrawal and represent that the need otherwise cannot be met with available assets.

In addition, the following IRS rules also apply after you make a hardship withdrawal:

- All contributions to your account—before-tax, after-tax and Company matching contributions—will be suspended for 12 months.

- In the calendar year **after** you make a hardship withdrawal, your before-tax contributions will be limited to that year's IRS limit ($10,500 in 2000) reduced by the amount you contributed on a before-tax basis in the year you made your hardship withdrawal.

- In general, hardship withdrawals are not eligible for rollover to an IRA or another qualified plan.

What You Can Withdraw

If you are approved for a hardship withdrawal, you can take the following funds from your account after you have withdrawn all other monies available to you from this Plan through a regular withdrawal with suspension (see page 34), as well as any other Company Plan in which you have an account:

- Any before-tax contributions (both basic and supplemental amounts) you have made to your account

- Any earnings on your before-tax contributions that accrued before January 1, 1989.

If you make a hardship withdrawal, you will be paid by check.

To Apply for a Withdrawal

To apply for a regular withdrawal, call the benefits administrator directly. (See your Important Benefits Contacts insert for the telephone number.)

Note: To apply for a hardship withdrawal, you must call the benefits administrator to request a hardship package.

Taking a Loan

Eligibility

If you need access to your account while you are employed by the Company, taking a loan may be an alternative to consider. In general, you can take a loan for any purpose.

With a loan, you are able to borrow a portion of your vested account balance without paying taxes on the loan when you receive it. In addition, you pay the loan back through payroll deductions. Your payments—including interest—are reinvested in your account for your long-term needs.

You are eligible to take a loan as long as you have a sufficient vested balance to take the $1,000 minimum loan amount (see "Loan Terms"). When you request a loan, you must agree to repay the loan through payroll deductions. You are allowed to have up to two Plan loans outstanding at one time.

Loan Terms

Amount Available

The minimum loan amount you can borrow is $1,000.

- Loan amounts available are based on 50 percent of the value of your vested account balance, including any outstanding loan balance.

- The most you can borrow at any time is $50,000, minus your highest outstanding loan balance(s) during the prior 12 months.

In addition, your loan repayments cannot result in a payroll deduction that exceeds 25 percent of your pay without regard to Plan limitations on pay.

Interest Rate

When you take a loan from the Plan, you pay your account back with interest. The interest rate on your loan is based on the prime rate and determined by your loan repayment schedule:

- If your loan repayment period is 60 months or less, the Plan will use the prime rate in effect when you take the loan to calculate your interest.

- If the repayment terms of your loan exceed 60 months (for the purchase of primary residences only, your loan term can be up to 180 months), the interest rate will be the prime rate plus one percent.

- The rate of interest is fixed at the time you take your loan and does not change during the term of the loan.

- Loan repayments are made with after-tax dollars.

Repaying the Loan

Generally, you are required to pay your loan back through payroll deductions within five years. However, if you take a loan to purchase your primary residence, you can have your loan repayment period extended up to 15 years (180 months).

If you choose, you can repay your loan earlier than your repayment terms require. You can prepay the outstanding balance in full at any time without penalty. You cannot make a partial prepayment.

If you leave the Company with an outstanding loan balance and your account is deferred, you have the option of making monthly repayments using a coupon book or repaying your loan in full. If you terminate and request a distribution, your loan will be satisfied as a result of receiving a distribution; however, in this case, the outstanding balance becomes a taxable distribution (offset to the extent you have any tax-free basis remaining).

To Apply for a Loan

To apply for a loan, call the benefits administrator directly. You also can find out how much you currently have available for a loan or to model loan amounts and repayment schedules. (See your Important Benefits Contacts insert for the telephone number.)

If You Default on Your Loan

If there is a significant disruption in your regular repayment of your loan that lasts for more than two months, or if you declare bankruptcy, your loan may be considered in default. The benefits administrator will notify you if your loan is in default. Note that you will be offered the option to make up missed loan repayments. Also, under new IRS regulations, the Plan may be able to introduce new methods to enable a default to be cured. If your loan is in danger of going into default, the benefits administrator will notify you if there is any action that can be taken to cure the default. If default occurs, and is not cured, your outstanding loan balance will be treated as if you had received that amount as a distribution from the Plan. This means that some or all of that distribution of your loan balance will be reported to the IRS as taxable income, and you will be required to pay any applicable taxes, including a possible ten percent additional tax. In addition, until the defaulted loan amount has been repaid or offset against your account, you will not be allowed to contribute to the Plan. You may want to consult a financial advisor regarding tax implications.

