DOCKET NO. 960697-TI

GENERAL FILE POUCH NO. 1

DOCUMENT NUMBERS:

BEGINNING: 06068-96 ENDING:

ORIGINAL

LAW OFFICES

PIERSON & BURNETT, L.L.P.

1667 K Street, N.W., Suite 801, Washington, D.C. 20006
Tel: 202 466 3044 Fax: 202 466 3055

June 1, 1996

VIA OVERNIGHT DELIVERY
Florida Public Service Commission
Division of Records and Reporting
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Application of NYNEX Long Distance Company for Authority to Operate as a Switchless Reseller of Intrastate Toll (Interexchange) Telecommunications Services within the State of Florida

Dear Sir or Madam:

On behalf of NYNEX Long Distance Company, we hereby submit one original and six (6) copies of its application for authority to operate as a switchless reseller of intrastate toll (interexchange) telecommunications service statewide in Florida. Also enclosed is a check in the amount of $250.00, in payment of the Commission's fee for processing this application. It is our understanding that the applicant is not responsible for any newspaper publication or other notification to the public of the filing of this application, and that any such publication shall be undertaken by the Florida Public Service Commission.

We have included with this filing an extra copy of the application, marked "Receipt Copy," as well as a self-addressed, stamped envelope. Please stamp and return the extra copy to confirm your receipt of the application.

Any inquiries regarding this filing may be directed to the undersigned.

Respectfully submitted,

Valerie M. Furman

Valerie M. Furman
Counsel for NYNEX Long Distance Company

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.

Initials of person who forwarded check: A.S.

DOCUMENT NUMBER-DATE
06068 JUN-3 96
FPSC-RECORDS/REPORTING

APPLICATION FORM FOR AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATION SERVICE WITHIN THE STATE OF FLORIDA

** FLORIDA PUBLIC SERVICE COMMISSION *

DIVISION OF COMMUNICATIONS
BUREAU OF SERVICE EVALUATION

APPLICATION FORM for AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICE WITHIN THE STATE OF FLORIDA

Instructions

A. This form is used for an original application for a certificate and for approval of sale, assignment or transfer of an existing certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee (See Appendix A).

B. Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.

C. Use a separate sheet for each answer which will not fit the allotted space.

D. If you have questions about completing the form, contact:

Florida Public Service Commission
Division of Communications
Bureau of Service Evaluation
2540 Shumard Oak Blvd.
Gunter Building
Tallahassee, Florida 32399-0850
(904) 413-6600

E. Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of $250.00 to:

Florida Public Service Commission
Division of Administration
2540 Shumard Oak Blvd.
Gunter Building
Tallahassee, Florida 32399-0850
(904) 413-6251

1. This is an application for (check one):

   (X) **Original Authority** (New company).
   ( ) **Approval of Transfer** (To another certificated company).
   ( ) **Approval of Assignment of existing certificate** (To an uncertificated company).
   ( ) **Approval for transfer of control** (To another certificated company).

2. Select what type of business your company will be conducting (check all that apply):

   ( ) **Facilities based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.

   (X) **Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.

   ( ) **Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.

   (X) **Switchless Rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.

   ( ) **Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers. Then offers the resold service by enrolling unaffiliated customers.

3. Name of corporation, partnership, cooperative, joint venture or sole proprietorship:
NYNEX Long Distance Company

4. Name under which the applicant will do business (fictitious name, etc.):
No fictitious name.

5. National address (including street name & number, post office box, city, state and zip code).
NYNEX Long Distance Company, 1095 Avenue of the Americas Room 1428, New York, NY 10036, Ph. (212) 395-4537, Fax (212) 395-7600

6. Florida address (including street name & number, post office box, city, state and zip code):
None

7. Structure of organization;

( ) Individual ( ) Corporation
(X) Foreign Corporation ( ) Foreign Partnership
( ) General Partnership ( ) Limited Partnership
( ) Other, ______________

8. If applicant is an individual or partnership, please give name, title and address of sole proprietor or partners. NOT APPLICABLE

(a) Provide proof of compliance with the foreign limited partnership statute (Chapter 620.169 FS), if applicable.

(b) Indicate if the individual or any of the partners have previously been:

(1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings.

(2) officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

FORM PSC/CMU 31 (3/96)
Required by Commission Rule Nos. 25-24.471 and 25-24.473.

9. If incorporated, please give:

(a) Proof from the Florida Secretary of State that the applicant has authority to operate in Florida.

Corporate charter number: F96000000930

(b) Name and address of the company's Florida registered agent. CT Corporation System
1200 South Plantation Island Road Ph. (954) 473-5503
Plantation, Florida 33324 Fax (954) 476-0158

(c) Provide proof of compliance with the fictitious name statute (Chapter 865.09 FS), if applicable.
NOT APPLICABLE
Fictitious name registration number: ________

(c) Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. NO

(2) officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not. NO

10. Who will serve as liaison with the Commission in regard to (please give name, title, address and telephone number): See Attachment B

(a) The application;

(b) Official Point of Contact for the ongoing operations of the company;

(c) Tariff;

(d) Complaints/Inquiries from customers;

11. List the states in which the applicant:

(a) Has operated as an interexchange carrier.

See Attachment C

(b) Has applications pending to be certificated as an interexchange carrier.

See Attachment D

(c) Is certificated to operate as an interexchange carrier.

None

(d) Has been denied authority to operate as an interexchange carrier and the circumstances involved.

None

(e) Has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

None

(f) Has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

None

12. What services will the applicant offer to other certificated telephone companies:

( ) Facilities. ( ) Operators.
( ) Billing and Collection. ( ) Sales.
( ) Maintenance.
(x) Other: None

13. Do you have a marketing program? Yes

14. Will your marketing program:
   (X) Pay commissions?
   ( ) Offer sales franchises?
   ( ) Offer multi-level sales incentives?
   (X) Offer other sales incentives?

15. Explain any of the offers checked in question 14 (To whom, what amount, type of franchise, etc.).

    See Attachment E

16. Who will receive the bills for your service (Check all that apply)?

    (X) Residential customers. (X) Business customers.
    ( ) PATS providers. ( ) PATS station end-users.
    (X) Hotels & motels. (X) Hotel & motel guests.
    (X) Universities. (X) Univ. dormitory residents.
    ( ) Other: (specify)____________________________.

17. Please provide the following (if applicable):

    (a) Will the name of your company appear on the bill for your services, and if not who will the billed party contact to ask questions about the bill (provide name and phone number) and how is this information provided?

    Yes, Applicant's name will appear on the bill.

    (b) Name and address of the firm who will bill for your service.

    Sprint Communications Co., L.P.

18. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide interexchange telecommunications service in Florida.

A. Financial capability.

Regarding the showing of financial capability, the following applies:

The application should contain the applicant's financial statements, including:

1. the balance sheet

2. income statement

3. statement of retained earnings for the most recent 3 years.

See Attachment F

If available, the financial statements should be audited financial statements. Not available.

If the applicant does not have audited financial statements, it shall be so stated. The unaudited financial statements should then be signed by the applicant's chief executive officer and chief financial officer. The signatures should affirm that the financial statements are true and correct.

B. Managerial capability.
See Attachment G

C. Technical capability.
See Attachment H

19. Please submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.485 (example enclosed).

See Attachment I

20. The applicant will provide the following interexchange carrier services (Check all that apply):

___ **MTS with distance sensitive per minute rates**
____ Method of access is FGA
____ Method of access is FGB
____ Method of access is FCD
____ Method of access is 800

___ **MTS with route specific rates per minute**
____ Method of access is FGA
____ Method of access is FGB
____ Method of access is FGD
____ Method of access is 800

_X_ **MTS with statewide flat rates per minute (i.e. not distance sensitive)**
___ Method of access is FGA
___ Method of access is FGB
_X_ Method of access is FGD
_X_ Method of access is 800

___ **MTS for pay telephone service providers**

_____ **Block-of-time calling plan (Reach out Florida, Ring America, etc.).**

_X_ **8^0 Service (Toll free)**

_X_ **WATS type service (Bulk or volume discount)**
_X__ Method of access is via dedicated facilities
_X__ Method of access is via switched facilities

___ **Private Line services (Channel Services)**
(For ex. 1.544 mbs., DS-3, etc.)

_X_ **Travel Service**

____ Method of access is 950

_X_ Method of access is 800

___ **900 service**

_X_ **Operator Services**

_X_ **Available to presubscribed customers**

_X_ **Available to non presubscribed customers (for example to patrons of hotels, students in universities, patients in hospitals.**

_X_ **Available to inmates**

Services included are:

_X_ Station assistance

_X_ Person to Person assistance

_X_ Directory assistance

_X_ Operator verify and interrupt

_X_ Conference Calling

21. **What does the end user dial for each of the interexchange carrier services that were checked in services included (above).**

See Attachment J

22. _X_ **Other:**

See Attachment J

** APPLICANT ACKNOWLEDGEMENT STATEMENT **

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.

3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.

4. **APPLICATION FEE:** A non-refundable application fee of $250.00 must be submitted with the application.

5. **RECEIPT AND UNDERSTANDING OF RULES:** I acknowledge receipt and understanding of the Florida Public Service Commission's Rules and Orders relating to my provision of interexchange telephone service in Florida. I also understand that it is my responsibility to comply with all current and future Commission requirements regarding interexchange service.

6. **ACCURACY OF APPLICATION:** By my signature below, I the undersigned owner or officer of the named utility in the application, attest to the accuracy of the information contained in this application and associated attachments. I have read the foregoing and declare that to the best of my knowledge and belief, the information is a true and correct statement.

   Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083".

UTILITY OFFICIAL: [signature] Signature — 5/3/96 Date

John J. Miller

Vice Preside.t — Title

(212) 395-4537 — Telephone No.

FORM PSC/CMU 31 (3/96)
Required by Commission Rule Nos. 25-24.471 and 25-24.473.

**** APPENDIX A ****

CERTIFICATE TRANSFER STATEMENT

I, **(TYPE NAME)** ______________________________,

(TITLE) ______________________________, of **(NAME OF COMPANY)**

______________________________, and current holder of certificate number ______________, have reviewed this application and join in the petitioner's request for a transfer of the above-mentioned certificate.

UTILITY OFFICIAL: ______________________________ ______________

Signature Date

____

______________________________ ______________

Title Telephone No.

FORM PSC/CMU 31 (3/96)
Required by Commission Rule Nos. 25-24.471 and 25-24.473.

**** APPENDIX B ****

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

A statement of how the Commission can be assured of the security of the customer's deposits and advance payments may be responded to in one of the following ways (applicant please check one):

( ) **The applicant will not collect deposits nor will it collect payments for service more than one month in advance.**

(X) **The applicant will file with the Commission and maintain a surety bond in an amount equal to the current balance of deposits and advance payments in excess of one month. (Bond must accompany application.)**

Please see Attachment L

(Bond will be submitted shortly.)

UTILITY OFFICIAL: [signature] 5/20/96

Signature — Date

John J. Miller

Vice President — (212) 395-4537

Title — Telephone No.

**** APPENDIX C ****

INTRASTATE NETWORK

1. **POP:** Addresses where located, and indicate if owned or leased. NOT APPLICABLE. Applicant will be a switchless rebiller.

   1) 2)

   3) 4)

2. **SWITCHES:** Address where located, by type of switch, and indicate if owned or leased. NOT APPLICABLE. Applicant will be a switchless rebiller.

   1) 2)

   3) 4)

3. **TRANSMISSION FACILITIES:** Pop-to-Pop facilities by type of facilities (microwave, fiber, copper, satellite, etc.) and indicate if owned or leased. NOT APPLICABLE. Applicant will be a switchless rebiller.

   1) POP-to-POP TYPE OWNERSHIP

   2)

4. **ORIGINATING SERVICE:** Please provide the list of exchanges where you are proposing to provide originating service within thirty (30) days after the effective date of the certificate (Appendix D).

   [Statewide in equal access areas.]

5. **TRAFFIC RESTRICTIONS:** Please explain how the applicant will comply with the EAEA requirements contained in Commission Rule 25-24.471 (4) (a) (copy enclosed).

Applicant will not sell private line within EAEA. The only services to be sold within EAEA are those permitted under Florida rules.

6. **CURRENT FLORIDA INTRASTATE SERVICES:** Applicant has ( ) or has not (X) previously provided intrastate telecommunications in Florida. If the answer is <u>has</u>, fully describe the following:

   a) What services have been provided and when did these services begin?

      NOT APPLICABLE

   b) If the services are not currently offered, when were they discontinued?

      NOT APPLICABLE

<u>UTILITY OFFICIAL:</u> ______________________ Signature   5/2/96 Date

John J. Miller

Vice President   (212) 395-4537
Title   Telephone No.

**** APPENDIX D ****

FLORIDA TELEPHONE EXCHANGES

AND

EAS ROUTES

Describe the service area in which you hold yourself out to provide service by telephone company exchange. If all services listed in your tariff are not offered at all locations, so indicate.

In an effort to assist you, attached is a list of major exchanges in Florida showing the small exchanges with which each has extended area service (EAS).

** FLORIDA EAS FOR MAJOR EXCHANGES **

Extended Service Area	with	These Exchanges
PENSACOLA:		Cantonment, Gulf Breeze Pace,Milton Holley-Navarre.
PANAMA CITY:		Lynn Haven, Panama City Beach, Youngstown-Fountain and Tyndall AFB.
TALLAHASSEE:		Crawfordville, Havana, Monticello, Panacea, Sopchoppy and St. Marks.
JACKSONVILLE:		Baldwin, Ft. George, Jacksonville Beach, Callahan, Maxville, Middleburg Orange Park, Ponte Vedra and Julington.
GAINESVILLE:		Alachua, Archer, Brooker, Hawthorne, High Springs, Melrose, Micanopy, Newberry and Waldo.
OCALA:		Belleview, Citra, Dunnellon,

	Forest Lady Lake (B21), McIntosh, Oklawaha, Orange Springs, Salt Springs and Silver Springs Shores.
DAYTONA BEACH:	New Smyrna Beach.
TAMPA:	Central None East Plant City North Zephyrhills South Palmetto West Clearwater
CLEARWATER:	St. Petersburg, Tampa-West and Tarpon Springs.
ST. PETERSBURG:	Clearwater.
LAKELAND:	Bartow, Mulberry, Plant City, Polk City and Winter Haven.
ORLANDO:	Apopka, East Orange, Lake Buena Vista, Oviedo, Windermere, Winter Garden, Winter Park, Montverde, Reedy Creek, and Oviedo-Winter Springs.
WINTER PARK:	Apopka, East Orange, Lake Buena Vista, Orlando, Oviedo, Sanford, Windermere, Winter Garden, Oviedo-Winter Springs Reedy Creek, Geneva and Montverde.
TITUSVILLE:	Cocoa and Cocoa Beach.
COCOA:	Cocoa Beach, Eau Gallie, Melbourne and Titusville.
MELBOURNE:	Cocoa, Cocoa Beach, Eau Gallie and Sebastian.
SARASOTA:	Bradenton, Myakka and Venice.
FT. MYERS:	Cape Coral, Ft. Myers Beach, North Cape Coral, North Ft. Myers, Pine Island, Lehigh Acres and Sanibel-Captiva Islands.
NAPLES:	Marco Island and North Naples.
WEST PALM BEACH:	Boynton Beach and Jupiter.

POMPANO BEACH:	Boca Raton, Coral Springs, Deerfield Beach and Ft. Lauderdale.
FT. LAUDERDALE:	Coral Springs, Deerfield Beach, Hollywood and Pompano Beach.
HOLLYWOOD:	Ft. Lauderdale and North Dade.
NORTH DADE:	Hollywood, Miami and Perrine.
MIAMI:	Homestead, North Dade and Perrine

** APPENDIX E **

** GLOSSARY **

ACCESS CODE: The term denotes a uniform four or seven digit code assigned to an individual IXC. The five digit code has the form 10XXX and the seven digit code has the form 950-XXXX.

BYPASS: Transmission facilities that go direct from the local exchange end user to an IXC point of presence, thus bypassing the local exchange company.

CARRIERS CARRIER: An IXC that provides telecommunications service, mainly bulk transmission service, to other IXC only.

CENTRAL OFFICE: A local operating unit by means of which connections are established between subscribers' lines and trunk or toll lines to other central offices within the same exchange or other exchanges. Each three (3) digit central office code (NXX) used shall be considered a separate central office unit.

CENTRAL OFFICE CODE: The term denotes the first three digits (NXX) of the seven (7) digit telephone number assigned to a customer's telephone exchange service.

COMMISSION: The Florida Public Service Commission.

COMPANY, TELEPHONE COMPANY, UTILITY: These terms may be used interchangeably herein and shall mean any person, firm, partnership or corporation engaged in the business of furnishing communication service to the public under the jurisdiction of the Commission.

DEDICATED FACILITY: The term denotes a transmission circuit which is permanently for the exclusive use of a customer or a pair of customers.

END USER: The term denotes any individual, partnership, association, corporation, governmental agency or any other entity which (A) obtains a common line, uses a pay telephone or obtains interstate service arrangements in the operating territory of the company or (B) subscribes to interstate services provided by an IXC or uses the services of the IXC when the IXC provides interstate service for its own use.

EQUAL ACCESS EXCHANGE AREAS: EAEA means a geographic area, configured based on 1987 planned toll center/access tandem areas, in which local exchange companies are responsible for providing equal access to both carriers and customers of carriers in the most economically efficient manner.

EXCHANGE: The entire telephone plant and facilities used in providing telephone service to subscribers located in an exchange area. An exchange may include more than one central office unit.

EXCHANGE (SERVICE) AREA: The territory, including the base rate suburban and rural areas served by an exchange, within which local telephone service is furnished at the exchange rates applicable within that area.

EXTENDED AREA SERVICE: A type of telephone service furnished under tariff provision whereby subscribers of a given exchange or area may complete calls to, and receive messages from, one or more other contiguous exchanges without toll charges, or complete calls to one or more other exchanges without toll message charges.

FACILITIES BASED: An IXC that has its own transmission and/or switching equipment or other elements of equipment and does not rely on others to provide this service.

FOREIGN EXCHANGE SERVICES: A classification of exchange service furnished under tariff provisions whereby a subscriber may be provided telephone service from an exchange other than the one from which he would normally be served.

FEATURE GROUPS: General categories of unbundled tariffs to stipulate related services.

Feature Group A: Line side connections presently serving specialized common carriers.

Feature Group B: Trunk side connections without equal digit or code dialing.

Feature Group C: Trunk side connections presently serving AT&T-C.

Feature Group D: Equal trunk access with subscription.

INTEREXCHANGE COMPANY: means any telephone company, as defined in Section 364.02(4), F.S. (excluding Payphone Providers), which provides telecommunication service between exchange areas as those areas are described in the approved tariffs of individual local exchange companies.

INTER-OFFICE CALL: A telephone call originating in one central office unit or entity but terminating in another central office unit or entity both of which are in the same designated exchange area.

INTRA-OFFICE CALL: A telephone call originating and terminating within the same central office unit or entity.

INTRASTATE COMMUNICATIONS: The term denotes any communications in Florida subject to oversight by the Florida Public Service Commission as provided by the laws of the State.

INTRA-STATE TOLL MESSAGE: Those toll messages which originate and terminate within the same state.

LOCAL ACCESS AND TRANSPORT AREA: LATA means the geographic area established for the administration of communications service. It encompasses designated exchanges, which are grouped to serve common social, economic and other purposes.

LOCAL EXCHANGE COMPANY (LEC): Means any telephone company, as defined in Section 364.02(4), F.S., which, in addition to any other telephonic communication service, provides telecommunication service within exchange areas as those areas are described in the approved tariffs of the telephone company.

OPTIONAL CALLING PLAN: An optional service furnished under tariff provisions which recognizes a need of some subscribers for extended area calling without imposing the cost on the entire body of subscribers.

900 SERVICE: A service similar to 800 service, except this service is charged back to the customer based on first minute plus additional minute usage.

PIN NUMBER: A group of numbers used by a company to identify their customers.

PAY TELEPHONE SERVICE COMPANY: Means any telephone company, other than a Local Exchange Company, which provides pay telephone service as defined in Section 364.335(4), F.S.

POINT OF PRESENCE (POP): Bell-coined term which designates the actual (physical) location of an IXC's facility. Replaces some applications of the term "demarcation point."

PRIMARY SERVICE: Individual line service or party line service.

RESELLER: An IXC that does not have certain facilities but purchases telecommunications service from an IXC and then resells that service to others.

STATION: A telephone instrument consisting of a transmitter, receiver, and associated apparatus so connected as to permit sending and/or receiving telephone messages.

SUBSCRIBER, CUSTOMER: These terms may be used interchangeably herein and shall mean any person, firm, partnership, corporation, municipality, cooperative organization, or governmental agency supplied with communication service by a telephone company.

SUBSCRIBER LINE: The circuit or channel used to connect the subscriber station with the central office equipment.

SWITCHING CENTER: Location at which telephone traffic, either local or toll, is switched or connected from one circuit or line to another. A local switching center may be comprised of several central office units.

TRUNK: A communication channel between central office units or entities, or private branch exchanges.

ATTACHMENTS:

A - CERTIFICATE TRANSFER STATEMENT
B - CUSTOMER DEPOSITS AND ADVANCE PAYMENTS
C - INTRASTATE NETWORK
D - FLORIDA TELEPHONE EXCHANGES and EAS ROUTES
E - GLOSSARY

ATTACHMENT A

PROOF FROM THE FLORIDA SECRETARY OF STATE THAT THE APPLICANT HAS AUTHORITY TO OPERATE IN FLORIDA

APPLICANT'S CORPORATE CHARTER AND ARTICLES OF INCORPORATION

FLORIDA DEPARTMENT OF STATE
Sandra B. Mortham
Secretary of State

February 23, 1996

CT SYSTEM

.

Qualification documents for NYNEX LONG DISTANCE COMPANY were filed on February 23, 1996, and assigned document number F96000000930. Please refer to this number whenever corresponding with this office.

Your corporation is now qualified and authorized to transact business in Florida as of the file date.

A corporation annual report will be due this office between January 1 and May 1 of the year following the calendar year of the file date. A Federal Employer Identification (FEI) number will be required before this report can be filed. If you do not already have an FEI number, please apply NOW with the Internal Revenue by calling 1-800-829-3676 and requesting form SS-4.

Please be aware if the corporate address changes, it is the responsibility of the corporation to notify this office.

Should you have any questions regarding this matter, please telephone (904) 487-6091, the Foreign Qualification/Tax Lien Section.

Doug Dickinson
Document Specialist
Division of Corporations

Letter Number: 096A00008072

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "NYNEX LONG DISTANCE COMPANY", FILED IN THIS OFFICE ON THE SECOND DAY OF FEBRUARY, A.D. 1996, AT 1:30 O'CLOCK P.M.

Edward J. Freel

Edward J. Freel, Secretary of State

2588628 8100

960066850

AUTHENTICATION: 7856233

DATE: 03-07-96

CERTIFICATE OF INCORPORATION

OF

NYNEX LONG DISTANCE COMPANY

1. The name of the corporation is NYNEX Long Distance Company.

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

3. The nature of the business of the corporation and its purpose are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware, as it may be amended from time to time, or any successor law.

4. The total number of shares of stock which the corporation shall have authority to issue is one (1) share of Common Stock with no par value.

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

Darlene D. Kleiner, Esq.
1095 Avenue of Americas
New York, NY 10036

6. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter or repeal the By-Laws of the corporation.

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

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

I, THE UNDERSIGNED, being the sole incorporator, hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, do make this Certificate, hereby declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this 2nd day of February, 1996.

Darlene D. Kleiner

Darlene D. Kleiner

4583

ATTACHMENT B

APPLICANT'S DESIGNATED LIAISON'S WITH THE COMMISSION REGARDING:

(i) THE APPLICATION

(ii) OFFICIAL POINT OF CONTACT FOR THE ONGOING OPERATIONS OF THE COMPANY

(iii) THE TARIFF

(iv) COMPLAINTS/INQUIRIES FROM CUSTOMERS

APPLICANT'S DESIGNATED LIAISON'S WITH THE COMMISSION REGARDING:

(i) The Application:

W. Theodore Pierson, Jr., Esq.
Pierson & Burnett, L.L.P.
1667 K Street, NW, Suite 801
Washington, DC 20006
Voice (202) 466-3044
Fax (202) 466-3055
Counsel for NYNEX Long Distance Company

(ii) Official Point of Contact for the Ongoing Operations of the Company:

John J. Miller, Vice President
NYNEX Long Distance Company
1095 Avenue of the Americas
Room 4138
New York, NY 10036
Voice (212) 395-4537
Fax (212) 597-2559

(iii) The Tariff:

Gordon Hutchins, President
GH Associates
1004 Woburn Court
McLean, VA 22102
Voice (703) 760-0060
Fax (703) 734-8572

APPLICANT'S DESIGNATED LIAISON'S WITH THE COMMISSION (Continued)

(iv) Complaints/Inquiries from Customers:

Business-related customer inquiries and/or complaints will be directed in the initial instance to (888) 696-2020. Residential-related customer inquiries and/or complaints will be directed in the initial instance to (888) 696-3939.

If the problem is not resolved at that level, both business and residential customers will be directed to NYNEX Long Distance Company's specialized customer escalation team office, that can be reached by mail, telephone or facsimile at:

1603 LBJ Freeway
Suite 300 - TXFBRB042A
Dallas, Texas 75234
Telephone: (800) 785-5624
Facsimile: (800) 327-5182

In the event that the problem remains unresolved after a pre-established period of time, both business and residential customers will be directed to call a member of NYNEX Long Distance Company's management team, usually located in New York City, New York.

ATTACHMENT C

STATES WHERE APPLICANT HAS OPERATED AS AN INTEREXCHANGE CARRIER

STATES WHERE APPLICANT HAS OPERATED AS AN INTEREXCHANGE CARRIER

NYNEX Long Distance Company is not currently operating as either an intraLATA or interLATA carrier.

Subsidiaries of the NYNEX Corporation have operated as intraLATA domestic carriers since divestiture from AT&T in portions of Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island and Vermont. They have also provided interLATA service in the New York-New Jersey "corridor:" a limited, contiguous geographic area within which the divestiture court permitted a NYNEX subsidiary to provide such service. Other subsidiaries provide domestic wireless service and telephone services in foreign nations. None provide telecommunications services within the State of Florida.