Final Distributions

You can receive a final distribution of your vested account balance when you retire, end employment or become totally disabled. If you die, your beneficiary receives your distribution. You have some choices with regard to the timing and form of payment. The benefits administrator will provide information about choices depending on the circumstances of the distribution. Also, see “Tax Considerations” (on pages 42 through 44) for important information.

Payment Options When You Leave

When you leave employment, you are eligible to receive the vested value of your account. You always are entitled to receive the value of your contributions. (See page 15 for Company contribution vesting rules.)

If your vested balance is $3,500 or less, your distribution will be paid in a lump sum as soon as administratively possible after you leave.

If your vested balance is greater than $3,500, you can request to receive your distribution immediately or you can defer payment to a later date. However, payment must begin no later than April 1 of the calendar year following the year you reach age 70-1/2. You can request any of the following payment options for your distribution:

- A lump-sum distribution
- Two to 20 annual installments (the elected period of payments cannot exceed your life expectancy)
- Lifetime installments (recalculated annually at the end of each year) paid on an annual or a monthly basis
- An annuity for any portion of your balance invested in the Income Fund. (The type of annuity is subject to certain restrictions.)

If you request a lump-sum distribution, you will receive a check for your full vested account balance. Alternatively, you can request to receive stock for any balance invested in the Verizon Shares Fund.

Call the benefits administrator and speak with a representative for more information on timing for receiving your payment and details about how the payment options work. Also, if you have a loan outstanding, you must repay the balance prior to requesting your final distribution to avoid additional tax implications.

If You Die

If you die while employed by the Company, your beneficiary is eligible to receive a full distribution of your account, including the value of all Company contributions.

If your spouse is the beneficiary of your account, he or she may receive payment as soon as administratively possible or defer payment up to the date you would have reached age 70-1/2. Your spouse has the same choice of payment options (see pages 41 through 42).

If you are married and named someone other than your spouse as beneficiary, your spouse's written and notarized consent must be on file with the Company; otherwise, payment will be made to your spouse. Also, if there's no Beneficiary Designation Form on record for you, payment will be made to your spouse if you are married; otherwise, payment will be made to your estate.

To Request a Distribution

To request a distribution, call the benefits administrator directly. (See your Important Benefits Contacts insert for the telephone number.) If no action is taken and your vested account balance is greater than $3,500, distribution of your vested account balance automatically will be deferred. However, you can request payment at any time.

If your vested account balance is $3,500 or less, a lump-sum distribution automatically will be made as soon as administratively possible.

The timing and form of payment can affect the taxes you will pay. See "Tax Considerations" below before you make a payment decision.

Tax Considerations

When you receive a distribution (including a withdrawal) from the Plan, the amount generally is taxable, with the exception of any employee after-tax contributions for which the basis has not been exhausted. Tax laws are complicated and subject to change, so you may want to consult a tax advisor before making any distribution decisions.

Income Tax Withholding Rules

The Internal Revenue Service (IRS) requires the Company to withhold 20 percent of the taxable portion of certain distributions from your account. In general, this includes the taxable portion of any payment other than installments paid out over 10 years or more and the portion of a hardship withdrawal that's attributable to before-tax contributions and earnings.

The 20 percent withholding tax is an advance estimated payment on the income taxes you owe on your distribution. Depending on your individual situation, you could owe more or less taxes when you file your income tax return. The 20 percent withholding requirement will not apply to all or any portion of your distribution that you directly roll over to an individual retirement account (IRA), an individual retirement annuity or another employer's qualified plan that accepts rollovers.

More About Rollovers

To defer paying taxes on an eligible distribution, you can elect a direct rollover. In general, eligible distributions include the taxable portion of payments made over a period of less than 10 years. With direct rollovers, the Company makes your check and/or stock out in the name of the IRA trustee or the qualified plan name you provide. (Reminder: If you want to roll over stock, check to be sure the IRA or plan trust accepts stock.) This way, you avoid the automatic 20 percent federal income tax withholding.