ATTACHMENT D

STATES WHERE APPLICANT HAS APPLICATIONS PENDING TO BE CERTIFIED AS AN INTEREXCHANGE CARRIER

STATES WHERE APPLICANT HAS APPLICATIONS PENDING TO BE CERTIFICATED AS AN INTEREXCHANGE CARRIER

Filings are in the process of being submitted to Arizona, California and Illinois. The Applicant intends to make additional filings in most of the states over the next several months. No state has yet acted on any of the filings.

ATTACHMENT E

APPLICANT'S MARKETING PROGRAM

APPLICANT'S MARKETING PROGRAM

NYNEX Long Distance Company will acquire customers through: calls generated to an inbound telemarketing center, outbound telemarketing and direct sales for business customers. Focused messages communicating value to highly targeted segments will utilize: TV, Radio, Print, Direct Mail, Direct TV and selective joint marketing materials. Telemarketing sales will be independently verified by a third-party to insure quality and prevent slamming.

Direct sales will be compensated on a customer lifetime annuity basis to incent quality and lasting customer relationships.

NYNEX Long Distance Company will outsource its telemarketing program. Telemarketing representatives are paid an hourly rate with 3-5% of their hourly rate available in commissions (sales awards, etc.)

ATTACHMENT F

DEMONSTRATION OF APPLICANT'S FINANCIAL CAPABILITY

DEMONSTRATION OF APPLICANT'S FINANCIAL CAPABILITY

NYNEX Long Distance Company is a wholly owned subsidiary of NYNEX Worldwide Services Group, Inc. ("NYNEX WSG"). NYNEX WSG is a Delaware corporation whose principal business is worldwide communications operations. NYNEX WSG's address is 1113 Westchester Avenue, White Plains, NY 10604. It is a wholly owned subsidiary of the NYNEX Corporation. NYNEX Corporation is a Delaware corporation whose address is 1095 Avenue of the Americas, New York, NY 10036. NYNEX WSG and the NYNEX Corporation are sometimes collectively referred to herein as the "Parents."

Neither NYNEX Long Distance Company nor NYNEX Worldwide Services Group have audited financial statements. NYNEX Corporation, however, does have such audited financials. To review a copy of NYNEX Corporation's 1995 Annual Report and most recent Forms 10-K and 10-Q, please see Attachment K.

DEMONSTRATION OF APPLICANT'S FINANCIAL CAPABILITY

1 - 2 Unaudited company-wide balance sheet and income statement executed by an officer of Applicant follows this page.

NYNEX LONG DISTANCE COMPANY
1095 Avenue of the Americas
New York, NY 10036

NYNEX Long Distance Company Financial Statements

NYNEX Long Distance Company is a development stage company for which principal operations have not yet commenced. The company, having incorporated in February 1996, has not generated revenue or produced financial statements (audited or unaudited) at this point. However, the NYNEX Long Distance Company is accumulating all start-up charges incurred to date. As of April 30, 1996, the Company has incurred approximately the following costs:

EXPENSES:	Cumulative Activity
Contracted services	$ 1,523
Salaries, wages and benefits	697
Travel, meals and lodging	95
Advertising	250
Depreciation	57
Office Support	72
Utilities	16
Rent	40
Corporate Allocation	385
Other	37
Total Expenses	$ 3,172

BALANCE SHEET:

CURRENT ASSETS:	
Cash and cash Equivalents	25
FIXED ASSETS, net	228
TOTAL ASSETS	$ 253
CURRENT LIABILITIES:	
Accounts Payable	75
SHAREHOLDER' EQUITY:	
Share Capital	3,000
Deficit accumulated during start-up	(2,822)
TOTAL LIABILITIES AND EQUITY	$ 253

The Company anticipates that the preparation of formal financial statements will commence during the month of June, 1996. The auditors for NYNEX Corporation are Coopers & Lybrand. The nature, timing and scope of their review, relative to the Long Distance Company, will be determined shortly.

We hereby affirm that the above estimated financial statements are true and correct to the best of our knowledge, information and belief.

Robert T. Anderson
Robert T. Anderson
President

Colson P. Turner
Treasurer & Comptroller

Richard F. McCarthy
NNS Controller

DEMONSTRATION OF APPLICANT'S FINANCIAL CAPABILITY

3. Statement of Retained Earnings for the Most Recent 3 Years:

None.

ATTACHMENT G

BIOGRAPHIES OF NYNEX LONG DISTANCE COMPANY'S MANAGEMENT TEAM

BIOGRAPHIES OF THE OFFICERS AND DIRECTORS OF NYNEX LONG DISTANCE COMPANY'S MANAGEMENT TEAM

Robert T. Anderson, President & Director - As the Vice President of Business Development for NYNEX Corporation and as the President of NYNEX Network Systems Company, Mr. Anderson is solely responsible for overseeing all business development activities worldwide. He has served in many executive positions for NYNEX Corporation, including that of Vice President of Regulatory Relations, where he oversaw all New York and Connecticut regulatory plans and contacts. Mr. Anderson began his career with New York Telephone in 1970.

John J. Miller, Vice President - Has held a variety of sales and marketing positions with NYNEX, AT&T and Digital Equipment Corp. Most recently, Mr. Miller has been instrumental in the strategic planning and formation of the NYNEX Long Distance Company. He is responsible for developing and implementing the company's marketing programs. Mr. Miller is a graduate of Harvard College and obtained his M.B.A. from Northeastern University.

Jeffrey A. Bowden, Director - From September, 1994 until recently, Mr. Bowden served as the Vice President for Strategy and Corporate Assurance. In that position, he directed the development of NYNEX's overall corporate strategy, advised senior management on mergers and acquisitions, and proposed methods of measuring the performance and effectiveness of NYNEX Corporation and its business units. Mr. Bowden obtained his M.B.A. in marketing and finance in 1972 from The Harvard Business School, where he was named the Henry B. Cabot Fellow in finance.

John C. Cuddy, Secretary - As an attorney with the NYNEX Corporation, Mr. Cuddy has served the company and its various subsidiaries since it was formed in 1984, and, prior to that, served with New York Telephone Co. under AT&T. In addition to serving as corporate secretary to a number of NYNEX subsidiaries, he has served as secretary to FLAG Limited, a Bermuda-based corporation in which NYNEX holds an equity interest.

Colson P. Turner, Treasurer and Comptroller - Mr. Turner augmented a B.A. in the sciences with an M.B.A. Over a thirty-one year career in telecommunications, he has held positions in computer operations, finance, human resources and customer relations. This diversity of experience led Mr. Turner to become the Vice President and Treasurer of NYNEX Corporation, where he is responsible for the corporate-wide coordination of all debt, equity and structured financing, as well as maintenance of bank accounts and banking relationships.

Roslyn G. Grigoleit, Assistant Comptroller - Both an Attorney and a Certified Public Accountant, Ms. Grigoleit began her career with NYNEX Corporation in 1983. In addition to her responsibilities for NYNEX Long Distance Company, she serves as Staff Director of Corporate Income Taxes for NYNEX Corporation. Ms. Grigoleit heads a staff of seven in tax research, merger and acquisition coordination, preparation and filing of income tax return and reponding to tax audits.

Richard Weiss, Assistant Comptroller - Mr. Weiss is a Certified Public Accountant and a Tax Attorney. He is responsible for the preparation and filing of federal and state income tax returns for NYNEX Corporation and for all of the income taxes and consolidated tax filings for unregulated NYNEX companies, such as NYNEX Worldwide Services Group, Inc.

BIOGRAPHIES OF THE OFFICERS AND DIRECTORS OF NYNEX LONG DISTANCE COMPANY'S MANAGEMENT TEAM

Joseph A. Tomitz, Assistant Treasurer - Began his career in telecommunications in the Treasury Department of New York Telephone in 1970. Since that time, Mr. Tomitz has been responsible for the company-wide issuance of Capital, Merger & Acquisition Valuation Analysis, Investment Banking and Rating Agency Relationships, and has served as Assistant Treasurer-Treasury Operations. In addition, Mr. Tomitz is responsible for New York Telephone and New England Telephone Treasury Operations.

Kelly Bloss, Managing Director - Prior to joining NYNEX Long Distance Company, Ms. Bloss served as the Managing Director, Process Re-engineering, for the NYNEX Corporation. She also served as the director of Telesector Resources Group, where she specialized in corporate communications operations. Ms. Bloss has a Masters of Science in Telecommunications and Computing Management from Polytechnic University and a Bachelor of Science in Mechanical Engineering from Union College.

Timothy J. LiVolsi, Executive Director - Previously served as a Director in NYNEX Network Systems Company responsible for managing a number of long distance business development programs. Prior to that, he served in a varity of sales and sales management assignments in the NYNEX Telephone Group selling complex voice and data services to Fortune 500 accounts based in New York. Mr. LiVolvsi has a B.S. from the United States Military Academy and an M.B.A. from New York University.

ATTACHMENT H

TECHNICAL CAPABILITY OF APPLICANT

TECHNICAL CAPABILITY OF APPLICANT

The NYNEX Corporation and its affiliated LECs are among the world's most experienced telecommunications companies. NYNEX Long Distance Company's officers and directors all count on their extensive past experiences in the telecommunications industry, both from working with NYNEX and from working outside it. Biographies individuals with extensive technical experience follow this page.

TECHNICAL CAPABILITY OF APPLICANT

Kelly Bloss, Managing Director

Prior to joining NYNEX Long Distance Company, Ms. Bloss served as the Managing Director of Process Re-Engineering for the NYNEX Corporation, where she lead a team of approximately twenty managers in a comprehensive redesign of the company's Customer Operations processes. Specific tasks include, but are not restricted to the following: conducting on site Best Practice Interviews with leading U.S. companies in diverse industries to explore unique solutions to apply across industries; analysis of historical company performance along operational and customer satisfaction dimensions and identification and prioritization of areas for improvement; and, development of a comprehensive "Clay Model" view of future methods of operations, including revised organization structures, procedures, measurements and incentives.

Prior to joining NYNEX Corporation, Ms. Bloss was promoted from entry level manager to director of Telesector Resources Group over a seven year period. Ms. Bloss directed large teams that were responsible for maintaining and enhancing a multi-functional operating support systems infrastructure; lead a team of experts in the selection of public communications products and telecommunications power systems; and, lead the activities of a significantly large team of information technology experts in the reconciliation and management of corporate data.

Ms. Bloss has a Masters of Science inTelecommunications and Computing Management from Polytechnic University and a Bachelor of Science in Mechanical Engineering from Union College.

Timothy J. LiVolsi, Executive Director

As Director of NYNEX Network Systems, Mr. LiVolsi was responsible for project management of various international and domestic business development activities. Mr. LiVolsi led multi-functional teams consisting of internal and external NYNEX resources to analyze and make recommendations on business opportunities requiring investments in excess of several hundred million dollars.

From 1992 to 1995, Mr. LiVolsi served as the Sales Manager of NYNEX Telephone Group, where he assembled and directed interdepartmental teams to design, source and install customized communications networks that contributed over $9 million in new revenues. He also spearheaded the deployment of leading edge digital technology by forecasting market demand, driving resource deployment and capital funding.

As a Captain in the United States Army, Mr. LiVolsi was responsible for the administration and support of a multi-million dollar study evaluating heavy combat situations which led to changes in systems and force deployment.

Mr. LiVolsi earned his M.B.A. from New York University's Executive Program and his B.S. from the United States Military Academy at West Point.

ATTACHMENT I

PROPOSED TARIFF UNDER WHICH THE APPLICANT PLANS TO BEGIN OPERATION

NYNEX LONG DISTANCE COMPANY

RESALE INTEREXCHANGE TELECOMMUNICATIONS

SERVICE TARIFF

This tariff contains the regulations, rates and charges applicable to the provision of interexchange (interLATA and intraLATA) telecommunications services by NYNEX Long Distance Company for the use of Customers transmitting messages within the State of Florida, subject to the jurisdiction of the Florida Public Service Commission ("Commission").

This tariff is available for public inspection during normal business hours at the main office of NYNEX Long Distance Company, located at 1095 Avenue of the Americas, New York, NY 10036.

John J. Miller, Vice President
NYNEX Long Distance Company
1095 Avenue of the Americas
New York, New York 10036

CHECK SHEET

Pages 1 through 23 inclusive of this tariff are effective as of the date shown at the bottom of the respective pages. Original and revised pages, as named below, comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this page.

Page	Revision
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original
15	Original
16	Original
17	Original
18	Original
19	Original
20	Original
21	Original
22	Original
23	Original

John J. Miller, Vice President
NYNEX Long Distance Company
1095 Avenue of the Americas
New York, New York 10036

TABLE OF CONTENTS

TARIFF FORMAT

A. **Page Numbering** - Page numbers appear in the upper right corner of the page. Pages are numbered sequentially. However, new pages are occasionally added to the tariff. When a new page is added between pages already in effect, a decimal is added. For example, a new page added between pages 14 and 15 would be 14.1.

B. **Page Revision Numbers** - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current page version on file with the Commission. For example, the 4th revised Page 14 cancels the 3rd revised Page 14. Because of the various suspension periods and deferrals the Commission follows in its tariff approval process, the most current page number on file with the Commission is not always the tariff page in effect. Consult the check page for the page currently in effect.

C. **Paragraph Numbering Sequence** - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

2
2.1
2.1.1
2.1.1.A
2.1.1.A.1
2.1.1.A.1.(a)
2.1.1.A.1.(a).I
2.1.1.A.1.(a).I.(i)
2.1.1 A.1.(a).I.(i).(1)

D. **Check Sheets** - When a tariff filing is made with the Commission an updated check sheet accompanies the filing. The check sheet lists the pages contained in the tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There shall be no other symbols used on this page if these are the only changes made to it. The tariff user should refer to the latest check sheet to find out if a particular page is the most current on file with the Commission.

John J. Miller, Vice President
NYNEX Long Distance Company
1095 Avenue of the Americas
New York, New York 10036

EXPLANATION OF SYMBOLS

Changes to this tariff shall be identified on the revised page(s) through the use of symbols. The following are the only symbols used for the purposes indicated below:

(D) - To signify a discontinued rate or regulation.

(I) - To signify an increase in rate or charge.

(M) - To signify material relocated from one page to another without change.

(N) - To signify a new rate or regulation.

(R) - To signify a reduced rate or change.

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

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SECTION 1 - DEFINITION OF TERMS AND ABBREVIATIONS

Access Line - A facility arrangement which connects Customer's location to Carrier's network switching center.

Account Code - A series of digits entered by Customer to associate a call with a particular department, cost center, or client. A non-verified Account Code shall be accepted if it contains the proper number of digits. A verified Account Code shall only be accepted if it can be matched with a number on the list of valid Account Codes provided by Customer.

Authorization Code - A numerical code, one or more of which are available to Customer to enable it to access Carrier's network, and which are used by Carrier both to prevent unauthorized access to its facilities and to identify Customer for billing purposes. Multiple authorization codes may be assigned to identify individual users on the account.

Carrier - NYNEX Long Distance Company

Carrier Identification Code (CIC) - A unique three (3) or four (4) digit code assigned to a carrier and used to identify that carrier to the Local Exchange Carrier and for placing calls as a Casual Caller. Carrier's CIC is "6953".

Casual Calling - The access of Carrier's network and the use of Service by a caller who has not established an account with Carrier. Callers access Service by dialing 10XXX or 101XXXX, where the three (3) digits or the four (4) digits represented by "X" are the CIC assigned to Carrier.

Collect Call - An operator-assisted call in which all usage sensitive charges and per call charges for the call are assessed against the called party rather than the calling party.

Commission - The Florida Public Service Commission

Conversation Minutes - For billing purposes calls are billed based on Conversation Minutes, which begin when the called party answers, as determined by answer supervision, and end when either party disconnects.

Customer - The company, individual, or other entity which orders or uses Service and is therefore responsible for the payment of charges due and for compliance with Carrier's tariff.

John J. Miller, Vice President
NYNEX Long Distance Company
1095 Avenue of the Americas
New York, New York 10036

SECTION 1 - DEFINITION OF TERMS AND ABBREVIATIONS (Continued)

Holidays - Holidays recognized by Carrier include New Year's Day*, Martin Luther King Day, President's Day, Memorial Day, Independence Day*, Labor Day, Columbus Day, Veteran's Day*, Thanksgiving Day, and Christmas Day*. When any of the four asterisked (*) holidays falls on a Saturday or Sunday, the recognized holiday shall be observed on the preceding Friday or the following Monday, respectively.

Local Access And Transport Area (LATA) - A geographically defined service area established for the administration of telecommunications services.

Off-Peak - All hours other than those included in the Peak period, as indicated below.

Peak - From 7:00 AM up to but not including 7:00 PM Monday through Friday, excluding recognized holidays as defined above.

Person-To-Person Call - An operator-assisted call in which the caller specifies the name of a particular person, department, extension, or other recognizable entity and in which the caller is not billed for that call unless the specific person or entity named is reached.

Point-Of-Presence (POP) - The actual (physical) location at which the network of the underlying carrier is accessed within the state or LATA.

Prepaid Calling Service - A prepaid telecommunications service, which provides Customer with an 800 number and an Authorization Code and allows Customer to originate outbound direct dial long distance calls over Carrier's network.

Real-Time Rated Call - An operator-assisted call in which the operator captures a record of all charges associated with the call and provides the information concerning those charges to the caller immediately upon termination of the call.

Service - Any or all service(s) provided by Carrier pursuant to this tariff.

SECTION 2 - REGULATIONS

2.1 Undertaking of the Carrier

2.1.1 Service is furnished for telecommunications originating at specified points within the State of Florida under the terms and conditions of this tariff.

2.1.2 Carrier shall install, operate, and maintain Service provided hereunder in accordance with the terms and conditions set forth in this tariff.

2.1.3 Carrier neither owns nor operates telecommunications facilities within the State of Florida, but rather resells telecommunications services provided by other carriers. Notwithstanding the foregoing, Customer shall be considered a customer of Carrier, and not a customer of any other carrier.

2.1.4 Carrier may, when authorized by Customer, act as Customer's agent for ordering dedicated Access Lines or facilities provided by other carriers to allow connection of Customer's locations to the network of an underlying carrier.

2.1.5 Service is provided on a monthly basis unless ordered on a longer term basis, and is available twenty-four (24) hours per day, seven (7) days per week.

2.2 Limitations on Service

2.2.1 Service is offered subject to the availability of the necessary facilities and subject to the provisions of this tariff.

2.2.2 Carrier reserves the right to discontinue furnishing Service, or to limit the use of Service, when necessitated by conditions beyond its control, when Customer is using Service in violation of the law or in violation of the provisions of this tariff, or for non-payment by Customer.

SECTION 2 - REGULATIONS (Continued)

2.2 Limitations on Service (Continued)

2.2.3 Service provided under this tariff is directly controlled by Carrier, and Customer may not transfer or assign the use of Service, except with the prior written consent of Carrier. Such transfer or assignment shall only apply where there is no interruption in the use or location of Service, and all regulations and conditions contained in this tariff, as well as all conditions for Service, shall apply to all such permitted assignees or transferees.

2.2.4 Service may not be used for any unlawful purpose.

2.2.5 Carrier may require Customer to sign an application form furnished by Carrier and to establish credit as provided in this tariff, as a condition precedent to the initial establishment of Service. Carrier's acceptance of an order for Service to be provided an applicant whose credit has not been duly established may be subject to the deposit provisions described in Section 2.9 of this tariff. Carrier may also require a signed authorization from Customer for additions to or changes in existing Service for such Customer. An application for service canceled by the applicant or by Carrier prior to the establishment of Service is subject to the provisions of this tariff.

2.3 Limitations on Liabilities

2.3.1 Carrier's liability shall be limited to damages arising out of mistakes, omissions, interruptions, delays, errors, or defects in transmission occurring in the course of furnishing Service, and not caused by mistakes or errors of Customer. No liability shall commence prior to activation of Service. In no event shall such liability exceed an amount equivalent to the proportionate charge to Customer for the period during which the aforementioned faults in transmission occur.

2.3.2 Carrier shall not be liable for unlawful use, or use by any unauthorized person, of its facilities and services, or for any claim arising out of a breach in the privacy or security of communications transmitted over Carrier's facilities.

SECTION 2 - REGULATIONS (Continued)

2.3 Limitations on Liabilities (Continued)

2.3.3 Carrier shall not be liable for any damages, including usage charges, that Customer may incur as a result of the unauthorized use of its communications equipment. The unauthorized use of communications equipment includes, but is not limited to, the placement of calls from Customer's premises, and the placement of calls through Customer-controlled or Customer-provisioned equipment, that are transmitted over Carrier's network without the authorization of Customer. Customer shall be fully liable for all such usage charges.

2.4 Cancellation or Discontinuance of Service by Carrier

Without incurring any liability, Carrier may under the following conditions cancel Service prior to commencement or discontinue Service that is being furnished, provided that, unless otherwise stated, Customer shall be given fifteen (15) days written notice of such cancellation or discontinuance of Service.

2.4.1 For noncompliance with or violation of any applicable State, municipal or Federal law, ordinance or regulation or noncompliance with or violation of any Commission regulation, provided that lesser notice may be required by order of such regulatory authorities.

2.4.2 For Customer's refusal to provide reasonable access to Carrier or its agents for the purpose of inspection and maintenance of equipment owned by Carrier.

2.4.3 For noncompliance with any of the provisions of this tariff governing Service.

2.4.4 For nonpayment of any sum due Carrier for more than thirty (30) days after delivery of an invoice to the custody of the U.S. Mail or other standard delivery service.

2.4.5 Without notice, in the event of Customer's use of equipment in such a manner as to adversely affect Carrier's equipment or Service to others.

John J. Miller, Vice President
NYNEX Long Distance Company
1095 Avenue of the Americas
New York, New York 10036

SECTION 2 - REGULATIONS (Continued)

2.4 Cancellation or Discontinuance of Service by Carrier (Continued)

2.4.6 Without notice, in the event of unauthorized or fraudulent use of Service. Whenever Service is discontinued for unauthorized use of Service, Carrier may, before restoring Service, require Customer to make, at its own expense, all changes in facilities or equipment necessary to eliminate unauthorized use and to pay to Carrier an amount reasonably estimated by Carrier as the loss in revenues to Carrier resulting from such unauthorized use plus claims lodged against Carrier by third parties.

2.4.7 Without notice, by reason of any order or decision of a court or other government authority having jurisdiction that prohibits Carrier from furnishing Service to Customer.

2.5 Cancellation or Termination of Service by Customer

2.5.1 Customer may cancel Service by giving notice to Carrier up to the day Service is scheduled to commence.

2.5.2 If Customer orders Service which requires special construction or facilities for Customer's use, and then cancels its order before Service begins, a charge shall be made to Customer for the non-recoverable portions of the expenditures or liabilities incurred on behalf of Customer by Carrier.

2.5.3 Carrier shall have up to thirty (30) days to complete a disconnect. Customer shall be responsible for all charges for 30 days, or until the disconnect is effected, whichever is sooner. This 30-day period shall begin on the day of receipt of notice from Customer.

SECTION 2 - REGULATIONS (Continued)

2.6 Contract Service Arrangements

Customer specific contract service arrangements may be furnished in lieu of existing tariff offerings.

2.6.1 Rates, charges, term, and additional regulations, if applicable, for the contract service arrangement shall be developed on an individual case basis.

2.6.2 Unless otherwise specified, the regulations for contract service arrangements are in addition to the applicable regulations and rates specified in this tariff.

2.7 Restoration of Service

The use and restoration of Service shall in all cases be in accordance with the priority system specified in Part 64, Subpart D, of the Rules and Regulations of the Federal Communications Commission.

2.8 Payment and Billing

2.8.1 For billing of fixed charges, Service is considered to be established upon the day which Carrier notifies Customer of installation and testing of Customer's Service. Charges shall be billed monthly in arrears and are due upon receipt. Customer shall be billed for all usage accrued beginning immediately upon access to Service. Customers shall be billed for usage occurring during their specific 30-day billing cycle, which for purposes of computing charges shall be considered a month. The rates charged to Customer shall be the rates in effect on the first day of the Customer's billing cycle.

2.8.2 Bills are due and payable upon receipt. Interest at the lesser of a rate of one and one-half percent (1.5%) per month, or the maximum rate allowed by law, may be charged on any amount remaining unpaid after thirty (30) days from delivery of an invoice to the custody of the U.S. Mail or other standard delivery service.

2.8.3 The security of Customer's Authorization Codes is the responsibility of Customer. All calls placed using Customer's Authorization Codes or using facilities owned or controlled by Customer shall be billed to Customer and must be paid by Customer.

SECTION 2 - REGULATIONS (Continued)

2.8 Payment and Billing (Continued)

2.8.4 Carrier reserves the right to examine the credit record of an applicant or Customer. A Customer whose Service has been discontinued for non-payment of bills shall be required to pay any unpaid balance due to Carrier before Service is restored, and a deposit may be required.

2.8.5 Carrier shall make no refund of overpayments by Customer unless the claim for such overpayment, together with proper evidence, is submitted within two (2) years from the date of the alleged overpayment. In calculating refunds, any applicable discounts shall be adjusted based upon the actual monthly usage after all credits or adjustments have been applied.

2.8.6 A charge of ten dollars ($10.00) or the applicable state return check charge, whichever is less, shall apply whenever any check or draft for payment of Service is not accepted by the institution on which it is written.

2.9 Deposits

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

2.9.2 A deposit shall not exceed the estimated charges for two (2) month's Service plus installation, and shall be returned:

- When an application for Service has been canceled prior to the establishment of Service. Such deposit shall be applied to any applicable charges, and the excess portion of the deposit shall be returned.
- At the end of six (6) consecutive months of a satisfactory credit history.
- Upon the discontinuance of Service. Carrier shall refund Customer's deposit or the balance in excess of unpaid bills for Service.

The fact that a deposit has been made in no way relieves Customer from complying with the regulations with respect to the prompt payment of bills on presentation.

John J. Miller, Vice President
NYNEX Long Distance Company
1095 Avenue of the Americas
New York, New York 10036

SECTION 2 - REGULATIONS (Continued)

2.10 Taxes

2.10.1 Service may be subject to state and/or local taxes at the prevailing rates, if Service originates and terminates in the State of Florida. Such taxes shall be listed as separate line items on the Customer's invoice and are not included in the rates and charges listed herein.