If you do not make a direct rollover and receive your distribution check in your name, you still have 60 days to make a rollover on your own. However, you will be responsible for making up the 20 percent withholding tax if you want to roll over the full amount of the eligible distribution.

You will receive more information about how to elect a direct rollover when you request a withdrawal or distribution.

10 Percent Early Withdrawal Tax

In general, the IRS applies a 10 percent early withdrawal tax on the taxable portion of any payment you receive before age 59-1/2. This tax is in addition to regular income taxes. The tax does not apply if:

- Your employment ends or you retire during or after the year in which you reach age 55.
- You roll over the taxable portion of your payment into an IRA, an individual retirement annuity or another employer's qualified plan.
- Payment is made due to your death or disability.
- Your payments are made over your life or life expectancy (or your or your beneficiary's lives or life expectancies).
- Your distribution is used to pay for certain tax-deductible medical expenses.
- The payment is made to comply with a Qualified Domestic Relations Order (QDRO—see page 47).

If You Are a Retiree, Former Vested Participant or Beneficiary

If you participated in the Plan as an active employee and had a vested account balance of $3,500 or more when you left, you had the option to defer payment of your account to a later date. Also, you remain a participant until you take a final distribution of your vested account balance. Your account balance includes your contributions and Company contributions up to the date your employment ended and any earnings on those contributions. Additional contributions cannot be made after you leave.

You will continue to receive a quarterly statement detailing the activity in your account.

Investing Your Account

You may transfer money among the Plan funds by calling the benefits administrator at any time. Also, if you are continuing loan repayments, you may change the investment direction of your loan repayments at any time. See "Investing Your Account," beginning on page 18, for information about making changes and the Plan funds you have available.

Account Access

Retiree Withdrawal Option

If you are a retiree, you may take a retiree withdrawal of up to your full account balance once per calendar year (see page 35). You may not take a withdrawal from your account if you have a loan in default.

Loans

You may not take out a new loan on your account after you leave.

If you left the Company with an outstanding loan balance and your account is deferred, you had the option of making monthly repayments using a coupon book or repaying your loan in full. If you terminated and requested a distribution, your loan was satisfied as a result of receiving a distribution; however, in this case, the outstanding balance became a taxable distribution that is offset to the extent you had after-tax contributions remaining.

If you have a loan outstanding at the time of your death, your beneficiary will have to pay taxes on the outstanding balance of the loan. If you are a beneficiary, contact the benefits administrator for more information.

Final Distribution Options

You can elect a final distribution of your vested account value at any time. Your payment options when you leave are described beginning on page 41.

Call the benefits administrator and speak with a representative for more information on timing for receiving your payment and details about how the payment options work. (See your Important Benefits Contacts insert for the telephone number.)

If you are a retiree, former vested participant or a surviving beneficiary, you have certain Plan rights provided by the Employee Retirement Income Security Act of 1974 (ERISA) and its subsequent amendments. See the Administrative Information section for details.

Beneficiary Designation

You can change your beneficiary designation at any time by submitting a new Beneficiary Designation Form to the benefits administrator. Simply call the benefits administrator to request a new form.

If all beneficiaries you have designated predecease you or you don't name a beneficiary and you are not married when you die, any distribution available as a result of your death will be paid to your estate.

(For more information about your beneficiary designation, see page 6.)

Additional Information

If You Divorce or Separate

Your account value in the Plan belongs solely to you or your beneficiary if you die. In general, it cannot be assigned to anyone else. If you are divorced or separated, however, certain court orders—known as Qualified Domestic Relations Orders (QDROs)—could require part of your benefit to be paid to someone else, such as your former spouse or your child.

Pension Benefit Guaranty Corporation

The Plan is a defined contribution plan, providing contributions to you in specific amounts, with your vested account value payable to you when you leave or retire. Defined contribution plans are not eligible to be insured by the Pension Benefit Guaranty Corporation (PBGC).

Claims and Appeals Procedures

As the claims administrator, Verizon's benefits administrator has discretionary authority to determine claims for the Plan. The Verizon Claims Review Committee (VCRC) is the appeals administrator for the Plan.

The Plan grants the claims and appeals administrator discretionary authority to:

- Interpret the Plan based on its provisions and applicable law and make factual determinations about claims arising under the Plan
- Determine whether a claimant is eligible for benefits
- Decide the amount, form and timing of benefits
- Resolve any other matter under the Plan that is raised by a participant or a beneficiary, or that is identified by either the claims or appeals administrator.

The claims and appeals administrators have sole discretionary authority to decide claims under the Plan and review and resolve any appeal of a denied claim.

Filing a Claim

You, your beneficiaries or someone claiming benefits through you as a participant have the right under the Employee Retirement Income Security Act of 1974 (ERISA) and its subsequent amendments to file a claim if you believe you are entitled to benefits and benefits have been denied or incorrectly determined under the Plan.

To submit a claim, put your concern in writing, explaining in your words your understanding of your benefit issue, and provide any supporting information to the claims administrator.

Once you have documented your claim and submitted any necessary forms to the claims administrator along with any further information that you believe should be taken into account, the claims administrator has 90 days (except as described below) to make a decision on your claim after receiving it.

If the claims administrator needs additional information from you in order to process your claim, you will be given 180 days to supply the needed information. In that case, the claims administrator will have not less than 45 days from the date you supply the additional information or your 180 day period expires to make a decision on your claim.

If there are special circumstances requiring longer review, the claims administrator may take up to an additional 90 days to make a decision on your claim. You will be notified in writing if more time is needed and of the final decision.

If Your Claim Is Denied

If your claim completely or partially is denied, a written notice of denial will be provided by the claims administrator, which will tell you the specific reasons for the decision and how you can appeal the decision.

Filing an Appeal

You may file an appeal if:

- You receive no reply to your original claim within the initial 90 days.
- The time for a decision on your original claim was extended for an additional 90 days, and you receive no reply after the additional 90 days.
- You receive written denial of all or part of the claim, and you want to appeal the denial.

You may appeal by submitting in writing a letter requesting an appeal and stating your concerns and any related facts to the Verizon Claims Review Committee, c/o Verizon Benefits center; 100 Half Day Road; P.O. Box 1457; Lincolnshire, IL 60069-1457. Your appeal letter must be received within 60 days after you receive the denial of your claim or fail to receive timely notice of the decision.

If you submit an appeal, you have the right to:

- Review pertinent Plan documents, which you can obtain as described on page 50.

- Send a written statement of the issues and any other documents in support of your claim to the appeals administrator.

- Request copies of written documents that are relevant to the appeal. There typically will be a reasonable charge per page.

Review of Your Appeal

The VCRC, as appeals administration, will review your appeal of the denied claim and will make a decision after receiving your written request for review. Your appeal will be decided by a different committee than the committee that decided your initial claim. Your appeal will be decided within 60 days after being received by the appeals administrator. However, if there are special circumstances that require additional time, the appeals administrator may extend the review by an additional 60 days, for a total of 120 days from receiving your appeal. Normally, the appeals administrator will notify you of the decision in writing. However, if you don't receive a decision or notification within the appropriate time span, you should consider the appeal denied.

In case of an appeal, the appeals administrator's decision is final, conclusive and binding on all parties to the full extent permitted under the Plan and under applicable law, unless the participant or a beneficiary later successfully proves that the appeals administrator's decision was an abuse of discretion. However, as a Plan participant, you may have further rights under ERISA after you have exhausted the claims and appeals process, as described in the next section.

Benefits under the Plan will be paid only if the Plan administrator or the claims or appeals administrator decide in their discretion that the participant or beneficiary is entitled to them.

Rights of Participants and Beneficiaries Under ERISA

- Under ERISA, you (a participant, spouse or a designated beneficiary under the Plan) have the following rights: You may examine all Plan documents without charge. These include annual financial reports, Plan descriptions, collective bargaining agreements provisions pertaining to the Plan and all other official Plan documents and reports, including a copy of the latest annual report (Form 5000 Series) filed with the U.S. Department of Labor and available at the Public Disclosure Room of the Pension and Welfare Benefits Administration. The Plan administrator makes these documents available for examination free of charge at specified sites, such as Verizon work locations. For information, write to the Plan administrator:

  c/o Verizon Benefits Center
  100 Half Day Road
  P.O. Box 1457
  Lincolnshire, IL 60069-1457

  Also, you may obtain copies of all Plan documents and other Plan information upon written request to the Plan administrator at the above address. Please include the full name of the Plan in your written request along with your name, Social Security number, mailing address and telephone number. You may be charged 25 cents per page for documents that you request.