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

2.11 Terminal Equipment

Service may be used with or terminated in Customer-provided terminal equipment or Customer-provided communications systems, such as a PBX or key telephone system. Such terminal equipment or communications systems shall be furnished by and maintained at the expense of Customer, except as otherwise provided. Customer is also responsible for all costs at its premises incurred in the use of Service, including but not limited to equipment, wiring, electrical power, and personnel. When such terminal equipment or communications systems are used, they shall in all respects comply with the generally accepted minimum protective standards of the telecommunications industry as endorsed by the Federal Communications Commission.

2.12 Interconnection

Service furnished by Carrier may be connected with the services or facilities of other carriers. Customer is responsible for all charges billed by other carriers in connection with the use of Service. Any special equipment or facilities necessary to achieve compatibility between carriers are the sole responsibility of Customer.

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New York, New York 10036

SECTION 2 - REGULATIONS (Continued)

2.13 Inspection, Testing and Adjustment

2.13.1 Carrier may, upon reasonable notice, make such tests and inspections as may be necessary to determine whether tariff requirements are being complied with in the installation, operation, and maintenance of Customer's or Carrier's equipment. Carrier may, without notice, interrupt Service at any time, as necessary, because of a departure from any of these requirements and may continue such interruption until its requirements have been satisfied.

2.13.2 Upon reasonable notice, the facilities provided by Carrier shall be made available to Carrier by Customer for such tests and adjustments as may be necessary for their maintenance to a condition satisfactory to Carrier.

2.13.3 Carrier shall not be liable to Customer for any damages for Service interruption pursuant to this Section. Customer shall not be entitled to any credit for interruption of Service pursuant to this Section when the interruption of Service is less than two (2) consecutive hours.

2.14 Interruption of Service

2.14.1 It shall be the obligation of Customer to notify Carrier of any interruption of Service. Before giving such notice, Customer shall ascertain that the trouble is not being caused by any action or omission of Customer or is not in wiring or equipment connected to the terminal of Carrier.

2.14.2 When Service is interrupted for two (2) hours or more, credit is allowed on demand to Carrier, computed as set forth below, provided such interruption is not shown by Carrier to have been caused by the negligence or willful action of Customer, or any other person at the Customer's terminal location, or is not caused by the failure of Customer's equipment or power supply.

2.14.3 Credit is computed by multiplying the monthly rate for Service by the ratio that the number of hours in the period of interruption bears to 720 hours. For the purpose of this computation, each month shall be considered to have seven hundred twenty (720) hours. The credit shall be based upon the non-usage charges for the month during which the interruption occurred, excluding equipment and access line charges.

SECTION 2 - REGULATIONS (Continued)

2.14 Interruption of Service (Continued)

2.14.4 An interruption is measured from the time Carrier detects trouble or the Customer notifies Carrier of the interruption by an expeditious means, until the trouble is cleared. Each interruption is considered separately for the purposes of establishing credit allowance. No credit shall be given for an interruption of Service of less than two (2) hours. The credit for a billing period shall not exceed the monthly rate.

2.15 Escalation and Problem Resolution

Customers who are not satisfied with Carrier's response to their inquiries or who have unresolved billing or collection problems may escalate those unresolved matters to the NYNEX Long Distance Company Escalation Office, at the following address:

NYNEX Long Distance Company Escalation Office
1603 LBJ Freeway, Suite 300 - TXFBRB042A
Dallas, Texas 75234

Telephone (800) 785-5624
Facsimile (800) 327-5182

SECTION 3 - DESCRIPTION OF SERVICE

3.1 Availability of Service

Carrier offers resold interexchange telecommunications service to any person or company within its service area who desires to be a Customer, subject to the terms and conditions of this tariff. Service is available twenty-four (24) hours per day, seven (7) days per week.

3.2 Timing of Calls

3.2.1 Usage sensitive charges are based on usage of Carrier's network. Such charges are measured in Conversation Minutes.

3.2.2 Chargeable time for Customer shall begin when the called party answers, as determined by hardware answer supervision, provided that such capabilities are available from the local telephone company. If hardware answer supervision is not available, then Carrier will employ software answer supervision, and up to sixty (60) seconds of ringing will be allowed before billing. Chargeable time for a call shall end upon disconnection by either party.

3.2.3 The initial period (minimum call duration) for billing purposes varies by service offering and is indicated in Section 4.2.

3.2.4 Usage for billing purposes is measured and partial billing increments are rounded to the next higher billing increment after the initial period. Billing increments, which vary by service offering, are indicated in Section 4.2.

3.2.5 No charges apply for incomplete calls. If Customer believes it has been incorrectly billed for an incomplete call, Carrier shall, upon notification, investigate the circumstances of the call and issue a credit when appropriate.

SECTION 3 - DESCRIPTION OF SERVICE (Continued)

3.3 Service Offerings

Applicable rate schedules for the following services are provided in Section 4 - Rates.

3.3.1 Switched Access 1+ Residential Service

Switched Access 1+ Residential Service is a time-of-day banded outbound long distance service. Switched Access 1+ Residential Service Customers utilize Feature Group D access.

3.3.2 Switched Access 1+ Business Service

Switched Access 1+ Business Service is a time-of-day banded outbound long distance service. Switched Access 1+ Business Service Customers utilize Feature Group D access.

3.3.3 Switched Termination 800 Business Service

Switched Termination 800 Business Service is a time-of-day banded inbound long distance service. Switched Termination 800 Business Service calls are terminated over Customer's local telephone lines.

3.3.4 Travel Card Service

Travel Card Service is a time-of-day banded outbound long distance service. This service allows business or residential Customers to place calls from locations other than their primary service location through the use of 800 number network access and an Authorization Code.

SECTION 3 - DESCRIPTION OF SERVICE (Continued)

3.3 Service Offerings (Continued)

3.3.5 Prepaid Calling Service

Prepaid Calling Service allows a customer to pay a fixed dollar amount in advance for long distance calling over Carrier's network. Prepaid Calling Service is a flat rated (not time-of-day banded) outbound long distance service, which allows callers to originate outbound, direct dial long distance calls via an 800 access number. Customers may not complete calls to 700, 800, or 900 numbers, calls to directory assistance, conference calls, calls requiring surcharges, or calls requiring operator assistance. The cost of a given call will be deducted on a real-time basis from the available balance until the full balance of the account is exhausted. Calls may only be charged against an account that has a sufficient available balance. Customers shall be given notice two (2) minutes before the available account balance is depleted based upon the applicable rates for the call in progress, as such rates were in effect at the time the account was established. When the balance of available time is depleted, the call shall be terminated. A prepaid calling account shall expire on the date specified on the card issued to Customer at the time the account is established.

3.3.6 Operator Handled Service

Operator Handled Service is a time-of-day banded long distance service. This service allows business or residential Customers to place a variety of calls through an operator. Call types include collect, third number billed, operator dialed, calling card, real-time rated, busy line verification, and emergency interruption.

SECTION 4 - RATES AND CHARGES

4.1 General

4.1.1 Conversation Minutes, reflecting usage sensitive charges resulting from the use of Service, are billed in varying increments, as indicated in Section 4.2 below.

4.1.2 Conversation Minutes for each service offering shall be billed on the basis of an initial period (minimum billing period) and an additional period that are specific to that service offering. These periods are also defined in Section 4.2.

4.2 Billing Periods

4.2.1 For Switched Access 1+ Residence Service, Conversation Minutes are measured in one (1) minute increments, the initial period is one (1) minute, and all partial periods are rounded to the next higher one (1) minute increment.

4.2.2 For Switched Access 1+ Business Service, Conversation Minutes are measured in one (1) minute increments, the initial period is one (1) minute, and all partial periods are rounded to the next higher one (1) minute increment.

4.2.3 For Switched Termination 800 Service, Conversation Minutes are measured in one (1) minute increments, the initial period is one (1) minute, and all partial periods are rounded to the next higher one (1) minute increment.

4.2.4 For Travel Card Service, Conversation Minutes are measured in one (1) minute increments, the initial period is one (1) minute, and all partial periods are rounded to the next higher one (1) minute increment.

4.2.5 For Prepaid Calling Service, Conversation Minutes are measured in One (1) minute increments, the initial period is one (1) minute, and all partial periods are rounded to the next higher one (1) minute.

4.2.6 For Operator Handled Service, Conversations Minutes are measured in One (1) minute increments, the initial period is one (1) minute, and all partial periods are rounded to the next higher one (1) minute.

SECTION 4 - RATES AND CHARGES (Continued)

4.3 Basic Service Rates

4.3.1 Switched Access 1+ Residence Service

Usage Sensitive Charges (1 Minute Increments / 1 Minute Minimum):

	InterLATA	IntraLATA
Rate Per Minute (Peak)	\$ 0.2500	\$ 0.2500
Rate Per Minute (Off-Peak)	\$ 0.1500	\$ 0.1500

4.3.2 Switched Access 1+ Business Service

Usage Sensitive Charges (1 Minute Increments / 1 Minute Minimum):

	InterLATA	IntraLATA
Rate Per Minute (Peak)	\$ 0.2500	\$ 0.2500
Rate Per Minute (Off-Peak)	\$ 0.1500	\$ 0.1500

4.3.3 Switched Termination 800 Service

Usage Sensitive Charges (1 Minute Increments / 1 Minute Minimum):

	InterLATA	IntraLATA
Rate Per Minute (Peak)	\$ 0.2500	\$ 0.2500
Rate Per Minute (Off-Peak)	\$ 0.1500	\$ 0.1500

Non-Usage Sensitive Charges:

Per 800 Number Per Month	\$ 5.00

4.3.4 Travel Card Service

Usage Sensitive Charges (1 Minute Increments / 1 Minute Minimum):

	InterLATA	IntraLATA
Rate Per Minute (Peak)	\$ 0.3000	\$ 0.3000
Rate Per Minute (Off-Peak)	\$ 0.2000	\$ 0.2000

Non-Usage Sensitive Charges:

Charge Per Travel Card Call Placed	\$ 0.75

John J. Miller, Vice President
NYNEX Long Distance Company
1095 Avenue of the Americas
New York, New York 10036

SECTION 4 - RATES AND CHARGES (Continued)

4.3 Basic Service Rates (Continued)

4.3.5 Prepaid Calling Service

Usage Sensitive Charges (1 Minute Increments / 1 Minute Minimum):

Rate Per Minute (All Rate Periods)	$ 0.3500

4.3.6 Operator Handled Service

Usage Sensitive Charges (1 Minute Increments / 1 Minute Minimum):

	InterLATA	IntraLATA
Rate Per Minute (Peak)	$ 0.3000	$ 0.3000
Rate Per Minute (Off-Peak)	$ 0.2000	$ 0.2000

Non-Usage Sensitive Charges:

Charge Per Collect Call Placed	$ 2.50
Charge Per Third Number Billed Call Placed	$ 2.50
Charge Per Operator Assisted Call Placed	$ 2.50
Charge Per Real-Time Rated Call Placed	$ 2.50
Charge Per Calling Card Call Placed	$ 2.50
Charge Per Busy Line Verification Call Placed	$ 2.50
Charge Per Person-To-Person Call Placed	$ 4.50
Charge Per Emergency Interruption Call Placed	$ 4.50

4.4 Other Service Charges

4.4.1 Returned Check Charge

Returned Check Charge (Per Check): $ 10.00

4.4.2 Directory Assistance

Charge Per Directory Assistance Call: $ 0.75

John J. Miller, Vice President
NYNEX Long Distance Company
1095 Avenue of the Americas
New York, New York 10036

SECTION 4 - RATES AND CHARGES (Continued)

4.5 Credits for Hearing or Speech Impaired Persons

4.5.1 A telephone call which is placed using a Telecommunications Device for the Deaf (TDD) by or to properly certified hearing or speech impaired persons or properly certified business establishments or individuals equipped with TDDs for the purpose of communicating with hearing or speech impaired persons will receive, upon request, credit on charges for all intrastate toll calls placed between TDDs. The credit for such calls placed between TDDs shall be fifty percent (50%) of the billed toll charges.

4.5.2 For interstate calls received from the relay service, the company billing the calls shall discount the calls by fifty percent (50%). In addition, fifty (50) free calls per billing cycle shall be granted to disabled customers.

4.6 Employee Concessions

No employee concessions are offered under this tariff.

4.7 Special Promotions

Carrier may, from time to time, waive or vary the rates and charges associated with certain services for promotional, market research, or other similar purposes. In no case, shall the resulting rates and charges exceed the rates and charges listed in this tariff for the same services.

ATTACHMENT J

DESCRIPTION OF APPLICANT'S PROVIDED SERVICES

DESCRIPTION OF PROPOSED SERVICES

Basic and Enhanced Services. NYNEX Long Distance Company proposes to offer long distance telecommunications services to all Florida consumers, using the facilities and services of Sprint Communications Co., L.P. and perhaps other underlying carriers. NYNEX Long Distance Company intends to provide, among a growing family of services:

(i) Basic dialed ("1+") services;
(ii) Toll free 800 services that will be charged to the called party;
(iii) Operator-assisted ("0+"), using automated voice response systems as well as live operators where appropriate;
(iv) Travel services, including both prepaid ("debit card") and postpaid calling cards, distributed and branded by the applicant and also distributed by third party vendors selected by the NYNEX Long Distance Company.

The Applicant will offer ancillary services, such as collect, third-party-billed, and local and long distance directory assistance services. Some of these services will be furnished by the Applicant's employees and some by experienced third parties. At least initially, the live operator services and directory assistance will be outsourced. In addition, NYNEX Long Distance Company may offer a variety of innovative enhanced services including, for example, paging, Internet access, broadcast facsimile and teleconferencing. The applicant will not be offering 900 services or any 800 services for which the applicant charges the calling party. The Applicant will have operators trained to route misdirected emergency calls to the appropriate party best able to handle such emergency calls.

The following chart summarizes the applicant's basic services. It also displays the numbers normally dialed by the calling party, in situations where NYNEX Long Distance Company is the Primary Interexchange Carrier ("PIC") pre-chosen by the caller, as well as where NYNEX Long Distance Company is not the PIC, but is the carrier chosen by the party responsible for the charges, in the case, for instance, of 800 inbound calls paid for by the called party or of calling card calls paid for by the card purchaser. The applicant's Carrier Identification Code ("CIC") is 6953 [NXLD].

Product	**Dialing Patterns - PIC**	**Dialing Patterns - non - PIC**
One-Plus	1+	1016953 1+
Toll Free	800	800
Pre-Paid (Debit) Card	800	800
Operator Services (Collect, Calling Card, Person-Person, Operator Dialed, Third Party)	00-, 0+, (00+)	1016963 0- (00-) 10116963 0+ (00+)

NYNEX

Annual Report & Proxy Statement

NYNEX in 1995: Our story for the year is a positive one: New services. More customers. Exciting alliances. Strong financial results. Significant growth. And a solid platform for growth for the years to come....

NYNEX

Annual Report & Proxy Statement

Contents

For information about NYNEX's 1996 Annual Meeting of Share Owners, see page 51

About This Report

The NYNEX 1995 Annual Report and Proxy Statement is printed entirely on [illegible] recycled paper. This is the first time that NYNEX has combined the Annual Report and Proxy Statement into one document. Our goal is to create a more convenient, cost-effective and environmentally responsible [illegible] document.

Visit the "NYNEX Connection" on the World Wide Web (http://www.nynex.com). Other NYNEX Internet Web sites include the NYNEX Interactive Yellow Pages (http://www.niyp.com), NYNEX CableComms (http://www.nynex.co.uk/nynex/), and NYNEX Science & Technology Asia (http://www.nynexbk.co.th/).

NYNEX in 1995: Our story for the year is a positive one: New services. More customers. Exciting alliances. Strong financial results. Significant growth. And a solid platform for growth for the years to come....

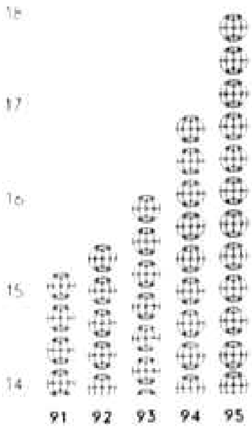
December 31 (In millions, except per share data and total employees)	1995	1994	1993
Operating Data			
Operating Revenues	$ 13,407	$ 13,307	$ 13,308
Earnings (Loss) before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	$ 1,069	$ 793	$ (272)
Extraordinary Item for the Discontinuance of Regulatory Accounting Principles, Net of Taxes	$ (2,919)		
Cumulative Effect of Change in Accounting for Postemployment Benefits, Net of Taxes			(122)
Net Income (Loss)	$ (1,850)	$ 793	$ (394)
Per Share Data			
Earnings (Loss) before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	$ 2.50	$ 1.89	$ (.66)
Extraordinary Item	$ (6.84)		
Cumulative Effect of Change in Accounting Principle			$ (.29)
Earnings (Loss)	$ (4.34)	$ 1.89	$ (.95)
Dividends	$ 2.36	$ 2.36	$ 2.36
Book Value	$ 14.06	$ 20.26	$ 20.28
Other Data			
Total Assets	$ 26,220	$ 30,068	$ 29,458
Stockholders' Equity	$ 6,079	$ 8,581	$ 8,416
Capital Expenditures*	$ 3,188	$ 3,012	$ 2,717
Network Access Lines in Service	17.1	16.6	16.0
Total Employees	65,800	70,600	76,200

Ivan Seidenberg
Chairman and
Chief Executive Officer

To Our Share Owners:

In 1995, NYNEX made excellent progress on the road to becoming a global provider of communications, entertainment and information products and services. Our growth — and our strong financial results — were fueled by some exciting new customer initiatives, key strategic wins, a strong management team and an energized, committed work force. I'm pleased to report the following:

Access Lines in the Northeast and Overseas*
(in millions)



• Net income for the year was up [illegible] percent to $1.4 billion, or $3.27 per share, and included three straight quarters of double digit earnings growth. These figures are adjusted for certain non-recurring items for 1994 and 1995.**

• Consolidated revenues (which don't include revenues from our Bell Atlantic NYNEX Mobile joint venture) were up 3.8 percent to $13.4 billion, driven by strong volume growth across all businesses.

• Consolidated operating expenses rose [illegible] percent over 1994 to $10.3 billion. This expense growth — significantly lower than our revenue growth — was driven by across-the-board productivity gains. The combination of strong revenue growth and productivity gains expanded operating margins, which rose 2.2 percentage points in 1995 to 21.3 percent.

• The number of access lines in use worldwide rose by more than a million in 1995, to about 18 million. In addition to 17.4 million lines in the Northeast, that includes some 246,800 telecommunications lines for United Kingdom-based NYNEX CableComms, 710,000 lines for TelecomAsia (our strategic alliance to expand Bangkok's telephone network) and 15,800 lines for our Gibraltar partnership.

We're building share owner value with new choices and freedoms, and a renewed focus on serving our existing customers, developing new markets domestically and expanding our markets globally.

The new market freedoms spelled out in the national legislation complement the state regulatory breakthroughs we've already achieved.

New Choices, New Freedoms

A Platform for Growth

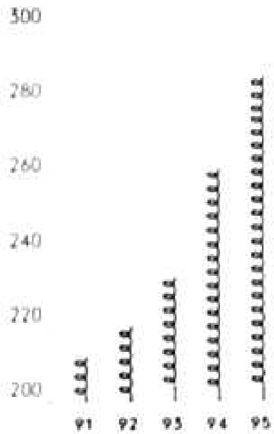
The communications reform bill signed into law by President Clinton in February 1996 helps us grow to our full potential — and lets us take advantage of new freedoms to provide a range of services that include new communications, information and entertainment choices.

We intend to move aggressively to meet all the requirements that will enable us to offer long distance services to our current customers and to new customers — across the nation and around the globe. And we are poised to offer a full array of wireline and wireless services — voice, data, information and entertainment — in packages tailored to meet customers' individual needs.

We worked hard for this legislation, and so did many of you. Thanks for your letters and calls to Congress in support of telecommunications reform. You helped make a difference in a tough legislative battle.

The new market freedoms spelled out in the national legislation complement the state regulatory breakthroughs we've already achieved. With "incentive regulation" plans approved in New York, Massachusetts and Maine, we've brought the regulation of more than 95 percent of our telecommunications operations into line with marketplace realities. These plans provide the right framework for growth — and provide an incentive to operate more efficiently. In fact, NYNEX already is using its new pricing flexibility to introduce a number of popular optional calling plans for business and residence customers.

Northeast Access Lines per Telecommunications Employee



Serving Our Customers

Today, our customers want more flexibility and control. We're meeting the "challenge of choice" through aggressive marketing, impressive new services and a continued focus on quality and customer satisfaction. Our strategy — to meet customer requirements — is reaping rewards.

• NYNEX's core telecommunications business in the Northeast experienced record growth last year. Access lines were up 3.4 percent over 1994. And access usage was up 8.6 percent.

• Sales of our value-added services — such as NYNEX PhoneSmart® Services, NYNEX Voice Messaging Service and NYNEX VoiceDialing℠ Service (developed by NYNEX Science & Technology, Inc., our leading-edge research and development lab) — grew more than 40 percent. The number of ISDN lines in service nearly doubled, to more than 90,000.

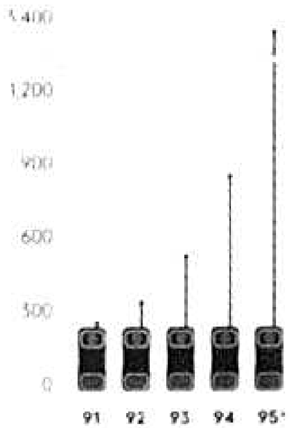
• Private line revenues, led by sales of NYNEX Enterprise Services, rose more than 5 percent in 1995, marking the first year of growth for spe

Serving customers better with quality service and more choice is the reason we continue to invest $2.4 billion annually in our Northeast wireline network.

cialized business services since the mid-1980s. And Centrex lines were up 14.5 percent to a total of 1.4 million lines in service.

• We also introduced iMPOWER, our new strategic network vision. Working with IBM and a host of other technology companies, we're creating an information infrastructure — the NYNEX Business Network Architecture — to provide voice, data, image, video and multimedia services to knowledge workers.

Cellular Customers



Serving customers better with quality service and more choice is the reason we continue to invest $2.4 billion annually in our Northeast wireline network — building an all-digital network that helps people communicate via voice, data or video.

It's why we continue to build and nurture multilingual sales channels to tap into high-growth ethnic markets.

And it's why we're reinventing our business around customers. Service on the customer's schedule will be the order of the day, along with simplified, more flexible bill-paying options, proactive network maintenance and more. Our process re-engineering initiatives are focused on improving the quality of our service. And NYNEX will be able to handle increased demand for new products and services more efficiently than ever.

When our re-engineering initiatives are completed, some 50 megacenters will be in place — down from about 400 service centers in 1993. And about 17,000 people will have left the payroll through our special pension enhancement offer.

Developing New Markets Domestically

At NYNEX, the world of communications is a world of wireline and wireless solutions — voice, video and data services — information and entertainment. As we enter new lines of business, we're focused on increasing revenue from existing customers and building our customer base.

• In 1995, Bell Atlantic NYNEX Mobile Communications enjoyed 43 percent customer growth, adding more than 1 million new customers through innovative value-priced offerings such as TalkAlong and MobileReach roaming. MobileReach enables the partnership's 3.4 million customers to take advantage of the single largest cellular service territory in the United States, stretching from Maine to South Carolina.

• To establish a national presence in the wireless marketplace, Bell Atlantic NYNEX Mobile, along with the AirTouch-U S WEST cellular partnership, invested $1 billion in personal communications services (PCS) licenses. We'll begin deploying PCS in 1996. When combined with existing cellular services, the potential market for this wireless alliance is 165 million customers.

• Our TELE-TV joint venture with Bell Atlantic and Pacific Telesis is getting ready to entertain you, delivering nationally branded entertainment and information services over our networks. As NYNEX and its partners work to deploy full service broadband networks, we plan to begin offering TELE-TV service later this year through our investment in CAI Wireless. This investment will give us the ability to reach up to 7 million NYNEX customers with digital wireless cable technology.

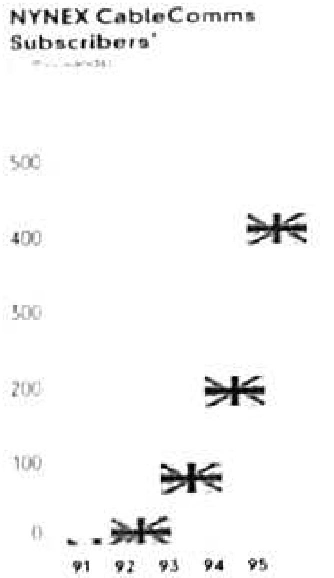
• At NYNEX Information Resources Company, the premier directory publisher in the Northeast — stronger sales and process improvements led to 5.4 percent revenue growth, double the growth rate of 1994. Information Resources introduced the NYNEX Interactive Yellow Pages on the World Wide Web (http://www.niyp.com/), a service that enables individuals to access the names, addresses and phone numbers of 16.5 million businesses throughout the United States.

Expanding Our Markets Globally

NYNEX CableComms, the second largest cable TV and telecommunications operator in the United Kingdom, now passes 1.2 million of 2.7 million homes in 16 franchise areas. In 1995, the number of residence telecommunications lines grew 135 percent, business phone lines jumped 168 percent and the number of cable TV customers grew 61 percent. CableComms revenue growth more than doubled in 1995. In June 1995, we completed an initial public offering of CableComms stock, raising more than $600 million.

NYNEX continues to work with global partners in Europe and the Asia/Pacific region to pursue high-growth opportunities overseas — capitalizing on our strength in building and managing complex telecommunications networks.

• Through TelecomAsia, our strategic alliance with the CP Group, we've built 1.56 million lines of a 2 million line network in Bangkok, Thailand. We also received government approval to build an additional 600,000 lines. UTV, a TelecomAsia subsidiary, now offers cable TV services over the fiber optic backbone of the TelecomAsia network.



• Through our interest in another CP company, Orient Telecom & Technology Holdings, we're pursuing telephone and cable opportunities in China — where only three phone lines exist for every 100 people.

• To help develop new services and technical strategies for our Bangkok networks and the emerging communications markets of Southeast Asia, NYNEX has opened a research and development lab in Thailand — an overseas arm of our Science & Technology facility.