- You may receive a copy of the Plan's procedures governing qualified domestic relations order QDRO determinations. The Plan administrator is required to furnish a copy of the procedures without charge. You may request a copy of the Plan's QDRO procedures by contacting the Verizon-Bell Atlantic Qualified Order Team; 100 Half Day Road; Lincolnshire, IL 60069 (see your Important Benefits Contacts insert for the telephone number).

- You will receive a summary of the Plan's annual financial report. The Plan administrator is required by law to furnish you with a copy of this summary annual report.

- You may obtain a statement telling you the value of your vested balance. If you are not fully vested, you also may request a notice stating how many more years you have to work to be fully vested. These statements are not required to be given more than once a year and automatically are provided free of charge.

In addition to creating rights for Plan participants, ERISA imposes duties upon the persons who are responsible for the operation of the Plan. The persons who operate your Plan, some of whom are named as "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries.

No one, including your employer, your union or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA. If your claim for a benefit is denied or ignored, in whole or in part, you have a right to know why this was done and to obtain copies of documents relating to the decision without charge.

You have the right to have your claim reviewed and reconsidered on appeal, but your appeal must be timely. Under ERISA, there are steps you can take to enforce the previous rights.

For instance, if you request materials from the Plan administrator that you have a right to receive and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan administrator.

If you have a claim for benefits, that is denied or ignored, in whole or in part, you may file suit in a state or federal court. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor or you may file suit in a federal court.

The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees (for example, if it finds your claim is frivolous).

If you have any questions about the Plan, you should contact the benefits administrator, which the Plan administrator has established for purposes of administering benefits and responding to questions of participants and beneficiaries. If you have any questions about this statement or about your rights under ERISA or if you need assistance in obtaining documents from the Plan administrator, you can contact the nearest office of the Pension and Welfare Benefits Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries; Pension and Welfare Benefits Administration; U.S. Department of Labor; 200 Constitution Avenue, N.W., Washington, D.C. 20210.

You also may obtain certain publications about your rights and responsibilities under ERISA by calling the publication hotline of the Pension and Welfare Benefits Administration.

Administrative Information

Administrative information about the Plan is provided in this section.

Important Telephone Numbers

See your Important Benefits Contacts insert for information.

Plan Sponsor

The Plan sponsor is:

Verizon Communications Inc.
4 West Red Oak Lane
White Plains, NY 10604

Plan Administrator

The Plan administrator and the fiduciary responsible for providing descriptions of investment alternatives of the Plan is:

Chairperson of the VEBC
c/o Verizon Benefits Center
100 Half Day Road
P.O. Box 1457
Lincolnshire, IL 60069-1457

You may communicate to the Plan administrator in writing at the address above. But, for questions about Plan benefits, you should write or call the benefits administrator (see page 53 for the address and your Important Benefits Contacts insert for the telephone number). The benefits administrator administers enrollment and handles participant questions, requests and certain benefits claims, but is not the Plan administrator.

The Plan administrator or a person delegated by the administrator has the full and final discretionary authority to publish the Plan document and benefit Plan communications, to prepare reports and make filings for the Plan and to otherwise oversee the administration of the Plan. However, most of your day-to-day questions can be answered by the Plan's benefits administrator.

Do not send any benefit claim to the Plan administrator or to the legal department. Instead, submit it to the claims administrator for the Plan, which is the benefits administrator.

Benefits Administrator

The benefits administrator up to December 31, 2001 is:

Verizon's Bell Atlantic InTouch Center
P.O. Box 435
Little Falls, NJ 02424

The benefits administrator on and after January 1, 2002 is:

Verizon Savings Plan Service Center
82 Devonshire Street
Boston, MA 02109

Claims and Appeals Administrators

The claims administrator is the benefits administrator (see above).

The appeals administrator is:

Verizon Claims Review Committee
c/o Verizon Benefits Center
100 Half Day Road
P.O. Box 1457
Lincolnshire, IL 60069-1457

Plan Funding

The Plan is funded through a trust. The Plan trustee is:

Mellon Bank, N.A.
c/o Patricia Farbacher
Vice President
One Mellon Bank Center
Room 3346
Pittsburgh, PA 15258

Plan Identification

The Plan is a defined contribution plan, listed with the Department of Labor under two numbers: The Employer Identification Number (EIN) is 23-2259884 and the Plan Number (PN) is 011.

Plan Year

Plan records are kept on a calendar-year basis, which is the same as the calendar-year basis.

Agent for Service of Legal Process

The agent for service of legal process is the Plan administrator. Legal process must be served in writing to the Plan administrator at the address stated for the Plan administrator on page 52.

In addition, a copy of the legal process involving this Plan should be delivered to:

Verizon Legal Department
Employee Benefits Group
Verizon Communications Inc.
1095 Avenue of the Americas
37th Floor
New York, NY 10036

Legal process also may be served on the Plan trustee.

Official Plan Document

This SPD describes the main provisions of the Plan, but not every detail is included. Your rights and benefits are governed solely by the official Plan documents. It is important, therefore, to ask questions and get clarification on any matters about which you are uncertain.

Participating Companies

The following is a list of participating companies as of January 1, 2001. This list may change from time to time:

- Empire City Subway Co. Ltd.
- Telesector Resources Group Inc.
- Verizon New England Inc.
- Verizon New York Inc.
- Verizon Yellow Pages Co.

Glossary

A

After-Tax Contributions

Your after-tax contributions are deposited in your account after your taxes have been deducted from your paycheck. So, you will not be required to pay any taxes on these contributions when you receive a final payout of your account. Keep in mind that you will be required to pay taxes on Company matching contributions and all earnings when you receive a distribution.

B

Basic Contributions

Basic contributions are your contributions—whether before-tax or after-tax—that are used to determine Company matching contributions.

Before-Tax Contributions

Your before-tax contributions are deposited in your Plan account from your paycheck before federal income taxes and, in most cases, state and local income taxes are deducted. This means you lower your taxable pay and, as a result, your current income taxes generally are lower. These otherwise are known as 401(k) contributions.

In exchange for the tax advantage you receive with before-tax savings, there are IRS restrictions on how you can obtain these funds from your account. Also, note that your 401(k) contributions are subject to Social Security FICA tax.

C

Capital Appreciation/Depreciation

The increase (appreciation) or the decrease (depreciation) in the principal value of an investment. For example, if you buy a share of stock at $40 and its value grows to $50, your capital has appreciated by $10. If its value declines to $30, your capital has depreciated by $10.

Capitalization (Cap)

Refers to the size (value) of a company, determined by multiplying the number of shares of stock outstanding times the market price per share. For example, if a company has one million shares of stock outstanding at a price of $40 a share, its capitalization is $40 million.

Collateralized Mortgage Obligations (CMOs)

These are pools of mortgage loans that are restructured into different maturity classes that receive principal payments at different maturities.

D

Derivatives

A financial instrument whose value, at least in part, is derived from or is based on an underlying security, asset or index. Examples include collateralized mortgage obligations, S&P 500 Index futures and foreign currency forwards.

E

Equity Index Futures

These are, in essence, agreements by which a buyer purchases the performance of an equity index, such as the S&P 500, for a stated period of time. The buyer pays an initial premium to buy the performance of a "slice" (i.e., a portion of every stock) of the index. This usually costs a small fraction of the amount that would have to be paid if the stocks underlying the index were purchased directly. For each day during which the equity index futures contract is open, the buyer either pays or receives money from the exchange from which the futures contract was purchased, based on whether the index has decreased or increased in market value for that day. Equity index futures, such as S&P 500 futures, are used to keep as much of a fund portfolio as possible invested at times when it has received more cash from participant contributions that it can prudently invest quickly in the actual stocks, such as those of the S&P 500, or when the fund has to sell securities or retain cash reserves in order to meet redemption requests.

Equity Investments
Stocks.

Equity Wash
A requirement that funds transferred by a participant to a fund competing with a stable value option must first be transferred to a non-competing fund option (such as an equity fund) for a specified period of time, usually three months. Currently, the Income Fund would be considered the stable value option, and the only competing fund is the Government Money Market Fund.

F

Fixed Income Investments
Bonds and other investments that pay a specified rate of interest over time.