We're delivering on our objective of steady earnings growth, driven by increased revenue, enhanced productivity and superior performance in the world's "hottest" industry.

• NYNEX, along with Telecom Holding and Benpres Holdings Corp., has begun building at least 300,000 new phone lines in the Philippines. The holding company will provide local and international toll service on the island nation.

• NYNEX is the managing sponsor of FLAG, our Fiber-optic Link Around the Globe project. When FLAG is completed next year, it will be the longest undersea fiber-optic cable ever built — a 17,000-mile cable system with 12 landing sites from London to Tokyo, including China. FLAG will have the capacity to handle 600,000 calls simultaneously, delivering state-of-the-art broadband services. In addition to NYNEX, the FLAG alliance includes leading international businesses that have come together to finance construction of the cable.

• In 1995, we announced a venture to bring digital cellular phone service to Indonesia — a potential market of 195 million people.

• STET Hellas, the Greek cellular company in which we have a 20 percent stake, is serving 124,000 customers, up 71 percent for the year.

• Revenue from our international directory publishing efforts in Poland, the Czech Republic, Slovakia and Gibraltar is up 67 percent year over year. In 1995, we distributed some 6.7 million directories overseas. NYNEX Information Resources publishes more than 338 different directories in the United States and overseas.

NYNEX is a new kind of company in a newly competitive world. Our share owner value-based compensation plan — which includes employee stock ownership programs — gives all of our people a stake in working for our continued success. And as we expand the scope of our business, we're keeping a sharp focus on our commitment to "NYNEX Winning Ways." These guiding principles, which include integrity, diversity, teamwork and accountability, define us as a team and help us put our core values — Quality, Ethics and Caring for the Individual — into action.

That's the NYNEX story in a nutshell. We're delivering on our objective of steady earnings growth, driven by increased revenue, enhanced productivity and superior performance in the world's "hottest" industry. We're making excellent progress on our vision for communications and multimedia in the Northeast and around the globe. And we're building real momentum for continued growth and expansion in 1996 and beyond!

Ivan

Ivan Seidenberg
Chairman and
Chief Executive Officer

1995 Financial Results

Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations

Nature of Operations

NYNEX Corporation ("NYNEX") is a global communications and media corporation that provides a full range of services in the northeastern United States and in high growth markets around the world. NYNEX has expertise in telecommunications, wireless communications, directory publishing, and video entertainment and information services. NYNEX's principal operating subsidiaries are New York Telephone Company ("New York Telephone") and New England Telephone and Telegraph Company ("New England Telephone") (collectively, the "telephone subsidiaries"). Intrastate communications services are regulated by various state public service commissions ("state commissions") and interstate communications services are regulated by the Federal Communications Commission ("FCC").

Business Restructuring

NYNEX's 1993 results included pretax charges of $2.1 billion ($1.4 billion after tax) for business restructuring, predominantly within the telecommunications business. Business restructuring resulted from a comprehensive analysis of operations and work processes, resulting in a strategy to redesign them to improve efficiency and customer service, to adjust quickly to accelerating change, to implement work force reductions, and to produce savings necessary for NYNEX to operate in an increasingly competitive environment.

The 1993 charges were comprised of: $1.1 billion in employee termination costs to reduce the work force by approximately 16,800 employees by the end of 1996; $626 million of process re-engineering charges, primarily for systems redesign and work center consolidation; $283 million in costs associated with planned exits from certain nontelecommunications businesses; and $106 million for asset write-offs and loss contingency accruals.

1995 and 1994 Additional Charges

During 1994, NYNEX announced retirement incentives to provide a voluntary means of implementing substantially all of the planned work force reductions. The retirement incentives were to be offered at different times through 1996 according to local force requirements and were expected to generate an estimated additional $2.0 billion in pretax charges ($1.3 billion after tax) over that period of time as employees elected to leave the business through retirement incentives rather than through the severance provisions of the 1993 force reduction plan. In 1995 and 1994, respectively, approximately 4,700 and 7,200 employees accepted the incentive plan. This resulted in $514.1 million ($326.8 million after tax) and $693.5 million ($452.8 million after tax), respectively, of incremental charges for the cost of retirement incentives. The reserves established in 1993 for severance have been and will continue to be transferred primarily to the pension liability on a per employee basis as a result of employees' accepting the retirement incentives. Much of the cost of the enhancements will be funded by NYNEX's pension plans.

Employee Reductions

The 1993 employee termination costs of $1.1 billion were comprised of $586 million for employee severance payments (including salary, payroll taxes, and outplacement costs) and $520 million for postretirement medical costs (total after-tax charges were $700 million). These costs were for planned work force reductions of 4,200 management employees and 12,600 nonmanagement employees. At December 31, 1994, the actual number of employees who elected to leave through retirement incentives in 1994 and the expectation for 1995 and 1996 were as follows:

	1994	1995	1996	Total
Management	3,700	500		4,200
Nonmanagement	3,500	5,600	3,500	12,600
Total	7,200	6,100	3,500	16,800

At December 31, 1994, the actual additional pretax charges for the retirement incentives and related postretirement medical costs in 1994, and the expected additional charges for 1995 and 1996 were as follows:

In millions	1994	1995	1996	Total
Management	$ 191	$ 31	$ —	$ 222
Nonmanagement	503	804	434	1,741
Total	$ 694	$ 835	$ 434	$ 1,963

Current Status

During 1995, it became evident that the number of management employees leaving under the retirement incentives would exceed the original estimate due to additional management staff reduction efforts. It was also determined that, due to volume of business growth, the expected reduction in the number of nonmanagement employees would be less and would not be fully realized until 1998.

The actual number of employees who elected to leave through retirement incentives in 1994 and 1995 are as follows

	1994	1995	Total
Management	3,700	2,300	6,000
Nonmanagement	3,500	2,400	5,900
Total	7,200	4,700	11,900

At the present time, NYNEX expects the total number of employees who will elect to take the pension enhancements to be in the range of 17,000 to 18,000, consisting of approximately 7,000 management and 10,000 to 11,000 nonmanagement employees depending on work volumes, needs of the business, and timing of the incentive offers.

NYNEX continues to monitor the estimated additional charges to be recorded and, at December 31, 1995, still anticipates the additional charges to be in the range of $2.0 billion ($1.3 billion after tax), despite the increase in the expected number of employees who will elect to take the incentive. This estimate is based on favorable actuarial experience for actual postretirement medical costs, and favorable demographics of employees actually accepting the offer, which have resulted in per capita charges being somewhat lower than expected. The actual additional pretax charges for the retirement incentives and related postretirement medical costs in 1994 and 1995 are as follows

In millions	1994	1995	Total
Management	$ 191	$ 268	$ 459
Nonmanagement	503	246	749
Total	$ 694	$ 514	$ 1,208

At the present time, it is expected that the future additional pretax charges for retirement incentives will be approximately $600 to $800 million, consisting of $100 million for management and in the range of $500 to $700 million for nonmanagement employees.

The actual severance reserves utilized and the application of the postretirement medical liability established in 1993 during 1994 and 1995 are shown below

Severance Reserve

In millions	1994	1995	Total
Management*	$ 303	$ 53	$ 356
Nonmanagement	34	29	63
Total	$ 337	$ 82	$ 419

* [illegible] 1995 severance reserves remaining at [illegible]

[illegible]

Postretirement Medical Liability

In millions	1994	1995	Total
Management	$ 129	$ 20	$ 149
Nonmanagement	50	52	102
Total	$ 179	$ 72	$ 251

Assuming that employees will continue to leave under the retirement incentives, it is expected that the remaining $212 million of severance reserves will be utilized and the remaining $269 million of the postretirement medical liability will be applied in the years 1996 through 1998.

Process Re-engineering

Approximately $626 million of the 1993 charges ($395 million after tax) consists of costs associated with re-engineering service delivery to customers. During the period 1994 through 1996, NYNEX is decentralizing the provision of residence and business customer service throughout the region, creating regional businesses to focus on unique markets, and centralizing numerous operations and support functions. At December 31, 1994, the actual 1994 utilization of reserves for process re-engineering and the revised expected utilization for 1995 and 1996 were as follows

In millions	1994	1995	1996	Total
Systems redesign	$ 108	$ 162	$ 2	$ 272
Work center consolidation	27	97	49	173
Branding	21	21		42
Relocation		6	1	7
Training		21	28	49
Re-engineering implementation	43	28	12	83
Total	$ 199	$ 335	$ 92	$ 626

Systems redesign is the cost of developing new systems, processes and procedures to facilitate implementation of process re-engineering initiatives in order to realize operational efficiencies and enable NYNEX to reduce work force levels. These projects consist of radical changes in the applications and systems supporting business functions to be redesigned as part of the restructuring plan. All of the costs associated with these projects are incremental to ongoing operations. Specifically, only software purchases and external contractor expenses, which are normally expensed in accordance with NYNEX policy, were included in the 1993 restructuring charges. The business processes included in systems redesign are customer contact, customer provisioning, customer operations, and customer support.

Customer contact represents the direct interface with the customer to provide sales, billing inquiry and repair service scheduling on the first contact. *Customer provisioning* involves the development of the network infrastructure, circuit and dialtone provisioning and installation, and process standardization. *Customer operations* focuses on network monitoring and surveillance, trouble testing, dispatch control, and proactive repair, with reliability as a critical competitive advantage. *Customer support* facilitates low-cost, reliable service by providing support for the other three business processes.

Work center consolidation costs are incremental costs associated with establishing work teams in fewer locations to take advantage of lower force levels and system efficiencies, such as moving costs, lease termination costs (from the date premises are vacated), and other consolidation costs. *Branding* includes the costs to develop a single "NYNEX" brand identity associated with restructured business operations. *Relocation* costs are required to move personnel to different locations due to work center consolidations and include costs based on NYNEX's relocation guidelines and the provisions of collective bargaining agreements. *Training* costs are for training nonmanagement employees on newly designed, cross-functional job positions and re-engineered systems created as part of the restructuring plan, which will permit one employee to perform tasks formerly performed by several employees, and include tuition, out-of-pocket course development and administrative costs, facilities charges, and related travel and lodging. *Re-engineering implementation* costs are incremental costs to complete re-engineering initiatives.

Current Status

At December 31, 1995, the actual 1994 and 1995 utilization of reserves and the revised expectation for 1996 are as follows:

In millions	1994	1995	1996	Total
Systems redesign	$ 108	**$ 207**	$ 61	$ 376
Work center consolidation	27	**51**	43	121
Branding	21	**11**	1	33
Relocation		**3**	2	5
Training		**6**	12	18
Re-engineering implementation	43	**27**	3	73
Total	$ 199	**$ 305**	$ 122	$ 626

Systems redesign: During 1994, it was determined that systems redesign would require a larger than anticipated upfront effort to fully integrate interfaces between various systems and permit development of multi-tasking capabilities. A higher degree of complexity and additional functionality required by real-time, interactive systems contributed to the increase. During 1995, systems estimates increased due to the complexity and extensiveness of integration testing and quality assurance processes. Approximately $84 and $44 million relating to software systems that were addressed by the restructure plan but not specifically provided for in the 1993 accrual was expensed in 1995 and 1994, respectively.

The actual 1994 and 1995 utilization and the revised expected utilization in 1996 of the systems redesign reserves, by business process, are as follows:

In millions	1994	1995	1996	Total
Customer contact	$ 52	**$ 109**	$ 30	$ 191
Customer provisioning	11	**21**		32
Customer operations	19	**44**	26	89
Customer support	26	**33**	5	64
Total	$ 108	**$ 207**	$ 61	$ 376

Work center consolidation was revised in 1994 for an increase in the number of work centers from what was originally planned based on union agreements. The revised estimate for 1996 is based on actual costs incurred to date and reflects the completion of the majority of the planned work centers. *Relocation* of employees was revised downward in 1994 due to the increase in the number of work centers and terms of the union agreements. At the end of 1995 the majority of the work centers are complete. *Training* was delayed in 1994 due to the timing of the union agreements and the higher degree of complexity of systems redesign; total expected costs were decreased due to the planned use of more in-house training. Training was accomplished in 1995 through in-house, on-the-job and multi-media training. *Re-engineering implementation* is winding down and will be reported with the related projects in 1996.

Other Restructuring Charges

Approximately $283 million of the 1993 restructuring charges ($271 million after tax) related to NYNEX's sale or discontinuance of its information products and services businesses, including the sale of AGS Computers, Inc. ("AGS") and several of its business units and The BIS Group Limited ("BIS"). These charges included the write-off of the net book value of the businesses and estimated provision for future operating losses and disposal costs. NYNEX utilized $22, $62 and $185 million in 1995, 1994 and 1993, respectively, of these restructuring reserves. It is expected that the remaining balance of $14 million will be utilized in 1996.

An additional $100 million ($60 million after tax) was recorded in 1993 for write offs of assets and accrual of loss contingencies directly associated with restructuring at other nontelephone subsidiaries. These reserves were not utilized in 1995, but were utilized in 1994 and 1993 in the amounts of $51 (primarily for the disposition of NYNEX Properties Company) and $9 million, respectively. It is estimated that the remaining balance of $40 million will be substantially utilized in 1996.

Future Cash Effects and Cost Savings

The 1993 restructuring charges had anticipated approximately $550 million in cash outflows during the three year period from 1994 through 1996 for severance and re engineering costs. In 1994, NYNEX implemented retirement incentives and no longer expects to incur significant severance costs for the planned work force reductions. Cash outflows for 1993 re engineering accruals are expected to total approximately $395 million ($125, $191, and $79 million in 1994, 1995, and 1996, respectively). Noncash restructuring charges include the pension enhancements, postretirement medical costs, charges related to discontinuance of information products and services businesses, and write offs of assets at other nontelephone subsidiaries. Capital expenditures for 1994 through 1996 are expected to total approximately $560 million ($170, $230 and $160 million in 1994, 1995, and 1996, respectively), primarily related to systems re engineering and work center consolidation. Over time, it is anticipated that savings generated by restructuring will provide the funds required, and any short term cash flow needs will be met through NYNEX's usual financing channels.

Since the inception of process re engineering and the special pension enhancement program in 1994, approximately 11,900 employees have accepted the retirement incentives. On an annualized basis, this will equate to an average reduction in wages and benefits of approximately $650 million. Partially offsetting these cost savings will be the effects of wage and price inflation, growth in volume of business and higher costs attributable to service improvements.

It is anticipated that the restructuring will result in reduced costs during the period of restructuring and reduced annual operating expenses of approximately $1.7 billion beginning in 1997. These savings include approximately $1.1 billion in reduced wage and benefit expenses due to lower work force levels, and approximately $600 million in non wage savings including reduced rent expense for fewer work locations and lower purchasing costs. Partially offsetting these savings are higher costs due to inflation and growth in the business.

Results of Operations

NYNEX reported a net loss for the year ended December 31, 1995 of $(1.8) billion, or $(4.34) per share. Net income for the year ended December 31, 1994 was $792.6 million, or $1.89 per share. The net loss for the year ended December 31, 1993 was $(394.1) million, or $(.95) per share.

The net loss for 1995 includes an extraordinary charge and non-recurring charges and credits totaling $3.2 billion after-tax, or $7.61 per share. Included in this amount are: an extraordinary charge of $2.9 billion, or $6.84 per share, for the discontinuance of Statement of Financial Accounting Standards No. 71 ("Statement No. 71") (see Note B), charges of $549.5 million, or $1.29 per share, for non-recurring items and for pension enhancements, a gain of $155.1 million, or $.36 per share, as a result of an initial public offering ("IPO") of NYNEX's U.K. cable business (see Note J), and a net gain of $67.4 million, or $.16 per share, from the sale of certain cellular properties as a result of the formation of the Bell Atlantic NYNEX Mobile cellular partnership ("BANM") (see Note F). Results for 1994 include an after-tax charge of $452.8 million, or $1.08 per share, for pension enhancements. Adjusting for these items, 1995 net income was $1.4 billion, an increase of 12.1% over 1994. Results for 1993 include after tax charges of $1.6 billion, or $3.95 per share, for business restructuring and other charges. Adjusting for these charges, 1993 net income was $1.2 billion.

Operating revenues for 1995 were $13.4 billion, an increase of $100.3 million, or .8%, over 1994. Included in this increase were changes in presentation in 1995 of gross receipts tax and revenues from NYNEX Mobile Communications Company ("NYNEX Mobile") as a result of the BANM cellular partnership (see Note A). Adjusting for these items, operating revenues increased 3.8% to $13.1 billion. Revenues from the telephone subsidiaries and Telesector Resources Group, Inc. (collectively, the "telecommunications group") increased 3.0% to $11.9 billion, and revenues from NYNEX's other subsidiaries (the "nontelephone subsidiaries") increased 11.6%, to $1.2 billion. Supporting the telecommunications group's revenue growth were a 3.4% growth in access lines and an 8.6% increase in access usage over last year.

Operating revenues for 1994 were $13.3 billion, a decrease of $101.2 million, or .8%, from 1993. Included in this decrease were changes in presentation of revenues from NYNEX Mobile and from information products and services businesses that were sold in 1993 and 1994. Adjusting for these items, operating revenues increased .4% to $12.6 billion. Revenues from the nontelephone subsidiaries increased 6.4% to $1.1 billion, supported by growth in NYNEX CableComms' customer base. Revenues from the telecommunications group were essentially flat at $11.5 billion, due principally to a revenue reduction ordered by the New York State Public Service Commission ("NYSPSC").

Operating expenses for 1995 were $11.3 billion, a decrease of $235.7 million, or 2.0%, from 1994. Included in this decrease (and as described below) were: pension enhancement charges in both periods, non-recurring net charges in 1995; and changes in presentation in 1995 of gross receipts tax and expenses from NYNEX Mobile as a result of the BANM cellular partnership (see Note A). Adjusting for these items, operating expenses were $10.3 billion, an increase of $93.8 million, or .9%. At the telecommunications group, operating expenses increased $8.1 million, or .1%, and at the nontelephone subsidiaries, operating expenses increased $85.7 million, or 9.8%.

Operating expenses for 1994 were $11.6 billion, a decrease of $1.5 billion, or 11.7%, from 1993. Included in this decrease (and as described below) were: business restructuring and other charges in 1993, pension enhancement charges in 1994, and changes in presentation of expenses from NYNEX Mobile and from information products and services businesses that were sold in 1993 and 1994. Adjusting for these items, operating expenses were $10.2 billion, an increase of $122.7 million, or 1.2%. At the telecommunications group, operating expenses increased $119.6 million, or 1.3%, and at the nontelephone subsidiaries, operating expenses were essentially flat.

Operating income, adjusting for non-recurring items and the year-over-year change in the operating income of NYNEX Mobile, was $2.8 billion in 1995, an increase of $381.9 million, or 15.9%. Operating margin for 1995 improved 2.2 percentage points to 21.3% from 19.1%. This improvement resulted from increased productivity as adjusted expense growth of .9% was outpaced by adjusted revenue growth of 3.8%.

Operating income, adjusting for non-recurring items and the year-over-year changes in the operating income of NYNEX Mobile and the information products and services businesses that were sold, was $2.4 billion in 1994, a decrease of $73.0 million, or 3.0%. Operating margin for 1994 declined to 19.1% from 19.7%, resulting from adjusted expense growth of 1.2% exceeding adjusted revenue growth of .4%.

Operating Revenues

(In millions)	1995	1994	1993
Local service	$ 6,722.2	$ 6,605.4	$ 6,472.9
Long distance	1,039.2	1,081.2	1,134.4
Network access	3,557.5	3,447.0	3,387.2
Other	2,088.0	2,173.0	2,413.3
Total operating revenues	$ 13,406.9	$ 13,306.6	$ 13,407.8

Local service revenues increased $116.8 million, or 1.8%, in 1995 due primarily to a net $164 million increase in demand driven by growth in access lines and sales of calling features. This increase was partially offset by $35 million in rate reductions in New York and Maine, an $8 million decrease attributable to potential customer billing claims at New York Telephone, and a $5 million decrease due to the 1994 reversal of previously deferred revenues in Rhode Island.

Local service revenues increased $132.5 million, or 2.0%, in 1994 due primarily to: a net $240 million increase in demand driven by growth in access lines, sales of calling features and higher usage associated with winter storms, and a $23 million increase in rates due to a rate restructuring in Massachusetts (offset by decreases in long distance rates mentioned below), partially offset by a $135 million revenue reduction pursuant to an NYSPSC order.

Long distance revenues decreased $42.0 million, or 3.9%, in 1995 due primarily to: $24 million in required rate reductions at New England Telephone, $7 million in price reductions in New Hampshire, and a decrease in demand for wide area telecommunications services as a result of customer shifts to lower priced services offered by the telephone subsidiaries and increased competition. It should be noted that certain competitive losses in long distance revenues are mostly offset by increases in network access revenues.

Long distance revenues decreased $53.2 million, or 4.7%, in 1994 due primarily to: $25 million in rate decreases due to the previously mentioned Massachusetts rate restructuring, $8 million in price reductions in New Hampshire, a $13 million revenue reduction pursuant to an NYSPSC order, a $12 million shift in interstate toll revenues from long distance to network access at New York Telephone, and the previously mentioned decrease in demand for wide area telecommunications services. These decreases were partially offset by increased demand for message toll services.

Network access revenues increased $165.7 million, or 4.8%, in 1995 excluding a $55.2 million decrease attributable to a change in the presentation of gross receipts tax collected by New York Telephone on behalf of interexchange carriers. (In the third quarter of 1995, as a result of a change in tax law, New York Telephone was no longer required to pay gross receipts tax to New York State on interstate access revenues. Prior to this change, these taxes were collected from interexchange carriers and remitted to the taxing authority and were included in both operating revenues and operating expenses.) (see *Operating expenses*.) The increase in Network access revenues resulted from a $157 million increase in interstate demand partially offset by a $29 million reduction in interstate rates, and a $44 million increase in intrastate demand partially offset by a $10 million reduction in intrastate rates.

Network access revenues increased $59.8 million, or 1.8%, in 1994. There was a $127 million increase in interstate demand partially offset by a $69 million reduction in interstate rates, and a $21 million increase in intrastate demand offset by a $24 million reduction in intrastate rates. In addition, there was a $12 million increase at New York Telephone due to the aforementioned shift in interstate toll revenues and a $12 million recognition of previously deferred revenues, partially offset by a $12 million revenue reduction pursuant to an NYSPSC order.

Other revenues increased $235.2 million, or 16.2%, in 1995, after adjusting for a $320.2 million decrease associated with the July 1, 1995 deconsolidation of NYNEX Mobile due to the formation of the BANM cellular partnership (see Note A) ($399.8 million for six months of 1995 compared with $720.0 million for twelve months of 1994). The increase of $235.2 million reflects the following: NYNEX CableComms revenues increased $70.2 million, more than doubling, due to significant increases in cable television customers and in residence and business telecommunication lines. NYNEX Information Resources revenues increased $48.7 million or 5.4%, due primarily to increased Yellow Pages advertising revenues, from both domestic and international directories. Telecommunications revenues increased $110.2 million, due to the following at New York Telephone: (1) $109.2 million due to the cessation of "setting aside" revenues in the second quarter of 1995 as a result of an NYSPSC order approving a performance-based regulatory plan (the "Plan"), (2) $10 million due to the elimination of the deferral of intrastate revenues as a result of the discontinuance of regulatory accounting principles (see Note B), (3) $4.5 million from revenues earned under a service improvement plan implemented in 1994 and (4) $5 million recognized in connection with intraLATA presubscription ("ILP") commitments that were met in 1995. These increases were partially offset by a $22 million decrease in billing and collection revenues pursuant to a contract with AT&T Corp.

With respect to (1) above, future quarters will no longer reflect the setting aside of revenues of $38 million per quarter experienced in 1994 and early 1995. At December 31, 1995, $188 million of revenues remains deferred ($161 million pursuant to the Plan and $27 million pursuant to the service improvement plan) and will be recognized as commitments are met or obligations are satisfied (see **State Regulatory**).

Other revenues decreased $89.4 million, or 5.8%, in 1994, after adjusting for a $279.5 million increase associated with the deconsolidation of NYNEX Mobile ($720.0 million for 1994 compared with $440.5 million for 1993) and a $430.4 million decrease associated with the sale of information products and services businesses. The decrease of $89.4 million reflects the following: Telecommunications revenues decreased $153.8 million, due principally to a $153 million revenue reduction ordered by the NYSPSC. NYNEX Information Resources revenues increased $22.2 million, or 2.5%, reflecting higher Yellow Pages advertising revenues and increased revenues from the publication of directories in the Czech Republic. NYNEX CableComms revenues increased $37.0 million, more than doubling in 1994.

Operating Expenses

In millions	1995	1994	1993
	$ 11,314.7	$ 11,550.4	$ 13,074.5

Operating expenses for 1995 were $11.3 billion, a decrease of $235.7 million, or 2.0%, from 1994. Included in this decrease (as discussed below) were pension enhancement charges in both periods, nonrecurring net charges in 1995, and changes in presentation in 1995 of gross receipts tax and expenses from NYNEX Mobile as a result of the BANM cellular partnership. Adjusting for these items, operating expenses were $10.3 billion, an increase of $93.8 million, or .9%.

Operating expenses for 1994 were $11.6 billion, a decrease of $1.5 billion from 1993. Included in this decrease (as discussed below) were: business restructuring and other charges in 1993, pension enhancement charges in 1994, and changes in presentation of expenses from NYNEX Mobile and from information products and services businesses that were sold. Adjusting for these items, operating expenses were $10.2 billion, an increase of $122.7 million, or 1.2%.

Operating expenses included pretax pension enhancement charges of $514.1 million and $693.5 million in 1995 and 1994, respectively. The non-recurring net charges in 1995 included: (1) accruals of $291.5 million related to various self insurance programs, legal and regulatory contingencies, operating tax provisions and revised benefit charges, reflecting events that occurred in 1995 and additional information made available through revised estimates and analyses completed during 1995, and (2) a $53.5 million net expense reduction resulting primarily from the recognition of a pension curtailment gain and certain non-recurring charges associated with the formation of the BANM cellular partnership (see Note F). There was a $55.2 million change in presentation in 1995 of gross receipts tax collected by New York Telephone on behalf of interexchange carriers (see *Network access revenues*), and a $332.9 million decrease associated with the deconsolidation of NYNEX Mobile as a result of the BANM cellular partnership (see Note A) ($336.2 million for six months of 1995 compared with $669.1 million for twelve months of 1994).

At the telecommunications group, operating expenses were $9.3 billion in 1995, an increase of $8.1 million, or .1%. Employee related costs increased $9.5 million in 1995. Higher salaries and wages resulting primarily from wage rate and volume related increases were substantially offset by reductions in the work force and lower benefit costs (including revised estimates associated with workers compensation accruals). Offsetting these increases was a $1.4 million net decrease in non-employee costs, primarily as a result of decreases in depreciation and amortization (see Note B) offset by increases in bad debt expense, advertising and marketing costs, and gross receipts taxes (primarily from a tax settlement at New York Telephone).

At the nontelephone subsidiaries, operating expenses were $959.9 million in 1995, an increase of $85.7 million, or 9.8%. This increase was almost entirely due to the expansion of NYNEX CableComms.

Operating expenses for 1994 included pretax pension enhancement charges of $693.5 million. Operating expenses for 1993 included business restructuring and other charges of $2.2 billion. There was a $290.5 million increase associated with the deconsolidation of NYNEX Mobile ($669.1 million for 1994 compared with $378.6 million for 1993) and a $435.1 million decrease associated with the sale of information products and services businesses.

At the telecommunications group, operating expenses were $9.3 billion in 1994, an increase of $119.6 million, or 1.3%. Employee related costs increased $38.0 million in 1994. Higher salaries and wages resulting from wage rate increases, single enterprise employee transfers, and volume related increases were partially offset by reductions in the work force and lower benefit costs. In addition, there was an $81.6 million increase in non-employee costs, primarily as a result of increases in depreciation and amortization, bad debt expense, and contracted services, partially offset by decreases in property taxes.

Gain on sale of stock by subsidiary

An IPO of the shares of NYNEX CableComms Group PLC ("UK CableComms") and NYNEX CableComms Group Inc. ("US CableComms") (collectively, "CableComms") was completed in June 1995. The offering represented 33% of the total units outstanding, with NYNEX retaining the balance. Net proceeds from the offering were approximately $610 million. NYNEX recognized a pretax gain of $264.1 million in recognition of the net increase in the value of NYNEX's investment in CableComms (see Note J).

Other income (expense) - net

In millions	1995	1994	1993
	$ (4.9)	$ (43.8)	[illegible]

Other income (expense) - net for 1995 improved $38.9 million over 1994. The principal components of this change were: a $70.3 million non-recurring gain on the sale of cellular properties in connection with the formation of the BANM cellular partnership (see Note F), partially offset by a $26.7 million increase in minority interest expense and $17.4 million from unrealized "mark to market" valuation adjustments (see **Financial Instruments**).

Other income (expense) – net for 1994 improved $53.2 million over 1993. The principal components of this change were: in 1993, $84 million was expensed for the interstate portion of call premiums and other charges associated with the refinancing of long-term debt, partially offset by an $11 million increase in minority interest expense in 1994.

Interest expense

(In millions)	1995	1994	1993
	$ 733.9	$ 673.8	$ 659.5

Interest expense for 1995 increased $60.1 million, or 8.9%, over 1994 due primarily to higher average interest rates of 7.2% compared to 6.5% in 1994. The higher average interest rates are due to increased short-term rates and a lengthening in the maturity of the debt portfolio in the latter half of 1994 (77% long-term in 1995 compared to 70% in 1994). Total debt remained essentially flat at $9.8 billion. This increase in interest expense was partially offset by a reversal in 1995 of $14 million of previously recorded interest on the revenue set aside as ordered by the NYSPSC (see **State Regulatory**).

Interest expense for 1994 increased $14.3 million, or 2.2%, over 1993 due primarily to an increase in average debt levels from $8.7 billion in 1993 to $9.7 billion. However, total debt decreased $214.6 million to $9.9 billion (see **Cash Flows from Financing Activities**). Average interest rates declined from 7.3% in 1993 to 6.5% primarily as a result of long-term debt refinancings throughout 1993.

Income (loss) from long-term investments

(In millions)	1995	1994	1993
	$ 92.9	$ 57.7	$ (21.9)

Income (loss) from long-term investments for 1995 improved $35.2 million, or 61.0%, over 1994. This increase was due primarily to equity income of $90.7 million from the BANM cellular partnership (see Note F), partially offset by losses from investments in the Tele-TV Partnerships, FLAG Limited ("FLAG") and PCS Primeco.

Income (loss) from long-term investments for 1994 improved $79.6 million over 1993, principally as a result of $53 million of dividends received in 1994 from Viacom Inc. ("Viacom") and the $31 million effect of restructuring charges on 1993 amounts.

Income taxes

(In millions)	1995	1994	1993
	$ 640.9	$ 303.7	$ [illegible]

Income taxes for 1995 increased $337.2 million over 1994, attributable primarily to an increase in pretax income of $614.1 million, or 56.0%, and a five percentage point increase in the effective tax rate for 1995 primarily reflecting the discontinued application of Statement No. 71 and a $71.7 million deferred tax valuation allowance benefit in 1994.

Income taxes for 1994 increased $476.4 million over 1993, attributable primarily to an increase in pretax income of $1.5 billion in 1994 and a reduction in the effective tax rate for 1994 reflecting a $71.7 million reduction in the deferred tax valuation allowance.

Extraordinary item

The discontinued application of Statement No. 71 required NYNEX, for financial accounting purposes, to adjust the carrying amount of telephone plant and equipment and to eliminate non-plant regulatory assets and liabilities from the balance sheet. This change resulted in an after-tax charge of $2.9 billion consisting of $2.2 billion to adjust telephone plant and equipment and $0.7 billion to write off non-plant regulatory assets and liabilities. NYNEX now utilizes shorter asset lives for certain categories of telephone plant and equipment than those previously approved by regulators. The elimination of the amortization of net regulatory assets and the effects of certain changes in accounting policies are not expected to have a significant impact on financial results in future periods (see Note B).

Capital Resources and Liquidity

Management believes that NYNEX has adequate internal and external resources available to finance ongoing operating requirements, business development, network expansion, and new investments for the foreseeable future.

During 1995, net cash used in investing activities exceeded net cash provided by operating activities by $218.1 million. This difference was funded primarily by IPO and minority interest proceeds and equity issuances.

Cash Flows from Operating Activities

Net cash provided by operating activities was $3.6, $3.7 and $3.7 billion in 1995, 1994 and 1993, respectively. In 1995, cash provided by operating activities decreased $51.9 million. Net income excluding the extraordinary item and gain on an IPO of shares of CableComms was essentially flat. Depreciation and amortization expense decreased $73.8 million, primarily at the telecommunications group as discussed above. Changes in operating assets and liabilities provided $20.9 million of cash flows in 1995 over 1994, primarily as a result of increased trade payables partially offset by increased accounts receivable. Costs associated with re-engineering activities reserved for in 1993 resulted in cash outlays of $191 million in 1995 and $125 million in 1994. Pension enhancement charges in 1995 and 1994 did not materially affect operating cash flows when recorded since the cash outflows will be incurred primarily by the NYNEX Pension Plans in future years.

In 1994, cash provided by operating activities increased $49.5 million. Net income decreased $442.5 million from 1993, after excluding $1.6 billion due to 1993 business restructuring and other charges. Depreciation and amortization expense increased $106.6 million, primarily at the telecommunications group as discussed above. Changes in operating assets and liabilities provided $203.4 million of cash flows in 1994 over 1993, primarily as a result of decreased accounts receivable and prepaid expenses partially offset by decreased trade payables.

Excluding the effects of restructuring charges, Management anticipates cash provided by operating activities in 1996 to increase, primarily as a result of earnings growth.

Cash Flows from Investing Activities

Net cash used in investing activities was $3.9, $3.2 and $4.3 billion in 1995, 1994 and 1993, respectively.

Capital expenditures. In 1995 were $3.2 billion, an increase of $175.9 million over 1994. Rapid buildout of the cable television/telecommunications network in the United Kingdom continued. The largest component of capital expenditures continues to be for the telephone subsidiaries. These capital expenditures continued at the same level over the three-year period, funded primarily through cash generated from operations, and it is anticipated that 1996 capital expenditures will be similarly funded. Total capital expenditures in 1996 are projected to remain at a level comparable to 1995.

Capital expenditures in 1994 were $3.0 billion, an increase of $295.0 million over 1993 for the construction and upgrade of mobile cell sites and the continued buildout of the cable television/telecommunications network in the United Kingdom.

Investment in leased assets. In 1995, the [illegible] increase in investments in leased assets was the result of increased activity in the middle market portfolio of NYNEX Credit Company (Credit Company).

In 1994, decreased investments in leased assets were the result of heightened competition in the leasing market.

Other investing activities. In 1995, cash flows from other investing activities - net were $518.4 million, $474.7 million higher than in 1994 as a result of investments in PCS Primeco (a venture to provide national wireless communications services), BANX Partnership (a partnership formed to invest in wireless cable systems), Bayan Telecommunications Holdings Corporation, the Tele IX Partnerships, FLAG and PT. Excelcomindo Pratama and from the effect of cash received in 1994 from the exit from the information products and services business, partially offset by $90 million of cash received from the sale of cellular properties overlapping with Bell Atlantic Corporation's cellular properties prior to the formation of BANM.

In 1994, cash flows from other investing activities - net were $43.6 million, $1.3 billion lower than in 1993. NYNEX did not make any significant long-term investments in 1994. In 1993, cash outflows resulted from a $1.2 billion investment in Viacom and investments in Orient Telecom & Technology Holdings Ltd. (to develop telecommunications opportunities in China), STET Hellas (a Greek cellular project) and an additional investment in TelecomAsia Corporation Public Company Limited (for a network expansion project in Thailand).

Cash Flows from Financing Activities

Short-term and long-term debt. Total debt was essentially flat in 1995 as compared to 1994. The debt ratio increased to 61.8% as of December 31, 1995 compared with 52.9% as of December 31, 1994, primarily as a result of the $2.9 billion after-tax extraordinary charge which reduced equity.

During 1995, commercial paper decreased as a result of using the proceeds from the monetization of a portion of NYNEX's investment in Viacom Preferred Stock (see Viacom below). Credit Company issued $135 million of medium-term notes.

During 1994, commercial paper and short-term debt decreased a net $1.7 billion, due primarily to the repayment of commercial paper through the issuance of long-term debt. New York Telephone issued $450 million in debentures and $150 million in notes and used the proceeds to repay short-term borrowings from NYNEX. The proceeds were, in turn, used by NYNEX to repay commercial paper borrowings. NYNEX Capital Funding Company ("CFC") issued $863 million of medium-term notes in order to reduce NYNEX's commercial paper requirements. It is estimated that these refinancings will continue to result in an annual interest savings of approximately $62 million for the next two years, with savings thereafter varying as debt matures.

Total debt decreased $214.6 million in 1994 as compared to 1993. The debt ratio decreased to 52.9% as of December 31, 1994, compared with 53.9% as of December 31, 1993, primarily as a result of the $1.6 billion after-tax business restructuring and other charges which reduced equity.

The majority of the telephone subsidiaries' refinancing charges in 1993, including call premiums, were deferred and amortized for intrastate rate-making purposes and were subsequently eliminated as a result of the discontinuance of Statement No. 71.

Issuance of common stock. In 1995, 1994 and 1993, NYNEX continued to issue common stock for employee savings plans, the Dividend Reinvestment and Stock Purchase Plan ("DRISPP"), stock compensation plans, and employee stock option plans. These issuances increased equity by approximately $333 million in 1995, $320 million in 1994, and $128 million in 1993. The noncash issuance of stock, primarily for dividends in connection with DRISPP, is $110, $107, and $30 million, respectively. The dividends for common stock remained unchanged at $2.36 per share in 1995, 1994 and 1993.

Purchase of treasury stock. In October 1994, NYNEX granted additional stock options in connection with the employee stock option plans established in 1992. NYNEX purchased treasury stock in 1993 and released shares into the open market as stock options were exercised. In November 1995, NYNEX began issuing new shares of its common stock as stock options were exercised.

Minority interest. Financing cash flows in 1995 included net funds of $289.2 million primarily provided by a minority interest in the financing structures formed in December 1993 and 1994 for the network construction program in the United Kingdom and by the monetization proceeds (see *Viacom* below). Financing cash flows in 1994 included net funds of $359.2 million primarily provided by a minority interest in the financing structures formed in the United Kingdom.

Proceeds from the sale of stock by subsidiary, net. During the second quarter of 1995, $610 million of proceeds were received from the IPO of CableComms (see below).

Current and Future Financing Strategies

CableComms. NYNEX CableComms is constructing and operating a $3 billion broadband (high capacity) network, to be substantially completed by 1997, for the provision of cable television and telecommunications services in certain licensed areas in the United Kingdom.

During 1993 (for licensed areas in the Southern United Kingdom or "South") and 1994 (for licensed areas in the Northern United Kingdom or "North"), NYNEX entered into a series of financing transactions that coupled a financing partnership and limited liability companies for funding construction of up to $425 million in the South and up to $1.1 billion in the North, for a total of up to $1.5 billion (as these loans are denominated in pounds sterling, these amounts are based on applicable year-end exchange rates). In connection with the financing of the South and North, NYNEX has provided certain guarantees and indemnifications to the financing partnership and limited liability companies regarding the completion of the construction program and any breach of the agreements due to events prior to the creation of the entities. This type of financing could provide significant additional funds over the first five years of each financing to help complete the funding of NYNEX CableComms' network. Management anticipates having sufficient funds, either from these or other funding sources, to complete construction of the network.

During February 1995, two entities were formed: a UK public limited liability company (UK CableComms) and a Delaware corporation (US CableComms). The sole assets of UK CableComms and US CableComms are 90% and 10%, respectively, of the outstanding stock of NYNEX CableComms Holdings, Inc., which holds, through various subsidiaries and partnerships, interests in cable television and telecommunications franchises, assets and operations in the United Kingdom.

An IPO was completed in June 1995 of 305 million equity units of CableComms. These units are traded as "stapled units" and are comprised of one ordinary share of UK CableComms and one share of common stock of US CableComms (the "Combined Offering"). The Combined Offering represented 33% of the total units outstanding, with NYNEX retaining the balance. Net proceeds from the offering were approximately $610 million. CableComms is using the proceeds to repay outstanding revolving loans under credit facilities, to fund a portion of the cost of construction of its network, and for operating cash flow and interest.

Viacom. In December 1995, NYNEX entered into a contract for the non-recourse securitization that permits a monetization of approximately 50% of its investment in the Viacom Series B Cumulative Preferred Stock, of which 8% was implemented in 1995. NYNEX realized proceeds of $100 million from this monetization which were used to reduce outstanding commercial paper.

The term of the monetization transaction is five years at which time the third party interest that provided the funding for this transaction will be redeemed through the sale of the assets securitizing this transaction. Under the terms of an extension agreement, NYNEX has the ability and intends to increase the amount of monetization up to $600 million by March 31, 1996 under terms and conditions that are substantially the same as the December 1995 transaction. NYNEX may, upon meeting certain funding requirements, elect to purchase the third party interests or terminate the transaction and cause the liquidation of the securitized assets.

At December 31, 1995, NYNEX had $950 million of unissued, unsecured debt and equity securities registered with the Securities and Exchange Commission (the "SEC"). The proceeds from the sale of these securities would be used to provide funds to NYNEX and/or NYNEX's nontelephone subsidiaries for their respective general corporate purposes. At December 31, 1995, CEC had $637 million of unissued medium-term debt securities registered with the SEC. When issued, these securities will be guaranteed by NYNEX. The proceeds from the sale of these securities may be used to provide financing for NYNEX and the nontelephone subsidiaries. At December 31, 1995, New England Telephone and New York Telephone had $500 and $250 million, respectively, of unissued, unsecured debt securities registered with the SEC.

In the third quarter of 1995, an independent bond rating agency lowered its rating of the long-term debt of NYNEX Corporation, which includes Credit Company and CEC. The bond ratings of New York Telephone and New England Telephone were reaffirmed at current levels, but the rating outlook on New England Telephone was placed on negative outlook by the agency. However, Management believes that the bond ratings are indicative of strong credit support for timely principal and interest payments in the foreseeable future.

On November 10, 1995 NYNEX and Credit Company entered into a $2.75 billion unsecured revolving credit facility, with Chemical Bank as the administrative agent. (Credit Company may borrow up to $300 million under this facility.) Further, NYNEX may request an increase in the aggregate commitments under the facility of up to $500 million. The initial term is for five years, but the borrowers may request two extensions of the facility, in each case for an additional year. Currently, a fee of .075% per annum is paid by NYNEX on the aggregate outstanding commitments. Under the terms of the agreement, the proceeds may be used to fund working capital and/or any lawful corporate purposes, including support of outstanding commercial paper. NYNEX had no borrowings under this credit facility at December 31, 1995. However, $1.9 billion of outstanding commercial paper borrowings was classified as Long-term debt at December 31, 1995 because NYNEX has the intent to refinance the commercial paper borrowings on a long-term basis and has the ability to do so under the credit facility.

The venture between NYNEX, Bell Atlantic Corporation, AirTouch Communications Inc., and U S WEST Inc. is comprised of two partnerships, one of which, PCS Primeco, participated in the FCC auction of personal communications services ("PCS") licenses and bid a total of approximately $1.1 billion for licenses in eleven cities, of which NYNEX's portion was approximately $277 million. The bid was paid upon grant of the licenses and final review of bidder qualifications by the FCC in June of 1995. NYNEX's portion of the bid was funded through the issuance of commercial paper. In 1996, the venture plans to continue to build markets and build out the network for prospective offering of services to customers.

Financial Instruments

Financial Risk Management

NYNEX has entered into transactions involving the use of derivative instruments as part of its financial risk management program. The purpose of this program is to manage NYNEX's aggregate financial risk and to protect against adverse changes in foreign exchange rates, interest rates, and other prices or rates, and to otherwise facilitate NYNEX's financing strategy, without holding or issuing any financial instruments solely for trading purposes.

The derivative instruments used to manage these risks may be separated into three fundamental types: forwards, options and swaps. NYNEX assesses financial exposures and matches its derivative positions accordingly. Liquidity and results of operations are not expected to be, but may be, materially affected by NYNEX's financing strategy, a portion of which is accomplished through the aforementioned risk management program.

NYNEX's use of derivatives for risk management purposes is represented by notional amounts. These notional values solely represent contractual amounts that serve as the basis or reference amount upon which contractually stipulated calculations are based. Therefore, these amounts are intended to serve as general volume indicators only and are not indicative of the potential gain or loss from market or credit risks, or future cash requirements. At December 31, 1995 and 1994, NYNEX had derivative transactions maturing between 1995 and 2004 with notional amounts as follows (categorized by the type of risk being managed):

(In millions)	1995	1994
Basis swaps/Swaptions	$ 1,001.0	$ 1,001.0
Foreign currency/Interest rate swaps	928.4	928.4
Foreign currency forwards (short dated)	556.3	
Interest rate swaps/Caps	279.2	285.9
Foreign currency swaps/Other	60.0	61.5
Structured note swaps	55.0	55.0
Total	$ 2,879.9	$ 2,331.8

Basis swaps: In 1993, NYNEX entered into J.J. Kenny/LIBOR basis swaption agreements as part of a risk management program to protect against the effect of increased corporate tax rates on Credit Company's leveraged lease portfolio. NYNEX received approximately $12 million of premiums on the basis swaption agreements, which were exercised in January of 1994. The recording of these basis swaps at fair market value as of December 31, 1995 resulted in an unrealized mark to market adjustment of approximately $17.4 million net of previously unamortized premium which is included in Other income (expense) - net in the consolidated financial statements.

Foreign Exchange Risk and Interest Rate Risk Management

Foreign currency/Interest rate swaps: NYNEX hedges the U.S. Dollar value of many of its international investments. In some cases, direct borrowings in the foreign currency are used. In other cases, NYNEX uses derivatives to create synthetic non-U.S. Dollar denominated debt, thereby hedging or funding these investments more cost-effectively and with greater flexibility. Generally these transactions involve a derivative contract which includes both interest rate and foreign currency components. With respect to the foreign currency components, cumulative net gains of $7.4 and $5.9 million at December 31, 1995 and 1994, respectively, have been recorded as direct adjustments to Stockholders' equity. In connection with managing the cost associated with the currency components, the interest rate swap components generally require NYNEX to receive interest at a fixed rate averaging approximately 3.4% and 3.3% as of December 31, 1995 and 1994, respectively, and to pay a floating interest rate (three month or six month LIBOR) which averaged approximately 6.1% and 6.0% on December 31, 1995 and 1994, respectively.

Foreign currency forwards (short dated): In connection with the receipt in 1995 of demand loans denominated in U.K. pounds from NYNEX CableComms, NYNEX entered into foreign currency forward contracts to manage the foreign currency exposures associated with the loans' repayments.

Interest rate swaps/Caps: In order to manage interest rate exposures, NYNEX employs various strategies primarily involving interest rate swaps which sometimes incorporate interest rate options. The net costs of these options are amortized to interest expense over the lives of the applicable agreements.

NYNEX has entered into several interest rate swap agreements to modify the interest rate profile of its liability portfolio. These swaps are associated with either a portion of commercial paper or non-callable medium-term notes and are designed to achieve a targeted mix of floating and fixed rate debt for the NYNEX portfolio. The following table indicates the types of interest rate swaps used for this purpose and their weighted average interest rates. Variable rates are based on the expected future rates based on the yield curve at the reporting date; those may change significantly but are not expected to have a material effect on future cash flows. These swap contracts, with remaining maturities of between one and eight years, are as follows:

(In millions)	1995	1994
Receive fixed swaps notional amount	$ 186.7	$ 186.7
Average receive rate	6.60%	6.60%
Average pay rate	5.48%	8.20%
Pay fixed swaps notional amount	$ 92.5	$ 89.2
Average pay rate	6.08%	6.34%
Average receive rate	5.23%	8.45%

Foreign currency swaps/Other In order to mitigate the impacts of foreign currency and interest rate fluctuations on certain payments in conjunction with the financing of the network construction project in the UK, NYNEX entered into two cross-currency swaps. The contract terms for these swap agreements include foreign currency and interest rate components which are settled quarterly when payments are made and received. For the swap relating to the financing of the franchises in the North (entered into on December 19, 1994), the exchange rate is 1.5625 $/£. For the swap relating to the financing of the franchises in the South (entered into on December 31, 1993), the exchange rate is 1.4795 $/£. The swaps require NYNEX to pay in US dollars an average fixed interest rate of 13% and 15.4% for the North and South financings, respectively, and to receive a variable interest rate based on 3-Month LIBOR, payable in UK Pounds. The net impact of activities related to the swaps is recorded in income from continuing operations.

Structured note swaps During 1994, NYNEX entered into three derivative contracts in connection with the issuance of three structured medium-term notes with a total principal amount of $55 million in order to lower financing costs. The three derivative contracts have effectively converted the structured notes into standard medium-term notes with effective interest rates of 7.18% ($20 million principal), 7.785% ($10 million principal) and 3-Month LIBOR + 0.15% ($25 million principal).

Impact on Operations
In 1995, 1994, and 1993, NYNEX's income from continuing operations was reduced by $32.0, $8.6 and $10.7 million, respectively, from all risk management activities. The $32.0 million reduction in 1995 was primarily due to $17.4 million from an unrealized "mark to market" valuation adjustment for the basis swaps. The remaining $14.6 million reduction in 1995 and reductions in 1994 and 1993 were primarily due to the interest expense associated with interest rate management and synthetic non-Dollar debt.

NYNEX's policy requires the evaluation of the hedging of international equity investments on a case-by-case basis. By hedging the foreign currency risk associated with some of these investments, NYNEX has incurred additional costs. These incremental costs reflect the higher cost of capital in the relevant international markets. For the hedges utilizing derivatives, these incremental costs have been reflected in interest expense and in the fair value of the respective derivative liabilities. As of December 31, 1995 and 1994, approximately $(34.9) and $(43.6) million, respectively, of the fair market value of derivative (hedging) liabilities reflects any remaining unamortized incremental cost of hedging equity investments in the UK and Thailand. These remaining incremental costs are discounted based upon the rates implied in the yield curve at the reporting dates. The interest expense associated with these hedges is managed as part of NYNEX's overall interest rate structure.

Collective Bargaining Agreements

In May 1994, agreements were ratified with the Communications Workers of America and the International Brotherhood of Electrical Workers ("IBEW") in New York to extend the collective bargaining agreements through August 8, 1998. A similar agreement was reached with and ratified by the IBEW in New England in August 1994. There will be basic wage increases of 10.5% during the life of the agreements. The wage rates increased 4.0% in August 1995, and will increase 3.5% and 3.0% in August 1996 and 1997, respectively. In 1997, there may also be a cost-of-living adjustment. The agreements also provide for retirement incentives, a commitment to no layoffs or loss of wages as a result of company initiated "process change," an enhanced educational program and stock grant and other incentives to improve service quality.

Competitive and Regulatory Environment

Competition

NYNEX believes that, while it will face significantly increased risks in its traditional markets, there will be significant opportunities in its many new markets.

Federal and state regulators continue to adopt policies favoring competition and have initiated various proceedings to further those policies. Those policies will be advanced by the enactment of the Telecommunications Act of 1996, which immediately opens NYNEX's local telecommunications markets to full competition. An increasing number of national and global companies with substantial capital and marketing resources are expected to enter many of NYNEX's local markets. At the same time, the 1996 Act frees NYNEX to enter the long distance, video entertainment and information markets. NYNEX is granted immediate relief for long distance calling (both U.S. and international) originating outside of the NYNEX region, as well as for long distance services incidental to wireless, video and information services, and for video programming.

Most of the services that NYNEX provides in its local telecommunications markets have been facing increasing competition for the past several years. NYNEX has responded by obtaining increased pricing flexibility under incentive regulation, introducing new services, and improving service quality. Increases in 1995 Private Line/Special Access revenues, and the number of Centrex "win-backs" from PBX vendors indicate NYNEX's ability to respond effectively in its most competitive markets.

Competition for intraLATA toll revenues has intensified, beginning in 1994 with the increased marketing of "dial-around" programs by interexchange carriers. However, to date, the "retail" toll revenues NYNEX has lost to such programs are being offset in part by increased revenues from wholesale access charges. ILP began in New York in late 1995 and was completed in February 1996. Future wholesale pricing is the subject of pending regulatory proceedings.