Foreign Currency Forwards
These are contracts that pay or receive specific amounts of a currency at a future date in exchange for another currency at an agreed-upon exchange rate. These contracts are used as a “hedge” (i.e., an attempt to reduce the risk of changes in the value of foreign currency) when investments are made in a foreign stock or fixed rate income instrument.

Forwards
A forward-based contract obligates one party to buy and the other party to sell a financial instrument at a future date. Forward contracts usually are traded on the over-the-counter market and accordingly, are flexible in design. They usually are used to gain exposure to portions of the securities markets or for hedging purposes.

Futures
Futures contracts are similar to forward contracts. However, futures are standardized and traded on an organized exchange. They generally are used to increase or decrease exposure to portions of the securities markets, to adjust portfolio duration, for currency hedging or to accommodate cash inflows and outflows.

H

Hedging

A hedge is intended to reduce the risk that the result of an investment will be different from the result that was expected due to changes in conditions that affect the value of the investment (for example, changes in interest rates or, in the case of a foreign investment, the value of the currency of the country in which the investment is made). A hedge is designed to offset a loss in a portfolio position with a gain in the hedge position; at the same time, however, a properly designed hedge will result in a gain in the portfolio position being offset by a loss in the hedge position.

I

Index

A group of stocks or bonds that is representative of the performance of securities in an asset class. For example, the Standard & Poor's 500 is a U.S. large cap index, and the Russell 2000 is a U.S. small cap index. An index often is used as a benchmark to compare the performance of an investment fund.

Interest Only Securities (IOs)

These obligations are investments in the interest repayments on a security. For example, an investment manager may purchase the right to receive only the interest payments on a Treasury bond.

Interest Rate Futures Contracts

These contracts require the purchaser to accept and the seller to deliver, at a future date, an interest-bearing financial instrument (e.g., a U.S. Treasury bond) at an agreed-upon price. Interest rate futures are used to hedge against changes in interest rates.

Investment Contracts (Income Fund)

A form of investment typically provided by an insurance company or bank that pays a fixed rate of interest over a stated period of time.

L

Large Cap

Definitions vary, but for purposes of your Plan funds, large caps are larger-sized U.S. companies that as of June 1, 2000 typically were worth $2.3 billion or more. Generally, these are stocks of the 750 largest companies (measured by market capitalization) in the United States.

O

Options

The buyer of a put option or a call option buys a right, but not the obligation, to take some action in the future. The buyer of a put buys the right to sell a security at some future date at a price set at the time the put is bought. The buyer of a call buys the right to buy a security at some future date at a price set at the time the call is bought. The seller of a put or a call takes on an obligation rather than a right. The seller of a put takes on the obligation to buy a security at some future date at a price set at the time the put is sold. The seller of a call takes on the obligation to sell a security at some future date at a price set at the time the call is sold. A put or a call is "covered" if the investor has the cash or the security to perform the transaction that he or she is obligated to perform. The put or call is "naked" if, during the option period, the investor does not have the cash or securities required to perform his or her obligations. The fund's investment managers are instructed to sell only covered puts and calls.

P

Portfolio Duration

The duration of a fixed income portfolio is a measure of the weighted average of the number of years corresponding to the present value of future cash flows. Generally, the longer the duration, the higher the potential return from interest income, but the greater the risk of price changes due to intervening interest rate changes.

Principal Only Securities (POs)

These obligations are investments in only the principal repayments on a security. For example, the investment manager may purchase the right to receive at maturity only the principal amount on a Treasury bond.

S

Small Cap

Definitions vary, but for purposes of your Plan funds, small caps are smaller-sized U.S. companies that as of June 1, 2000 typically were worth less than $2.3 billion.

Supplemental Contributions

Supplemental contributions are those contributions—whether before-tax or after-tax—that are based on a percentage of pay above the matching contribution level.

V

Vested/Vesting

Vesting occurs when you own the right to the Company's matching contributions and their earnings. (You are always vested in the value of your own contributions.) You vest in the Plan once you have attained three years of service (and under certain other circumstances described in this summary plan description). If you leave the Company for any reason after you are vested, you can take the full value of your account, including the value of the Company's matching contributions and their earnings with you. If you leave the Company before you are vested, you forfeit Company matching contributions and associated earnings.