In the highly competitive interstate access market, NYNEX received a waiver from the FCC in 1995, to de-average switched access rates in the metropolitan New York LATA and introduce a new fixed monthly charge paid directly by interexchange carriers. This has enabled NYNEX to charge prices that more accurately reflect the market conditions in its most competitive area.

To provide interLATA long distance service for calls originating within its region, NYNEX must meet certain technical and regulatory requirements and the FCC must determine it to be in the public interest.

NYNEX considers itself well positioned to enter the in-region long distance business quickly, as in New York and Massachusetts it already meets many of the requirements of this competitive "checklist." NYNEX provides for physical collocation of competitors' facilities and has signed interconnection agreements which include number portability and reciprocal compensation for terminating traffic with local exchange competitors. NYNEX has also unbundled many components of its network and offers them on a wholesale basis, and completed ILP in New York in February 1996.

Significant regulatory developments of 1995 are discussed below.

State Regulatory

During 1995 the telephone subsidiaries were able to replace rate of return regulation with price regulation plans in New York, Massachusetts and Maine, which represent approximately 95% of their access lines collectively. These state regulatory plans eliminate the telephone subsidiaries' obligation to share earnings with customers, allow the companies greater flexibility to vary prices to meet competition and impose service quality performance measurements. In January 1996, New England Telephone filed a proposed price regulation plan with the Rhode Island Public Utilities Commission.

Massachusetts

Incentive Plan. In Massachusetts, the price regulation plan approved by the Massachusetts Department of Public Utilities ("MDPU") governs New England Telephone's Massachusetts intrastate operations through August 2001. Certain residence exchange rates are capped, and pricing rules limit New England Telephone's ability to increase prices for most services. The MDPU also established a quality of service index and ordered that New England Telephone's inability to meet the performance levels in any given month would result in a one-twelfth of one percent increase in the productivity offset used in the annual price cap filing. New England Telephone's initial price plan tariff filing, which became effective in September 1995, contains rate changes that will result in an annual revenue reduction of approximately $38 million. The MDPU's Order has been appealed to the Supreme Judicial Court of Massachusetts.

Competition Proceeding. In 1995, hearings commenced in the MDPU's investigation of intraLATA and local exchange competition in Massachusetts. The MDPU has indicated that among the matters it intends to address are collocation, interconnection of networks, intraLATA toll presubscription, telephone number assignment and portability and universal service funding.

New York

Incentive Plan. In 1995, the NYSPSC approved with modifications a Plan that changes the manner in which New York Telephone will be regulated by the NYSPSC over the next five to seven years. Prices are capped at current rates for "basic" services such as residence and business exchange access, residence and business local calling and LifeLine service, and price reduction commitments are established for a number of services, including toll and intraLATA carrier access services. Certain prices may be adjusted annually based on an inflation index and costs associated with NYSPSC mandates and other defined "exogenous" events. Depending on whether the Plan remains in effect for five or seven years, New York Telephone's prices will have been decreased by an amount that, based on current volumes of business, would produce an aggregate revenue reduction over the term of the plan of $1.1 billion at the end of five years, or $1.9 billion at the end of seven years.

The Plan also establishes service quality targets with stringent rebate provisions if New York Telephone is unable to meet some or all of the targets, and sets an accelerated schedule for the provision of ILP. New York Telephone's compliance tariffs under the Plan became effective on a temporary basis as of September 1, 1995, and will remain temporary pending the NYSPSC Staff's review and investigation.

The NYSPSC has rejected various petitions that had been filed for reconsideration of the order approving the Plan and indicated that it had approved a Staff plan for monitoring New York Telephone's compliance. In late 1995, MCI Communications Corporation ("MCI") commenced a proceeding in the New York Supreme Court seeking to overturn the NYSPSC's orders with respect to the Plan. MCI challenges the lack of an earnings cap and asserts that New York Telephone's rates should be further reduced annually by the amount of the $153 million set aside.

Competition II Proceeding. In 1995, the NYSPSC issued an order resolving certain issues in its proceeding on local exchange competition in New York State. New York Telephone must provide White Pages directory listings at no charge to customers of competitive local exchange carriers ("CLECs"), but may negotiate fees with CLECs for delivery of the directories to their customers. The NYSPSC also established a reciprocal compensation scheme for the payment of access rates when New York Telephone and CLECs terminate traffic on each other's networks. In general, the NYSPSC's plan permits "full service, facilities based" local exchange carriers to pay a lower rate than other carriers will be required to pay. The NYSPSC also determined that New York Telephone must, upon request, provide services to interconnect CLECs that are collocated in New York Telephone's central offices.

The NYSPSC also directed New York Telephone to file tariffs to remove restrictions on the resale of residential services, effective February 1996, or to show cause why such restrictions should not be removed. In January 1996, following New York Telephone's show cause response requesting more time for implementation, the NYSPSC issued an order requiring implementation, with respect to both residential and business services, in October 1996.

The NYSPSC has issued orders resolving various procedural and operational issues related to ILP. The NYSPSC approved New York Telephone's proposal to implement ILP for analog central offices as those switches are replaced by digital equipment. By the end of February 1996, New York Telephone had implemented ILP in all of its digital switching systems.

Other. In 1991, the NYSPSC authorized a $250 million increase in New York Telephone's rates, of which $47.5 million annually remains subject to refund pending resolution of certain issues related to New York Telephone's transactions with other NYNEX affiliates in 1984–1990. In 1995, the NYSPSC's independent consultant concluded its final report detailing findings and recommendations, and an NYSPSC administrative law judge issued a procedural ruling for future hearings and the filing of evidence. In January 1996, New York Telephone filed notice with the NYSPSC of its intention to open settlement discussions in this case and requested an extension of the date for the filing of testimony.

Federal Regulatory

Price Cap Plan. The telephone subsidiaries are subject to incentive regulation in the form of price caps. Price cap limits are subject to adjustment each year to reflect inflation, a productivity factor and certain other cost changes. In 1995, the FCC issued a Notice of Proposed Rulemaking regarding the productivity factor used by local exchange carriers ("LECs") in the FCC price cap formula. The Proposed Rulemaking will consider changes in the determination of the productivity factor, the recognition of exogenous costs, the extent of carrier sharing, and the formula for calculating the price cap index for certain services. The FCC expects to issue an order in time for the final changes to be reflected in LECs' rates as of July 1996. The FCC has also issued a Notice of Proposed Rulemaking to determine how the price cap rules should be modified to accommodate increasing levels of competition. The FCC asked for comments on a proposal by the telephone subsidiaries that earnings sharing be reduced or eliminated as an LEC implements measures to promote competition for local exchange services. The FCC has indicated that it intends to establish a rulemaking proceeding in 1996 to consider reform of the rules concerning the structure of access charges. This rulemaking proceeding would consider changes that might be necessary as competition increases in the local telephone market.

Other Federal Regulatory In January 1996, the FCC issued a Notice of Proposed Rulemaking addressing the charges made for interconnection between LECs and wireless carriers. Currently, such charges are established by contracts under the jurisdiction of the state regulatory commissions. The FCC requested comment on its tentative conclusion to require, pending the completion of its Proposed Rulemaking, reciprocal "bill-and-keep" compensation arrangements under which the originating carrier would no longer pay the terminating carrier for access. Adoption of the proposed procedure would have a negative effect on the revenues of the LECs, including the telephone subsidiaries. The telephone subsidiaries plan to participate actively in the proceeding.

During 1996, the FCC will conduct a number of rulemaking proceedings in order to implement the Telecommunications Legislation enacted in February 1996.

In February 1996, New England Telephone advised the FCC that it relinquished authorization to construct advanced video dialtone network facilities in portions of Massachusetts and Rhode Island.

Selected Financial and Operating Data

(In millions, except per share amounts)	1995	1994	1993	1992	1991
Operating revenues	$ 13,407	$ 13,307	$ 13,408	$ 13,183	$ 13,255
Operating expenses	$ 11,315	$ 11,550	$ 13,075	$ 10,655	$ [illegible]
Interest expense	$ 734	$ 674	$ 660	$ 685	$ 726
Earnings (loss) before extraordinary item and cumulative effect of change in accounting principle	$ 1,069	$ 793	$ (272)	$ 1,311	$ 601
Extraordinary item for the discontinuance of regulatory accounting principles, net of taxes	$ (2,919)	$	$	$	$
Cumulative effect of change in accounting for postemployment benefits, net of taxes	$ —	$	$ 122	$	$
Net income (loss)	$ (1,850)	$ 793	$ (394)	$ 1,311	$ 601
Earnings (loss) per share before extraordinary item and cumulative effect of change in accounting principle	$ 2.50	$ 1.89	$ (.66)	$ 3.20	$ 1.49
Extraordinary item per share	$ (6.84)	$	$	$	$
Cumulative effect per share of change in accounting principle	$ —	$	$ .29	$	$
Earnings (loss) per share	$ (4.34)	$ 1.89	$ (.95)	$ 3.20	$ 1.49
Dividends per share	$ 2.36	$ 2.36	$ 2.36	$ 2.32	$ 2.28
Property, plant and equipment, net	$ 17,055	$ 20,623	$ 20,290	$ 19,973	$ 19,915
Total assets	$ 26,220	$ 30,068	$ 29,458	$ 27,732	$ 27,503
Long-term debt	$ 9,337	$ 7,785	$ 6,908	$ 7,018	$ 6,833
Stockholders' equity	$ 6,079	$ 8,581	$ 8,416	$ 9,724	$ 9,130
Book value per share	$ 14.06	$ 20.26	$ 20.28	$ 23.51	$ 22.38
Capital expenditures	$ 3,188	$ 3,012	$ 2,717	$ 2,450	$ 2,490
Network access lines in service	17.1	16.6	16.0	15.6	15.3

Report of Independent Accountants

To the Share Owners and Board of Directors of NYNEX Corporation

We have audited the accompanying consolidated balance sheets of NYNEX Corporation and its subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1995. These consolidated financial statements are the responsibility of NYNEX Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NYNEX Corporation and its subsidiaries as of December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note B to the consolidated financial statements, in the second quarter of 1995, NYNEX Corporation discontinued accounting for the operations of its telephone subsidiaries in accordance with Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation." Additionally, as discussed in Note D to the consolidated financial statements, in the fourth quarter of 1993, NYNEX Corporation adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" retroactive to January 1, 1993.

Coopers & Lybrand L.L.P.

Coopers & Lybrand L.L.P.
New York, New York
February 5, 1996

Report of Management

Management of NYNEX Corporation and its subsidiaries ("NYNEX") has the responsibility for preparing the accompanying consolidated financial statements and for their integrity and objectivity. The financial statements were prepared in accordance with generally accepted accounting principles, which require management to make estimates and assumptions that affect reported amounts. Actual results could differ from those estimates. In Management's opinion, the consolidated financial statements are fairly presented. Management also prepared the other information in this report and is responsible for its accuracy and consistency with the consolidated financial statements.

The consolidated financial statements have been audited by Coopers & Lybrand L.L.P. ("Coopers & Lybrand"), independent accountants, whose appointment was ratified by NYNEX's stockholders. Management has made available to Coopers & Lybrand all of NYNEX's financial records and related data, as well as the minutes of stockholders' and directors' meetings. Furthermore, Management believes that all representations made to Coopers & Lybrand during its audit were valid and appropriate.

Management of NYNEX has established and maintains an internal control structure that is designed to provide reasonable assurance as to the integrity and reliability of the consolidated financial statements, the protection of assets from unauthorized use or disposition, and the prevention and detection of fraudulent financial reporting. The concept of reasonable assurance recognizes that the cost of the internal control structure should not exceed the benefits to be derived. The internal control structure provides for appropriate division of responsibility and is documented by written policies and procedures that are communicated to employees with significant roles in the financial reporting process. Management monitors the internal control structure for compliance, considers recommendations for improvement from both the internal auditors and Coopers & Lybrand, and updates such policies and procedures as necessary. Monitoring includes an internal auditing function to independently assess the effectiveness of the internal controls and recommend possible improvements thereto. Management believes that the internal control structure of NYNEX is adequate to accomplish the objectives discussed herein.

The Audit Committee of the Board of Directors, which is comprised of directors who are not employees, meets periodically with Management, the internal auditors and Coopers & Lybrand to review the manner in which they are performing their responsibilities and to discuss matters relating to auditing, internal controls and financial reporting. Both the internal auditors and Coopers & Lybrand periodically meet privately with the Audit Committee and have access to the Audit Committee at any time.

Management also recognizes its responsibility for conducting NYNEX activities under the highest standards of personal and corporate conduct. This responsibility is accomplished by fostering a strong ethical climate as characterized in NYNEX's Code of Business Conduct, which is publicized throughout NYNEX. This code of conduct addresses, among other things, standards of personal conduct, potential conflicts of interest, compliance with all domestic and foreign laws, accountability for NYNEX property, and the confidentiality of proprietary information.

Ivan Seidenberg

Ivan Seidenberg
Chairman and Chief Executive Officer

Peter M. Ciccone

Peter M. Ciccone
Vice President and Comptroller

Consolidated Statements of Income

For the year ended December 31, (In millions, except per share amounts)	1995	1994	1993
Operating Revenues			
Local service	$ 6,722.2	$ 6,605.4	$ 6,472.9
Long distance	1,039.2	1,081.2	1,134.4
Network access	3,557.5	3,447.0	3,387.2
Other	2,088.0	2,173.0	2,413.3
Total operating revenues	13,406.9	13,306.6	13,407.8
Operating Expenses			
Maintenance and support	3,069.0	3,039.7	3,194.2
Depreciation and amortization	2,566.8	2,640.6	2,534.0
Marketing and customer services	1,422.2	1,415.7	1,441.1
Taxes other than income	1,015.6	993.2	1,038.9
Selling, general and administrative	2,484.5	2,639.7	4,031.1
Other	756.6	821.5	835.2
Total operating expenses	11,314.7	11,550.4	13,074.5
Operating income	2,092.2	1,756.2	333.3
Gain on sale of stock by subsidiary [Note J]	264.1		
Other income (expense) — net	(4.9)	(43.8)	(97.0)
Interest expense	733.9	673.8	659.5
Income (loss) from long-term investments	92.9	57.7	(21.9)
Earnings (loss) before income taxes, extraordinary item and cumulative effect of change in accounting principle	1,710.4	1,096.3	(445.1)
Income taxes	640.9	303.7	(172.7)
Earnings (loss) before extraordinary item and cumulative effect of change in accounting principle	1,069.5	792.6	(272.4)
Extraordinary item for the discontinuance of regulatory accounting principles, net of taxes [Note B]	(2,919.4)		
Cumulative effect of change in accounting for postemployment benefits, net of taxes [Note D]	—		(121.7)
Net income (loss)	$ (1,849.9)	$ 792.6	$ (394.1)
Earnings (loss) per share before extraordinary item and cumulative effect of change in accounting principle	$ 2.50	$ 1.89	$ (.66)
Extraordinary item per share	(6.84)		
Cumulative effect per share of change in accounting principle	—		(.29)
Earnings (loss) per share	$ (4.34)	$ 1.89	$ (.95)
Weighted average number of shares outstanding	426.5	418.8	412.7

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

December 31 (In millions, except share amounts)	1995	1994
Assets		
Current assets		
Cash and temporary cash investments	$ 93.2	$ 137.5
Receivables (net of allowance of $221.6 and $226.7, respectively)	2,636.2	2,532.5
Inventories	141.3	173.3
Prepaid expenses	360.2	361.2
Deferred charges and other current assets	456.5	593.5
Total current assets	3,687.4	3,798.0
Property, plant and equipment – net	17,055.3	20,623.4
Long term investments [Note F]	3,286.2	1,999.4
Deferred charges and other assets	2,191.1	3,647.2
Total Assets	$ 26,220.0	$ 30,068.0
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 2,902.2	$ 2,668.2
Short term debt	506.6	2,128.8
Other current liabilities	583.7	1,053.5
Total current liabilities	3,992.5	5,850.5
Long term debt	9,336.9	7,784.5
Deferred income taxes	1,650.2	3,364.7
Unamortized investment tax credits	198.8	304.4
Other long term liabilities and deferred credits	3,885.0	3,615.3
Minority interest, including a portion subject to redemption requirements [Note J]	1,077.4	567.2
Commitments and contingencies [Notes G, M, N, Q and S]		
Stockholders' equity		
Preferred stock – $1 par value, 70,000,000 shares authorized	—	
Preferred stock – Series A Junior Participating – $1 par value, 5,000,000 shares authorized	—	
Common stock – $1 par value, 750,000,000 shares authorized	447.2	439.7
Additional paid in capital	6,566.9	6,942.0
Retained earnings	—	2,208.2
Treasury stock (14,756,356 and 16,102,683 shares, respectively, at cost)	(591.1)	(644.3)
Deferred compensation – LESOP Trust	(343.8)	(364.2)
Total Stockholders' Equity	6,079.2	8,581.4
Total Liabilities and Stockholders' Equity	$ 26,220.0	$ 30,068.0

Consolidated Statements of Changes in Stockholders' Equity

(In millions)	Common Shares	Common Stock	Additional Paid In Capital	Retained Earnings	Treasury Stock	Deferred Compensation LESOP Trust	Total Stockholders' Equity
Balance, December 31, 1992	214.2	$ 214.2	$ 6,520.0	$ 3,958.7	$ (572.9)	$ (396.3)	$ 9,723.7
Employee benefit and dividend reinvestment plans	2.3	2.3	100.3		(67.0)	16.0	51.6
Stock split [Note K]	214.6	214.6		(206.4)	(8.2)		
Dividends ($2.36 per common share)				(974.8)			(974.8)
Other			4.2	4.9			9.1
Net loss				(394.1)			(394.1)
Balance, December 31, 1993	431.1	$ 431.1	$ 6,624.5	$ 2,388.3	$ (648.1)	$ (380.3)	$ 8,415.5
Employee benefit and dividend reinvestment plans	8.6	8.6	317.4		3.8	16.1	345.9
Dividends ($2.36 per common share)				(993.0)			(993.0)
Other			.1	20.3			20.4
Net income				792.6			792.6
Balance, December 31, 1994	439.7	$ 439.7	$ 6,942.0	$ 2,208.2	$ (644.3)	$ (364.2)	$ 8,581.4
Employee benefit and dividend reinvestment plans	7.1	7.1	273.5		53.4	20.4	354.4
Dividends [Note K] ($2.36 per common share)			(674.4)	(337.1)			(1,011.5)
Other	.4	.4	25.8	(21.2)	(.2)		4.8
Net loss				(1,849.9)			(1,849.9)
Balance, December 31, 1995	447.2	$ 447.2	$ 6,566.9	$ —	$ (591.1)	$ (343.8)	$ 6,079.2

At December 31, 1995, there were [illegible] common shares.

See [illegible] consolidated financial statements.

Consolidated Statements of Cash Flows

For the year ended December 31 (In millions)	1995	1994	[illegible]
Cash Flows from Operating Activities:*			
Net income (loss)	$ (1,849.9)	$ 792.6	$ [illegible]
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Extraordinary item, net of taxes	2,919.4		
Depreciation and amortization	2,566.8	2,640.6	[illegible]
Amortization of unearned lease income — net	(92.1)	(82.0)	(91.7)
Deferred income taxes — net	156.8	(160.2)	(671.1)
Deferred tax credits — net	(42.0)	(49.8)	(59.7)
Gain on sale of stock by subsidiary	(264.1)		
Changes in operating assets and liabilities			
Receivables	(212.6)	(93.4)	(56.9)
Inventories	25.9	(4.1)	17.3
Prepaid expenses	(12.3)	(55.0)	11.8
Deferred charges and other current assets	118.3	255.9	(303.7)
Accounts payable	359.4	(190.2)	284.4
Other current liabilities	(257.8)	290.2	(47.7)
Other — net	232.0	355.1	2,424.6
Total adjustments	5,497.7	2,907.1	4,044.3
Net cash provided by operating activities	3,647.8	3,699.7	3,650.2
Cash Flows from Investing Activities:			
Capital expenditures	(3,188.1)	(3,012.2)	(2,717.2)
Investment in leased assets	(245.4)	(173.8)	(241.5)
Cash received from leasing activities	85.9	67.0	57.7
Other investing activities — net	(518.3)	(43.6)	(1,349.5)
Net cash used in investing activities	(3,865.9)	(3,162.6)	(4,250.5)
Cash Flows from Financing Activities:			
Issuance of commercial paper and short term debt	13,940.3	18,230.0	14,438.6
Repayment of commercial paper and short term debt	(13,981.2)	(19,905.6)	(11,985.6)
Issuance of long term debt	136.4	1,556.2	2,410.9
Repayment of long term debt and capital leases	(144.5)	(127.9)	(141.3)
Debt refinancing and call premiums			(3,120.3)
Issuance of common stock	222.7	213.2	98.3
Purchase of treasury stock	—		(92.3)
Dividends paid	(899.4)	(882.5)	(944.1)
Minority interest	289.2	359.2	5.0
Proceeds from sale of stock by subsidiary — net	610.3		
Net cash provided by (used in) financing activities	173.8	(557.4)	669.2
Net (decrease) increase in Cash and temporary cash investments	(44.3)	(20.3)	68.9
Cash and temporary cash investments at beginning of year	137.5	157.8	88.9
Cash and temporary cash investments at end of year	$ 93.2	$ 137.5	$ 157.8

*[illegible] cellular subsidiary in 1995 [illegible]

[illegible] financial statements.

Notes to Consolidated Financial Statements

A Accounting Policies

Nature of Operations

NYNEX Corporation ("NYNEX") is a global communications and media corporation that provides a full range of services in the northeastern United States and in high growth markets around the world. NYNEX has expertise in telecommunications, wireless communications, directory publishing, and video entertainment and information services. Intrastate communications services are regulated by various state public service commissions ("state commissions"), and interstate communications services are regulated by the Federal Communications Commission ("FCC").

The communications and media industry continues to experience fundamental changes at an ever increasing pace. Telecommunications, information and entertainment services are converging in the market, driven by technology and released by landmark federal legislation that will remove historic regulatory barriers. These changes are likely to have a significant effect on the future financial performance of many companies in the industry. NYNEX cannot predict the effect of such competition on its business.

NYNEX is implementing a major restructuring of its business, has entered into domestic strategic alliances, and is expanding globally in select international markets in order to respond to competition. In addition, NYNEX is pursuing reforms in telecommunications policy at both the state and federal levels. In February, the Telecommunications Act of 1996 was signed into law. This legislation will lead to the development of competition in local and long distance telephone service, cable television, and information and entertainment services.

Basis of Presentation

The consolidated financial statements include the accounts of NYNEX and its subsidiaries. Investments in entities in which NYNEX does not have control, but has the ability to exercise significant influence over operations and financial policies, are accounted for using the equity method. Other investments are accounted for using the cost method.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP"). GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The 1994 and 1993 consolidated financial statements have been reclassified to conform to the current year's format.

In the second quarter of 1995, NYNEX discontinued using GAAP applicable to regulated entities for the operations of New York Telephone Company ("New York Telephone") and New England Telephone and Telegraph Company ("New England Telephone") (collectively, the "telephone subsidiaries") (see Note B).

In the third quarter of 1995, NYNEX deconsolidated certain assets and liabilities of NYNEX Mobile Communications Company ("NYNEX Mobile"), a wholly owned subsidiary of NYNEX, in exchange for an equity interest in a cellular partnership between NYNEX and Bell Atlantic Corporation ("Bell Atlantic") (see Note F). As a result, NYNEX Mobile's results for the first half of 1995 were reported on a consolidated basis. For the second half of 1995, NYNEX's share of the partnership's results were reported on an equity basis included in Income (loss) from long term investments.

Upon the deconsolidation of NYNEX Mobile, Management reassessed its determination of reportable segments and concluded that a dominant portion of NYNEX's operations is in a single industry segment. In the third quarter of 1995, NYNEX discontinued reporting segment information in accordance with Statement of Financial Accounting Standards No. 14, "Financial Reporting for Segments of a Business Enterprise." This change had no effect on NYNEX's results of operations or financial position.

Cash and Temporary Cash Investments

Temporary cash investments are liquid investments with maturities of three months or less. Temporary cash investments are stated at cost, which approximates market value.

Inventories

The telephone subsidiaries' inventories consist of materials and supplies that are carried principally at average cost. Inventories purchased for resale are carried at the lower of cost or market (determined using weighted average cost). Certain other inventories are carried at the lower of cost or market (determined on a last-in, first-out basis).

Property, Plant and Equipment

Property, plant and equipment is stated at its original cost and is depreciated on a straight-line basis over its useful life. When depreciable plant is disposed of by the telephone subsidiaries, the carrying amount is charged to accumulated depreciation.

As a result of the implementation of Statement of Financial Accounting Standards No. 101, "Regulated Enterprises - Accounting for the Discontinuation of Application of FASB Statement No. 71" ("Statement No. 101"), in the second quarter of 1995, the telephone subsidiaries began recording depreciation expense using shorter asset lives based on expectations as to the revenue-producing lives of the assets (see Note B), calculated on a straight-line basis. Previously, depreciation rates used by the telephone subsidiaries were prescribed by the FCC and by the state commissions for interstate operations and for intrastate operations, respectively, and were calculated on a straight-line basis using the concept of "remaining life."

Capitalized Interest Cost

As a result of the application of Statement No. 101, capitalized interest for the telephone subsidiaries is recorded as a cost of telephone plant and equipment and a reduction of interest, in accordance with the provisions of Statement of Financial Accounting Standards No. 34, "Capitalization of Interest Cost" ("Statement No. 34"). Previously, regulatory authorities allowed the telephone subsidiaries to capitalize interest, including an allowance on shareowner's equity, as a cost of constructing certain plant and as income, included in Other income (expense) - net. Such income was realized over the service life of the plant as the resulting higher depreciation expense was recovered through the rate-making process. All other subsidiaries account for capitalized interest in accordance with Statement No. 34.

Financial Instruments

NYNEX manages certain portions of its exposure to foreign currency and interest rate fluctuations through a variety of strategies and instruments. Generally, foreign currency derivatives and forwards are valued relative to the period ending spot rate. Gains and losses applicable to these derivatives are recorded to income currently with the exception of amounts related to foreign currency derivatives that have been identified as a hedge of a net investment in a foreign subsidiary, which are recorded as adjustments to Stockholders' equity until the related subsidiary is sold or substantially liquidated. The interest elements of these foreign currency derivatives are recognized to income ratably over the life of the contract. Interest rate swaps and related interest rate derivatives (swaptions, caps) identified as hedges are generally not carried at fair value. Rather, interest rate swap receipts or payments are recognized as adjustments to interest expense as received or paid. Swap termination payments and fees or premiums applicable to swaptions and caps are recognized as adjustments to interest expense over the lives of the agreements.

Computer Software Costs

The telephone subsidiaries capitalize initial right-to-use fees for central office switching equipment, including initial operating system and initial application software costs. For non-central office equipment, only the initial operating system software is capitalized. Subsequent additions, modifications, or upgrades of initial software programs, whether operating or application packages, are expensed. NYNEX CableComms capitalizes initial right-to-use fees for switching equipment, including initial operating system and initial application software costs. All nontelephone subsidiaries expense computer software acquired or developed for internal use as incurred.

Refinancing Charges

As a result of the application of Statement No. 101, the telephone subsidiaries no longer defer call premiums and other charges associated with the redemption of long-term debt, and previously deferred refinancing costs were eliminated (see Note B). The intrastate portion of these costs had been deferred and amortized over periods stipulated by the state commissions. The interstate portion had been expensed as required by the FCC.

Income Taxes

Effective January 1, 1993, NYNEX adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("Statement No. 109"). Statement No. 109 requires that deferred tax assets and liabilities be measured based on the enacted tax rates that will be in effect in the years in which temporary differences are expected to reverse.

For the telephone subsidiaries, prior to the application of Statement No. 101, the treatment of excess deferred taxes resulting from the reduction of tax rates in prior years was subject to federal income tax and regulatory rules. Deferred income tax provisions of the telephone subsidiaries were based on amounts recognized for rate-making purposes. The telephone subsidiaries recognized a deferred tax liability and established a corresponding regulatory asset for tax benefits previously flowed through to ratepayers. The major temporary difference that gave rise to the net deferred tax liability is depreciation, which for income tax purposes is determined based on accelerated methods and shorter lives. Statement of

Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("Statement No. 71"), required the telephone subsidiaries to reflect the additional deferred income taxes as regulatory assets to the extent that they would be recovered in the rate-making process. In accordance with the normalization provisions under federal tax law, the telephone subsidiaries reversed excess deferred taxes relating to depreciation of regulated assets over the regulatory lives of those assets. For other excess deferred taxes, the state commissions generally allowed amortization of excess deferred taxes over the reversal period of the temporary difference giving rise to the deferred taxes. As a result of the application of Statement No. 101, income tax related regulatory assets and liabilities were eliminated (see Note B).

The Tax Reform Act of 1986 repealed the investment tax credit ("ITC"), effective January 1, 1986. As required by tax law, ITC for the telephone subsidiaries was deferred and is amortized as a reduction to tax expense over the estimated service lives of the related assets giving rise to the credits.

B Discontinuance of Regulatory Accounting Principles

In the second quarter of 1995, NYNEX discontinued accounting for the operations of the telephone subsidiaries in accordance with the provisions of Statement No. 71. As a result, NYNEX recorded an extraordinary, non-cash charge of \$2.9 billion, net of income taxes of \$1.6 billion.

The operations of the telephone subsidiaries no longer met the criteria for application of Statement No. 71 due to a number of factors including: significant changes in regulation (achievement of price regulation rather than rate-of-return regulation in New York, Massachusetts and Maine, and ongoing efforts to achieve price regulation in the remaining jurisdictions), an intensifying level of competition, and the increasingly rapid pace of technological change. Under Statement No. 71, NYNEX had accounted for the effects of rate actions by federal and state regulatory commissions by establishing certain regulatory assets and liabilities, including the depreciation of its telephone plant and equipment using asset lives approved by regulators and the deferral of certain costs and obligations based on approvals received from regulators. NYNEX had continually assessed its position and the recoverability of its telecommunications assets with respect to Statement No. 71.

Telephone plant and equipment was adjusted through an increase in accumulated depreciation to reflect the difference between recorded depreciation and the amount of depreciation that would have been recorded had NYNEX not been subject to rate regulation. Gross plant was written off where fully depreciated, and non-plant regulatory assets and liabilities were eliminated from the balance sheet.

The after-tax extraordinary charge recorded consists of \$2.2 billion for the adjustment to telephone plant and equipment and \$0.7 billion for the write-off of non-plant regulatory assets and liabilities.

The net decrease of \$3.6 billion to telephone plant and equipment was supported by a depreciation analysis, which identified inadequate depreciation reserve levels which NYNEX believes resulted principally from the cumulative under-depreciation of telephone plant and equipment as a result of the regulatory process. An impairment analysis was performed that did not identify any additional amounts not recoverable from future operations. ITC amortization was accelerated as a result of the reduction in asset lives of the associated telephone plant and equipment.

The major elements of the write-off of non-plant regulatory net assets were as follows:

(In millions)	Pretax	After-tax
Compensated absences	\$ 173.2	\$ 109.4
Deferred pension costs	381.1	239.5
Refinancing costs	255.6	166.5
Deferred taxes		55.7
Other	130.8	85.6
Total	\$ 940.7	\$ 656.7

With the adoption of Statement No. 101, NYNEX now uses estimated asset lives for certain categories of telephone plant and equipment that are shorter than those approved by regulators. These shorter asset lives result from NYNEX's expectations as to the revenue producing lives of the assets. A comparison of average asset lives before and after the discontinuance of Statement No. 71 for the most significantly affected categories of telephone plant and equipment is as follows:

	Average lives (in years): Composite Regulator-Approved Asset Lives	Economic Asset Lives
Digital Switching	16.5	12.0
Circuit – Other	10.5	8.0
Aerial Metallic Cable	21.0	17.0
Underground Metallic Cable	25.0	15.0
Buried Metallic Cable	23.0	17.0
Fiber	26.0	20.0

The application of Statement No. 101 does not change the telephone subsidiaries' accounting and reporting for regulatory purposes.

C Income Tax

The components of income tax expense (benefit) are as follows:

(In millions)	1995*	1994	1993**
Federal			
Current	$ 469.2	$ 488.7	$ 466.9
Deferred - net	67.8	(191.5)	(611.9)
Deferred tax credits - net	(42.0)	(49.8)	(59.7)
	495.0	247.4	(204.7)
State and local			
Current	51.3	18.7	88.1
Deferred - net	89.0	31.3	(59.2)
	140.3	50.0	28.9
Foreign	5.6	6.3	3.1
Total	$ 640.9	$ 303.7	$ (172.7)

* Does not include the deferred tax benefit of $1.6 billion associated with the Extraordinary item for the discontinuance of regulatory accounting principles.

** Does not include the deferred tax benefit of $67.5 million associated with the Cumulative effect of change in accounting for postemployment benefits.

A reconciliation between the federal income tax expense (benefit) computed at the statutory rate and NYNEX's effective tax expense (benefit) is as follows:

(In millions)	1995	1994	1993
Federal income tax expense (benefit) computed at the statutory rate	$ 598.6	$ 383.7	$ (155.8)
a Amortization of investment tax credits	(31.3)	(55.9)	(65.8)
b Amortization of excess deferred federal taxes due to change in the tax rates	(8.2)	(48.1)	(66.8)
c State and local income taxes, net of federal tax benefit	91.2	32.5	18.8
d Depreciation of certain taxes and payroll-related construction costs capitalized for financial statement purposes, but deducted for income tax purposes in prior years	5.0	20.5	31.6
e Capital loss carryforwards and reversal of valuation allowance on capital loss carryforwards	(16.1)	(58.6)	87.1
f Other items - net	1.7	29.6	(21.8)
Income tax expense (benefit)	$ 640.9	$ 303.7	$ (172.7)

Not included in "c" above are gross receipts taxes that New York Telephone is subject to in lieu of a state income tax. Temporary differences for which deferred income taxes have not been provided by the telephone subsidiaries are represented principally by "d" above. Upon the discontinuance of Statement No. 71 (see Note B), items "b" and "d" above have been eliminated.

The components of current and non-current deferred tax assets and liabilities at December 31, 1995 and 1994 are as follows:

(In millions)	1995		1994	
	Assets	Liabilities	Assets	Liabilities
Depreciation and amortization	$ —	$ 1,676.8	$	$ 3,150.0
Leveraged leases	—	976.2		917.7
Restructuring charges	286.1	—	502.9	
Employee benefits	1,440.0	178.3	1,228.2	189.7
Unamortized ITC	68.0	—	168.2	
Deferred publishing revenues	167.0	—	134.4	
Other	374.6	542.2	229.8	646.2
Total deferred taxes	2,335.7	3,373.5	2,263.5	4,903.6
Valuation allowance*	(29.7)		(42.2)	
Net deferred tax assets	$ 2,306.0	(2,306.0)	$ 2,221.3	(2,221.3)
Net deferred tax liabilities	—	$ 1,067.5		$ 2,682.3

* A valuation allowance was established in 1993 primarily for capital losses generated from the exit from the information products and services business. During 1995 and 1994, the valuation allowance decreased by $12.5 and $71.[illegible] million, respectively, primarily due to tax planning strategies.

During 1995, income tax-related regulatory assets and liabilities were eliminated as a result of the discontinued application of Statement No. 71 (see Note B).

At December 31, 1994, the telephone subsidiaries had recorded approximately $631 million in deferred charges and deferred taxes representing the cumulative amount of income taxes on temporary differences that were previously flowed through to ratepayers. This deferral had been increased for the tax effect of future revenue requirements and was being amortized over the lives of the related depreciable assets concurrently with their recovery in rates. The telephone subsidiaries had recorded a regulatory liability at December 31, 1994 of approximately $519 million, in Other long-term liabilities and deferred credits and in Other current liabilities. A substantial portion of the regulatory liability related to the 1986 reduction in the statutory federal income tax rate and unamortized ITC. This liability had been increased for the tax effect of future revenue requirements.

D Employee Benefits

Pensions

Substantially all NYNEX employees are covered by one of two noncontributory defined benefit pension plans (the "Plans"). Benefits for management employees are based on a modified career average pay plan while benefits for nonmanagement employees are based on a nonpay-related plan. Contributions are made, to the extent deductible under the provisions of the Internal Revenue Code, to an irrevocable trust for the sole benefit of pension plan participants. Total pension (benefit) for 1995, 1994 and 1993 was $(269.3), $(290.6), and $(167.0) million, respectively. The components are as follows:

(In millions)	1995	1994	1993
Estimated return on plan assets			
Actual	$ (3,079)	$ 74	$ (1,964)
Deferred portion	1,872	(1,265)	833
Net	(1,207)	(1,191)	(1,131)
Service cost	179	237	199
Interest cost on projected benefit obligation	984	884	928
Other – net	(225)	(221)	(163)
Net pension (benefit)	$ (269)	$ (291)	$ (167)

The pension benefit for 1995, 1994, and 1993 includes the effect of plan amendments and changes in actuarial assumptions for the discount rate and future compensation levels.

The following table sets forth the Plans' funded status and amounts recognized in the consolidated balance sheets:

December 31 (In millions)	1995	1994
Actuarial present value of accumulated benefit obligation, including vested benefits of $12,319 and $10,147, respectively	$ 13,323	$ 11,048
Plan assets at fair value, primarily listed stock, corporate and governmental debt and real estate	$ 15,782	$ 13,681
Less: Actuarial present value of projected benefit obligation	14,546	12,070
Excess of plan assets over projected benefit obligation	1,236	1,611
Unrecognized prior service cost	(1,685)	(2,029)
Unrecognized net gain	(1,010)	(862)
Unrecognized transition asset	(428)	(488)
Accrued pension cost	$ (1,887)	$ (1,768)

The assumptions used to determine the projected benefit obligation at December 31, 1995 and 1994 include a discount rate of 7.25% and 8.50%, respectively, and an increase in future compensation levels of 4.1% and 4.5%, respectively, for management employees; and 4.0% in both years for nonmanagement employees. The expected long-term rate of return on pension plan assets used to calculate pension expense was 8.9% in 1995, 1994 and 1993. The actuarial projections included herein anticipate plan improvements for active employees in the future.

As a result of work force reductions primarily through retirement incentives in 1995 and 1994, partially offset by the 1995 formation of the Bell Atlantic NYNEX Mobile cellular partnership ("BANM") (see Note F), NYNEX incurred additional pension costs of $396.9 and $758.2 million, respectively. In 1995, this cost was comprised of a charge for special termination benefits of $725.4 million and a curtailment gain of $328.5 million, partially offset by 1993 severance reserves of $78.5 million which were transferred to the pension liability. In 1994, this cost was comprised of a charge for special termination benefits of $1,142.5 million and a curtailment gain of $384.3 million, partially offset by 1993 severance reserves of $314.8 million.

Postretirement Benefits Other Than Pensions

NYNEX provides certain health care and life insurance benefits for retired employees and their families. Substantially all of NYNEX's employees may become eligible for these benefits if they reach pension eligibility while working for NYNEX.

Effective January 1, 1993, NYNEX adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("Statement No. 106"). Statement No. 106 changed the practice of accounting for postretirement benefits from recognizing costs as benefits are paid to accruing the expected cost of providing these benefits during an employee's working life. NYNEX is recognizing the transition obligation for retired employees and the earned portion for active employees over a 20 year period. The cost of health care benefits and group life insurance was determined using the unit credit cost actuarial method.

Net postretirement benefit cost for 1995, 1994, and 1993 includes the following components

(In millions)	1995	1994	1993
Service cost	$ 44.0	$ 56.6	$ 45.6
Interest cost	385.2	373.0	333.6
Estimated return on plan assets	(194.6)	(41.3)	(92.6)
Deferred asset gain (loss)	102.1	(47.1)	9.4
Amortization of transition obligation	177.4	178.7	177.6
Net postretirement benefit cost	$ 514.1	$ 519.9	$ 473.6

The following table sets forth the funded status and amounts recognized for postretirement benefit plans

December 31 (In millions)	1995	1994
Accumulated postretirement benefit obligation attributable to		
Retirees	$(4,025.7)	$(3,880.0)
Fully eligible plan participants	(705.0)	(648.2)
Other active plan participants	(896.2)	(516.9)
Total accumulated postretirement benefit obligation	(5,626.9)	(5,045.1)
Fair value of plan assets	1,230.8	1,081.8
Accumulated postretirement benefit obligation in excess of plan assets	(4,396.1)	(3,963.3)
Unrecognized net loss (gain)	257.7	(21.1)
Unrecognized prior service cost	136.2	146.1
Unrecognized transition obligation	2,853.4	3,048.8
Accrued postretirement benefit cost	$(1,148.8)	$ (789.5)

The actuarial assumptions used to determine the 1995 and 1994 obligation for postretirement benefit plans under Statement No. 106 are as follows: discount rate of 7.25% and 8.50%, respectively; weighted average expected long-term rate of return on plan assets of 8.4% in both years; weighted average salary growth rate of 4.0% and 4.2%, respectively; medical cost trend rate of 11.6% and 12.6% in 1995 and 1994, respectively, grading down to 4.5% in 2008; and dental cost trend rate of 4.0% and 4.5% in 1995 and 1994, respectively, grading down to 3.0% in 2002.

A one percent increase in the assumed health care cost trend rates for each future year would have increased the aggregate of the service and interest cost components of net postretirement benefit cost for 1995, 1994, and 1993 by $30.0, $30.[illegible] and $29.2 million, respectively, and would have increased the accumulated postretirement benefit obligation at December 31, 1995 and 1994 by $360.0 and $361.6 million, respectively.

As a result of work force reductions, NYNEX recorded an additional $519.5 million of postretirement benefit cost in 1993 accounted for as a curtailment. Due to the work force reduction retirement incentives in 1995 and 1994 and the 1995 formation of BANM, NYNEX incurred additional postretirement benefit costs of $182.2 and $429.0 million, respectively. In 1995, this cost was comprised of a curtailment loss of $109.3 million and a charge for special termination benefits of $72.9 million, partially offset by $72.7 million accrued for in 1993. In 1994 this cost was comprised of a curtailment loss of $325.3 million and a charge for special termination benefits of $103.7 million, partially offset by $178.9 million accrued for in 1993.

NYNEX established two separate Voluntary Employees' Beneficiary Association Trusts ("VEBA Trusts"), one for management and the other for nonmanagement, to begin prefunding postretirement health care benefits. At December 31, 1992, NYNEX had transferred excess pension assets, totaling $486 million, to health care benefit accounts within the pension plans and then contributed those assets to the VEBA Trusts. No additional contributions were made in 1995, 1994 and 1993. The assets in the VEBA Trusts consist primarily of equity and fixed income securities. Additional contributions to the VEBA Trusts are evaluated and determined by Management.

Regulatory Treatment

With respect to interstate treatment, in 1994 the FCC's 1993 order denying exogenous treatment of additional costs recognized under Statement No. 106 was overturned in the court. Tariff revisions were filed by the telephone subsidiaries with the FCC in 1994 to amend price cap indices to reflect additional exogenous costs recognized under Statement No. 106, including $42 million of costs already accrued, increased annual costs of $21 million and increased rates of $2.2 million. Commencing December 30, 1994, the telephone subsidiaries began collecting these revenues, subject to possible refund pending resolution of the FCC Common Carrier Bureau's investigation. The annual update to the price cap rates, effective August 1, 1995, included tariff revisions to recover approximately $21 million of exogenous costs resulting from the implementation of Statement No. 106.

With respect to intrastate treatment, in January 1994 the New York State Public Service Commission ("NYSPSC") approved New York Telephone's plan for regulatory accounting and rate making treatment. They allowed the adoption of both Statement No. 106 and Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions" ("Statement No. 87"), on a revenue requirement neutral basis, providing for the amortization of existing deferred pension costs within a ten-year period, and eliminating the need for additional deferrals of Statement No. 106 and Statement No. 87 costs. The NYSPSC required New York Telephone to write off $75 million of previously deferred pension costs in 1993. In December 1994, New York Telephone amortized $39 million of deferred pension costs according to this accounting plan. Upon the discontinuance of Statement No. 71, remaining deferred pension costs were eliminated (see Note B).

New England Telephone implemented a similar plan in each of its states, providing for immediate adoption of Statement No. 106 and Statement No. 87 on a revenue requirement neutral basis, amortization of existing deferred pension costs within a ten-year period, and discontinuance of additional deferrals of Statement No. 106 and Statement No. 87 costs. In December 1994, New England Telephone amortized $12.1 million of deferred pension costs according to this accounting plan. Upon the discontinuance of Statement No. 71, remaining deferred pension costs were eliminated (see Note B).

Postemployment Benefits

NYNEX adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" ("Statement No. 112"), in the fourth quarter of 1993, retroactive to January 1, 1993. Statement No. 112 applies to postemployment benefits, including workers' compensation, disability plans and disability pensions, provided to former or inactive employees, their beneficiaries, and covered dependents after employment but before retirement. Statement No. 112 changed NYNEX's method of accounting from recognizing costs as benefits are paid to accruing the expected costs of providing these benefits. The initial effect of adopting Statement No. 112 was reported as a cumulative effect of a change in accounting principle and resulted in a one-time, non-cash charge of $189.2 million ($121.7 million after tax) in 1993.

E Property, Plant and Equipment – Net

The components of property, plant and equipment – net are as follows:

December 31 (In millions)	1995	1994
Buildings	$ 2,943.7	$ 2,847.9
Telephone plant and equipment	30,100.9	29,902.0
Furniture and other equipment	1,543.3	1,548.6
Other	141.0	148.6
Total depreciable property, plant and equipment	34,728.9	34,447.1
Less: accumulated depreciation	18,679.3	14,843.7
	16,049.6	19,603.4
Land	142.7	155.6
Plant under construction and other	863.0	864.4
Total property, plant and equipment – net	$ 17,055.3	$ 20,623.4

The discontinued application of Statement No. 71 resulted in a net decrease to telephone plant and equipment of $3.6 billion, primarily through an increase in accumulated depreciation (see Note B).

F Long-term Investments

A reconciliation of NYNEX's equity and cost method investments is as follows:

(In millions)	1995	1994
Beginning of year, equity method	$ 301.2	$ 245.2
Additional investments	1,095.4	177.2
Equity in net income (loss)	33.8	(9.4)
Dividends received	(4.7)	(4.2)
Other	71.8	(107.6)
End of year, equity method	1,497.5	301.2
Cost method investments	1,788.7	1,698.2
Total long-term investments	$ 3,286.2	$ 1,999.4

NYNEX's long-term investments include equity and cost method investments in domestic and international interests, including cellular, real estate, telecommunications, and publishing ventures.

Effective January 1, 1994, NYNEX adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("Statement No. 115"). Statement No. 115 specifically excludes equity securities accounted for under the equity method and equity securities accounted for under the cost method that do not have readily determinable fair market values.

Bell Atlantic NYNEX Mobile Cellular Partnership

Effective July 1, 1995, NYNEX and Bell Atlantic completed the combination of substantially all of their domestic cellular properties by contributing them to a partnership, BANM, to own and operate these properties. The combination represents the consummation of the transaction that was agreed to and announced in June 1994. Bell Atlantic owns approximately 62.4% of BANM, and NYNEX owns approximately 37.6%. The partnership is controlled jointly by NYNEX and Bell Atlantic.

NYNEX contributed certain cellular assets and liabilities of NYNEX Mobile, a wholly-owned subsidiary of NYNEX, in exchange for an equity interest in BANM. Subject to post-closing adjustments, NYNEX deconsolidated approximately $640 million of net assets and recorded an equity method investment in the partnership.

As a condition to the completion of the combination, in July 1995, NYNEX Mobile sold certain of its cellular properties overlapping with Bell Atlantic's cellular properties to SNET Cellular, Inc. As a result of the formation of the partnership, NYNEX recorded a net after-tax gain of $67.4 million resulting primarily from the sale of overlapping cellular properties and a pension curtailment.

Other Long-term Investments

1995 investments included the following: a $282.5 million additional investment in the venture between NYNEX, Bell Atlantic, AirTouch Communications Inc. and U S WEST Inc. which will provide national wireless personal communications services; an additional $35.6 million investment in the Tele-TV Partnerships between NYNEX, Bell Atlantic, and Pacific Telesis Group formed to develop programming and other products and services for transmission over wireline and wireless networks; a $33.9 million investment in Bayan Telecommunications Holdings Corporation ("BayanTel"), a newly-formed holding company whose subsidiaries have been awarded licenses to provide telecommunications services in certain regions of the Philippines; a $28.5 million additional investment in FLAG Limited ("FLAG") which will construct a submarine cable system from the United Kingdom to Japan; a $55.0 million investment in P.T. Excelcomindo Pratama ("Excelcom"), a newly formed Indonesian corporation which holds a license to operate a nationwide cellular business in Indonesia; and a $50.0 million investment in BAN Partnership between NYNEX and Bell Atlantic which will invest in wireless cable systems.

NYNEX did not make any significant long-term investments in 1994.

G Financial Commitments and Guarantees

As of December 31, 1995, NYNEX had invested approximately $40.5 million in FLAG. NYNEX is the managing sponsor of FLAG and holds a 38% equity interest and a 41% funding obligation in the venture. Under the terms of the FLAG project documentation and the related financing agreements, NYNEX's obligation to furnish its pro rata share of funding would require additional cash contributions of approximately $181 million to FLAG. The contributions are anticipated to be completed by the end of 1997.

A $950 million limited recourse debt facility was made available to the project by a number of major lending institutions. As of December 31, 1995, $50 million of this facility was utilized. Under the terms of the financing, the funding FLAG shareholders have entered into contingent sponsor support agreements which could require additional payments in an aggregate amount of $500 million by such shareholders on a pro rata basis upon the occurrence of certain limited events of default. These events of default represent risks of a type that equity shareholders typically are required to assume in construction projects, and which the FLAG shareholders consider to be unlikely to occur. The maximum contingent payment each funding shareholder may be required to make may be reduced in the future on a pro rata basis based primarily on the remaining amount of FLAG's outstanding debt which, in turn, is dependent upon the level of sales.

NYNEX's allocable percentage of the contingent sponsor support commitment is 51%, up to a maximum of $255 million. This includes an additional 10% share that NYNEX assumed on behalf of another shareholder in return for a fee. In addition, NYNEX has backstopped, for a fee, the guarantee of the parent corporation of a third shareholder of its contingent sponsor support obligation in an amount not to exceed $95 million. This backstop obligation would be triggered only upon a failure by such parent corporation to fulfill the obligations under its primary guarantee, if required to do so upon the default of its subsidiary to make any payment under the aforementioned contingent sponsor support agreement. This contingent obligation of NYNEX is itself supported by a reimbursement agreement between NYNEX and the shareholder and further supported by a direct guarantee by that shareholder's parent corporation in favor of NYNEX.

NYNEX maintains a 33% equity interest in the Tele-TV Partnerships (the "Partnerships"), and Bell Atlantic and Pacific Telesis Group are equal partners in this venture. As of December 31, 1995, NYNEX had invested approximately $37 million into the Partnerships. NYNEX is obligated to make additional cash contributions on a pro rata basis of approximately $79 million, currently anticipated to be completed by the end of 1998.

NYNEX holds a 15% interest in BayanTel. As of December 31, 1995, NYNEX had invested approximately $34 million in BayanTel and is committed to invest an additional $14 million over the next two years.

In December 1995, NYNEX invested $55 million in Excelcom for a 23% interest, and in January 1996, NYNEX invested an additional $60 million. Under the terms of the partnership agreement, NYNEX is currently obligated to invest an additional $72 million by October 1997.

As of December 31, 1995, New York Telephone had deferred $188 million of revenues ($161 million under an NYSPSC-approved regulatory plan associated with commitments for fair competition, universal service, service quality and infrastructure improvements, and $27 million for a 1994 service improvement plan obligation). These revenues will be recognized as commitments are met or obligations are satisfied under the plans. If New York Telephone is unable to meet certain of these commitments, the NYSPSC has the authority to require New York Telephone to refund these revenues to customers.

In December 1995, Telesector Resources Group, Inc. ("Telesector Resources"), a NYNEX subsidiary, entered into purchase agreements with various suppliers to purchase, on behalf of the telephone subsidiaries, equipment and software to upgrade the network. The purchase agreements are over five years with a commitment of approximately $550 million.

H Long-term Debt

Interest rates and maturities on long term debt outstanding are as follows:

In millions	Interest Rates		Maturities		December 31 1995	1994
Refunding Mortgage Bonds	3 3/8%	7 3/4%	1997	2006	$ 620.0	$ 675.0
	6%	7 1/2%	2007	2011	425.0	425.0
Debentures	4 1/2%	7 3/8%	1999	2008	780.0	780.0
	7%	9 3/5%	2010	2017	898.6	918.7
	6 5/7%	9 3/8%	2022	2033	1,900.0	2,250.0
Notes	4%	10 1/7%	1997	2009	2,736.7	2,683.3
Other					1,951.9	30.5
Unamortized discount, net					(36.5)	(47.9)
					9,275.7	7,714.6
Long term capital lease obligations					61.2	69.9
Total long term debt					$ 9,336.9	$ 7,784.5

The annual requirements for principal payments on long-term debt, excluding capital leases, are $497.8, $481.2, $265.0, $491.0 and $232.0 million for the years 1996 through 2000, respectively.

The Refunding Mortgage Bonds and $3.2 billion of the telephone subsidiaries' Debentures outstanding at December 31, 1995 are callable, upon thirty days notice, by the respective telephone subsidiary, after the required term of years.

Substantially all of New York Telephone's assets are subject to lien under New York Telephone's Refunding Mortgage Bond indenture. At December 31, 1995, New York Telephone's total assets were approximately $11.6 billion.

Pursuant to the indentures for certain of its debentures, New York Telephone has covenanted that it will not issue additional funded debt securities ranking equally with or prior to such debentures unless it has maintained an earnings coverage of 1.75 for interest charges (excluding extraordinary items) for a period of any 12 consecutive months out of the 15-month period prior to the date of proposed issuance. As a result of the 1993 and 1994 business restructuring charges (see Note R), beginning in March 1994, New York Telephone did not meet the earnings coverage requirement. As of December 31, 1994 and 1995, New York Telephone met the earnings coverage requirement.

On November 10, 1995, NYNEX and NYNEX Credit Company ("Credit Company") entered into a $2.75 billion unsecured revolving credit facility, with Chemical Bank as the administrative agent. (Credit Company may borrow up to $300 million under this facility.) Further, NYNEX may request an increase in the aggregate commitments under the facility of up to $500 million. The initial term is for five years, but the borrowers may request two extensions of the facility, in each case for an additional year. Currently, a fee of .075% per annum is paid by NYNEX on the aggregate outstanding commitments. Under the terms of the agreement, the proceeds may be used to fund working capital and/or any lawful corporate purposes, including support of outstanding commercial paper. NYNEX had no borrowings under this credit facility at December 31, 1995. However, $1.9 billion of outstanding commercial paper borrowings was classified as Long-term debt at December 31, 1995 and presented in "Other" in the table above because NYNEX has the intent to refinance the commercial paper borrowings on a long-term basis and has the ability to do so under the credit facility.

At December 31, 1995, the following unissued debt securities were registered with the Securities and Exchange Commission (the "SEC"): $250 million of New York Telephone unsecured securities, $500 million of New England Telephone unsecured securities, and $637 million of NYNEX Capital Funding medium-term debt securities (when issued these securities will be guaranteed by NYNEX).

At December 31, 1995, NYNEX had $950 million of unissued, unsecured debt and equity securities registered with the SEC. The proceeds from the sale of these securities would be used to provide funds to NYNEX and/or NYNEX's nontelephone subsidiaries for their respective general corporate purposes.

I Short-term Debt

NYNEX's short-term borrowings and related weighted average interest rates are as follows:

			Weighted average interest rates	
December 31 (In millions)	1995	1994	1995	1994
Commercial paper and short-term debt	$ —	$1,987.4	6.0%	6.0%
Debt maturing within one year	497.8	132.3	7.3%	6.8%
Current portion of long-term capital lease obligations	8.8	9.1		
Total short-term debt	$506.6	$2,128.8		

As previously discussed, at December 31, 1995, NYNEX had an unused line of credit amounting to $2.75 billion through an unsecured revolving credit facility with an initial term of five years. This line of credit, together with cash and temporary cash investments, may be used to support outstanding commercial paper. As such, $1.9 billion of outstanding commercial paper borrowings was classified as Long-term debt at December 31, 1995.

$350 million of New England Telephone's Debentures are repayable on November 15, 1996, in whole or in part at the option of the holder, and as such are classified as Short-term debt at December 31, 1995.

J Minority Interest

December 31 (In millions)	1995	1994
Portion subject to redemption requirements	$ 731.2	$ 390.5
Portion non-redeemable	346.2	176.7
Total	$ 1,077.4	$ 567.2

Financing of Operations in the United Kingdom

On December 31, 1993, a financing arrangement was entered into for the southern cable franchises in the United Kingdom (the "South"). Prior to this financing, two partnerships were formed: South CableComms, L.P. ("SC"), and Chartwell Investors L.P. ("Chartwell"), both Delaware limited partnerships. These partnerships and their subsidiaries are legal entities separate and distinct from NYNEX, as are their assets and liabilities. Two wholly-owned subsidiaries of NYNEX contributed assets, consisting of cash and stock, with an aggregate initial market value of $130 million and a book value of $109 million at December 31, 1993, to SC in exchange for general partnership interests, and Chartwell contributed $20 million in cash to SC in exchange for a limited partner interest.

Prior to March 31, 1995, the financing arrangements for the South were similar in substance to, but structurally different from, those for the northern cable franchises in the United Kingdom (the "North"). On March 31, 1995, the financing structure for the South was changed to closely resemble the structure for the North (see explanation of transaction below) as it existed at December 1994. In preparation for this restructure, SC distributed to its partners intercompany loans receivable of $295 million in the form of dividends. These loans were payable to SC from the southern cable franchises. Of these dividends, $214 million was distributed to Chartwell and $81 million was distributed to the two wholly owned subsidiaries of NYNEX (the "NYNEX South general partners"). The NYNEX South general partners in turn distributed the $81 million to NYNEX, who in turn contributed it to two other wholly-owned NYNEX subsidiaries (the "NYNEX South members").

In connection with the financing restructure to facilitate an initial public offering ("IPO"), a new entity was formed, South CableComms L.L.C. ("SCLLC"), a Delaware limited liability company. Chartwell contributed its existing partnership interests in SC having a book value of $8 million and loans of $214 million to SCLLC, and, as a result, is no longer a partner in SC. The NYNEX members contributed the aforementioned $81 million of loans to SCLLC.

All of the partners of Chartwell and members of SCLLC have committed to make future capital contributions as required by the various documents, and with respect to Chartwell's commitment, such contributions must be matched by NYNEX subsidiaries. As of December 31, 1995, total cumulative contributions to SCLLC were as follows: $200 million from the NYNEX South members and $295 million from Chartwell, and total cumulative contributions to SC were as follows: $474 million from the NYNEX South general partners and $128 million from SCLLC.

SC's purpose is to manage and protect a portfolio of assets, which is being used to fund the construction, operations and working capital requirements of cable television and telecommunications systems in certain licensed areas in the South. SCLLC's purpose is to provide funding arrangements to SC and its operating companies in the South with the proceeds of capital contributions received from its members. A wholly-owned subsidiary of NYNEX manages and controls the business and operations of SCLLC. SC and SCLLC are included in NYNEX's consolidated financial statements, and Chartwell's interest in SCLLC is reflected in "Minority interest, including a portion subject to redemption requirements."

NYNEX also contributed cash to Chartwell in exchange for an initial 20% limited partnership interest. The purpose of Chartwell is to invest up to $426 million (based on the applicable year-end exchange rate) over a five-year contribution term in SCLLC, and the funding of Chartwell consists of equity and amounts made available to it, subject to the satisfaction of funding conditions, under existing arrangements with financial institutions. A portion of the funding is collateralized by Chartwell's assets, is non-recourse to the partners of Chartwell, and bears interest at market rates. It includes representations, warranties, covenants and events of default customary in financings of this nature. The remaining term of the funding arrangement is eight years, with repayments beginning in 1999, and Chartwell is entitled to receive cumulative preferential distributions from SCLLC sufficient to meet these repayment requirements. The redemption requirements are $30 million for 1999 and $52 million for 2000. For financial reporting purposes, NYNEX's investment in Chartwell is reflected in "Long-term investments" and is accounted for under the equity method.

On December 19, 1994, a financing arrangement was entered into for the North. Prior to this financing three entities were formed: North CableComms L.P. ("NCLP"), a Delaware limited partnership, North CableComms, L.L.C. ("NCLLC"), a Delaware limited liability company, and Winston Investors L.L.C. ("Winston"), a Delaware limited liability company. These entities and their subsidiaries are legal entities separate and distinct from NYNEX, as are their assets and liabilities. Three subsidiaries of NYNEX ("NYNEX North general partners") contributed stock to NCLP in exchange for general partnership interests (with an aggregate market value of $827 million and an aggregate book value of $142 million at December 19, 1994). NCLLC contributed $79 million in cash to NCLP in exchange for a limited partnership interest. Two wholly owned subsidiaries of NYNEX ("NYNEX North members") contributed in the aggregate $82 million in cash, and Winston contributed $225 million in cash, each for member interests in NCLLC.

All of the partners of NCLP and members of NCLLC have committed to make future capital contributions as required by the various documents, and with respect to Winston's commitment, such contributions must be matched by NYNEX contributions. As of December 31, 1995, total cumulative contributions to NCLLC were as follows: $214 million from the NYNEX North members and $385 million from Winston, and total cumulative contributions to NCLP were as follows: $401 million from the NYNEX North general partners and $209 million from NCLLC.

NCLP's purpose is to manage and protect a portfolio of assets, which is being used to fund the construction, operations and working capital requirements of cable television and telecommunications systems in certain licensed areas in the North. NCLLC's pur pose is to provide funding arrangements to NCLP and its operating companies in the North with the proceeds of capital contributions received from its members. A wholly owned subsidiary of NYNEX manages and controls the business and operations of NCLLC. NCLP and NCLLC are included in NYNEX's consolidated financial statements, and Winston's interest in NCLLC is reflected in "Minority interest, including a portion subject to redemption requirements."

NYNEX also contributed cash to Winston in exchange for an initial 20% equity interest. The purpose of Winston is to invest up to $1.1 billion (based on the applicable year-end exchange rate) over a five-year contribution term in NCLLC, and the funding of Winston consists of equity and amounts available to it, subject to the satisfaction of funding conditions, under existing arrangements with financial institutions. A portion of the funding is collateralized by Winston's assets, is non-recourse to the partners of Winston, and bears interest at market rates. It includes representations, warranties, covenants and events of default customary in financings of this nature. The remaining term of the funding arrangement is nine years, with repayments beginning in 2000, and Winston is entitled to receive cumulative preferential distributions from NCLLC sufficient to meet these repayment requirements. The redemption requirements are $36 million for 2000. For financial reporting purposes, NYNEX's investment in Winston is reflected in "Long-term investments" and is accounted for under the equity method.

NYNEX provides certain performance guarantees to Chartwell and Winston, and for the first five years, a completion guarantee that requires a specified number of homes be passed by the network in the South and in the North by December 31, 1998 and 1999, respectively (subject to one year extensions). At December 31, 1995 and 1994, the related construction program was progressing toward the appropriate targets for release from the completion guarantee. In order to gain release from the completion guarantee, NYNEX must demonstrate that various financial ratios, based on, among other things, operating cash flows, and other tests such as material compliance with communication licenses, are satisfied. If the construction program does not meet such tests and these shortfalls are not cured within a specified time period, the completion guarantee will necessitate payments to be made directly to Chartwell or Winston, as appropriate. NYNEX also provides indemnifications to these entities, among others, in respect of certain liabilities, including all liability, loss or damage incurred as a result of any breach of the agreements set forth and tax indemnifications relating to events prior to the creation of SC, SCLLC, NCLP and NCLLC. In addition, NYNEX is required to maintain certain financial and operating standards and may, at any time, elect to purchase the equity interest in Chartwell and Winston on certain terms.

During February 1995, two entities were formed: NYNEX CableComms Group PLC ("UK CableComms"), a public limited liability company incorporated under the laws of England and Wales, and NYNEX CableComms Group Inc. ("US CableComms"), a Delaware corporation (both being referred to collectively as "CableComms"). Prior to the IPO discussed below, both were wholly owned subsidiaries of NYNEX. Both are separate and distinct legal entities. The sole assets of UK CableComms and US CableComms are 90% and 10%, respectively, of the outstanding stock of NYNEX CableComms Holdings, Inc. which holds, through various subsidiaries and partnerships, interests in cable television and telecommunications franchises, assets and operations in the United Kingdom.

An IPO was completed in June 1995 of 305 million equity units of CableComms. These units are traded as "stapled units" and are comprised of one ordinary share of UK CableComms and one share of common stock of US CableComms (the "Combined Offering"). Of the 305 million units issued, 170,222,000 were issued as units at a price of 137 pence per unit in the United Kingdom, and 13,477,800 were issued as American Depository Shares ("ADS") at $21.81 per ADS in the United States, each ADS comprising 10 units. The Combined Offering represented 33% of the total units outstanding, with NYNEX retaining the balance. Net proceeds from the offering were approximately $610 million. CableComms is using the proceeds to repay outstanding revolving loans under credit facilities, to fund a portion of the cost of construction of its network, and for operating cash flow and interest.

NYNEX's policy is to recognize in income any gains or losses related to the sale of stock by an investee. NYNEX recognized an after-tax gain on the IPO of $155.1 million in the second quarter of 1995, net of $100.0 million in deferred taxes, in recognition of the net increase in the value of NYNEX's investment in CableComms.

Other Financing

In November 1993, NYNEX invested $1.2 billion in Viacom Inc. ("Viacom") for 24 million shares of Viacom Series B Cumulative Preferred Stock

("Viacom Preferred"), carrying an annual dividend of five percent. The stock is convertible into shares of Viacom Class B non-voting common stock at a price of $70 per share.

In December 1995, NYNEX entered into a contract for the non-recourse securitization that permits a monetization of approximately 50% of its investment in the Viacom Preferred, of which 8% was implemented in 1995. NYNEX realized proceeds of $100 million from this monetization which were used to reduce outstanding commercial paper. In connection with this transaction, NYNEX has invested in three newly formed Delaware limited liability companies: a majority owned and controlled subsidiary, "Weatherly Holdings L.L.C.", and its 50% owned and controlled subsidiary, "Kipling Associates L.L.C." (Weatherly Holdings L.L.C. and Kipling Associates L.L.C. are collectively referred to as the "Monetization Subsidiaries"), and a third party owned and controlled entity, "Mandalay Investors L.L.C." (the "Outside Member"), which has invested in the Monetization Subsidiaries. These companies are legal entities separate and distinct from NYNEX, as are their assets and liabilities.

At the time of formation, NYNEX contributed, in the aggregate, two million shares of Viacom Preferred with a book value of $100 million and $35 million in cash for its member interests in the Monetization Subsidiaries. The Outside Member contributed $100 million in cash for its member interest in Kipling Associates L.L.C. and $10 thousand in cash for its member interest in Weatherly Holdings L.L.C. The Monetization Subsidiaries have approximately $12 million in cash which has been loaned to NYNEX, cash equivalents, the Viacom Preferred, certain intercompany financial obligations and approximately 2.4 million shares of NYNEX common stock. The purpose of the Monetization Subsidiaries is to manage and protect their financial assets for sale or distribution at a later date. The Monetization Subsidiaries are included in NYNEX's consolidated financial statements, and the Outside Member's interest in the Monetization Subsidiaries is reflected in "Minority interest, including a portion subject to redemption requirements." NYNEX has invested $10 thousand in cash in the Outside Member for a less than 1% ownership interest, which is accounted for under the cost method and is included in "Long-term investments."

In connection with the monetization of the Viacom Preferred, NYNEX has provided certain indemnifications to the Monetization Subsidiaries and the Outside Member including certain tax indemnifications. The term of the monetization transaction is five years at which time the Outside Member's interest in the Monetization Subsidiaries will be redeemed through the liquidation of the Monetization Subsidiaries' assets. Under the terms of an extension agreement, NYNEX has the ability and intends to increase the amount of the monetization up to $600 million by March 31, 1996 under terms and conditions that are substantially the same as the December 1995 transaction. NYNEX may, upon meeting certain funding requirements, elect to purchase the member interests of the Outside Member in the Monetization Subsidiaries or terminate the transaction and cause the liquidation of the assets of the Monetization Subsidiaries.

K Stockholders' Equity

Preferred Stock

NYNEX's certificate of incorporation provides authority for the issuance of 75 million shares of Preferred stock, $1.00 par value, in one or more series with such designations, preferences, rights, qualifications, limitations, and restrictions as NYNEX's Board of Directors may determine.

Common Stock

On July 15, 1993, the Board of Directors of NYNEX declared a two-for-one common stock split in the form of a 100 percent stock dividend, payable September 15, 1993 to holders of record at the close of business on August 16, 1993.

As of November 1, 1993, NYNEX discontinued purchasing shares of its common stock and began issuing new shares in connection with employee savings plans, the Dividend Reinvestment and Stock Purchase Plan, stock compensation plans, and stock option plans.

Dividends Declared from Additional Paid-In Capital

The second, third, and a portion of the fourth quarter 1995 dividends were declared from Additional paid-in capital.

Shareholder Rights Agreement

In October 1989, NYNEX adopted a Shareholder Rights Agreement, pursuant to which shareholders received a dividend distribution of one right for each outstanding share of NYNEX's common stock. As a result of the two-for-one common stock split, the rights have been adjusted so that shareholders receive one right for every two shares of common stock. Each right entitles the shareholder to buy 1/100 of a share of $1.00 par value Series A Junior Participating Preferred Stock from NYNEX at an exercise price of $250 per right. 5 million shares of this Preferred Stock have been authorized, with 3 million shares reserved for exercise of the rights. The rights, which are subject to adjustment, will not be exercisable or separable from the common stock until ten days following a public announcement that a person or group has acquired beneficial ownership of 15% or more of NYNEX's outstanding common stock or ten business days following the commencement of, or public announcement of the intent to commence, a tender or exchange offer by a beneficial owner of 15% or more of the outstanding common stock.

If any person becomes the beneficial owner of 15% or more of the outstanding common stock, each holder of a right will receive, upon exercise at the right's then current exercise price, common stock having a value equal to twice the exercise price. If NYNEX is acquired in a merger or business combination, or if 50% or more of NYNEX's assets or earning power is sold, each right holder will receive, upon exercise at the right's then current exercise price, common stock in the new company having a value equal to twice the exercise price of the right.

NYNEX may exchange rights for shares of common stock or redeem rights in whole at a price of $.01 per right at any time prior to their expiration on October 31, 1999.

Leveraged Stock Ownership Plan

In February 1990, NYNEX established a leveraged employee stock ownership plan ("LESOP") and loaned $450 million to the LESOP Trust ("internal LESOP note"). The LESOP Trust used the proceeds to purchase, at fair market value, 5.6 million shares of NYNEX's common stock held in treasury. NYNEX issued and guaranteed $450 million of 9.55% Debentures, the proceeds of which were principally used to repurchase 5.4 million shares in the open market, completing the stock repurchase plan. The Debentures require payments of principal annually and are due May 1, 2010. Interest payments are due semiannually. The Debentures and the internal LESOP note are recorded as Long-term debt and as Deferred compensation, respectively. Deferred compensation will be reduced as shares are released and allocated to participants.

NYNEX maintains savings plans that cover substantially all of its employees. Under these plans NYNEX matches a certain percentage of eligible employee contributions. Under provisions of the Savings Plan for Salaried Employees, NYNEX's matching contributions are allocated to employees in the form of NYNEX stock from the LESOP Trust based on the proportion of principal and interest paid by the LESOP Trust in a year to the remaining principal and interest due over the life of the internal LESOP note. Compensation expense is recognized based on the shares allocated method. LESOP shares are not considered outstanding until they are allocated to participants.

NYNEX's matching contributions to the savings plans and any change in the required contribution as a result of leveraging this obligation are recorded as compensation expense. Compensation expense applicable to the savings plans for 1995, 1994 and 1993 was $77.2, $88.2 and $81.3 million, respectively, and has been reduced by $25.9, $26.1, and $26.2 million, respectively, for the dividends paid on LESOP shares used to service the internal LESOP note. As of December 31, 1995 and 1994, the number of shares allocated to the LESOP were 2.2 and 1.9 million, respectively, and the number of shares held by the LESOP for future allocation were 8.6 and 9.1 million, respectively.

L Stock Option Plans

NYNEX has stock option plans for key management employees under which options to purchase NYNEX common stock are granted at a price equal to or greater than the market price of the stock at the date of grant. The 1990 Stock Option Plan, which expired on December 31, 1994, permitted the grant of options through December 1994 to purchase up to 4 million shares. In January 1995, NYNEX established the 1995 Stock Option Plan, that permits the grant of options no later than December 31, 1999 to purchase up to 20 million shares of common stock. options may not be exercisable for a period less than one year or greater than ten years from date of grant.

Both the 1990 and the 1995 Stock Option Plans for key management employees allow for the granting of stock appreciation rights ("SARs") in tandem with options granted. Upon exercise of a SAR, the holder may receive shares of common stock or cash equal to the excess of the market price of the common stock at the exercise date over the option price. SARs may be exercised in lieu of the underlying option only when those options become exercisable.

Effective March 31, 1992, NYNEX established stock option plans for nonmanagement employees and for management employees other than those eligible to participate in the 1990 and 1995 Stock Option Plans. Employees were granted options, with the number of options varying according to employee level, to purchase a fixed number of shares of NYNEX common stock at the market price of the stock on the grant date. Fifty percent of the options could be exercised one year from the grant date, with the remaining fifty percent exercisable two years from the grant date. These options expire ten years from the grant date. In October 1994 and January 1996, employees were granted additional options under these plans.

The following summarizes the activity for these shares under option under the various stock option plans including the related SARs:

Stock Options	Shares	Price Range Per Share
Outstanding at December 31, 1992	9,453,140	\$27.00 to \$88.13
Granted prior to stock split	806,891	\$70.63 to \$88.88
Exercised prior to stock split	(644,196)	\$31.34 to \$88.13
Canceled prior to stock split	(79,473)	\$69.13 to \$88.13
Stock split	9,519,950	
Granted after stock split	16,595	\$42.32 to \$46.07
Exercised after stock split	(281,500)	\$16.50 to \$44.07
Canceled after stock split	(106,605)	\$21.91 to \$44.07
SSI net activity*	16,412	\$13.80 to \$18.98
Outstanding at December 31, 1993	18,668,390	\$13.80 to \$46.07
Granted	14,724,300	\$37.94 to \$39.88
Exercised	(261,131)	\$21.91 to \$36.13
Canceled	(716,391)	\$32.97 to \$44.07
Outstanding at December 31, 1994	32,415,228	\$24.09 to \$46.07
Granted	3,169,470	\$33.00 to \$50.19
Exercised	(3,559,057)	\$24.09 to \$42.06
Canceled	(353,216)	\$35.32 to \$44.07
Outstanding at December 31, 1995	31,672,425	\$32.75 to \$50.19

* [illegible]

For the year ended December 31 Number of shares	1995	1994	1993
Stock appreciation rights			
Outstanding at beginning of year	**1,864**	1,864	29,247
Granted	—		
Exercised	**(1,864)**		(7,551)
Canceled	—		(23,571)
Stock split	—		3,739
Outstanding at end of year	—	1,864	1,864

There were 20,977,556 and 16,004,200 stock options exercisable at December 31, 1995 and 1994, respectively. In January 1996, options to purchase approximately 11 million shares of common stock were granted under the stock option plans established on March 31, 1992, and options to purchase approximately 5 million shares of common stock were granted under the 1995 Stock Option Plan.

M Leases

NYNEX leases certain facilities and equipment used in its operations. Rental expense was \$381.4, \$310.5 and \$337.0 million for 1995, 1994 and 1993, respectively. At December 31, 1995, the minimum lease commitments under noncancelable leases for the periods shown are as follows:

(In millions)	Operating	[illegible]
1996	\$ 142.0	\$ 19.7
1997	113.4	15.8
1998	102.8	14.9
1999	86.4	11.5
2000	69.0	11.3
Thereafter	489.7	381.6
Total minimum lease payments	\$1,003.3	454.8
Less: executory costs		11.4
Net minimum lease payments		443.4
Less: interest		370.8
Present value of net minimum lease payments		\$ 72.6

Credit Company is the lessor in leveraged and direct financing lease agreements under which commercial aircraft, railroad cars, industrial equipment, power generators, residential real estate, telecommunications and computer equipment are leased for terms of 3 to 35 years. Minimum lease payments receivable represent unpaid rentals, less principal and interest on third-party non-recourse debt relating to leveraged lease transactions. Since Credit Company has no general liability for this debt, the related principal and interest have been offset against the minimum lease payments receivable. Minimum lease payments receivable are subordinate to the debt, and the debt holders have a security interest in the leased equipment.

At December 31, 1995 and 1994, the net investment in leveraged leases was $407.7 and $406.7 million, respectively, and in direct financing leases was $186.1 and $133.7 million, respectively. The components of Credit Company's net investment in these leases are included in Deferred charges and other assets and are as follows:

December 31 (In millions)	1995	1994
Minimum lease payments receivable	$1,826.7	$1,561.2
Unguaranteed residual value	1,165.2	1,027.6
Initial direct costs	1.3	1.2
Less: Unearned income	1,301.6	1,127.2
Deferred income taxes	1,073.5	900.2
Allowance for uncollectibles	24.3	22.2
Net investment	$ 593.8	$ 540.4

At December 31, 1995, future minimum lease payments receivable, in millions, in excess of debt service requirements on non-recourse debt related to leveraged and direct financing leases, are collectible as follows: $70.7 in 1996; $70.9 in 1997; $68.0 in 1998; $59.6 in 1999; $44.5 in 2000, and $1,513.0 thereafter.

N Financial Instruments

Risk Management, Off-Balance-Sheet Risk and Concentrations of Credit Risk

NYNEX has entered into transactions in financial instruments with off-balance-sheet risk, to reduce its exposure to market and interest rate risk in its short-term and long-term securities. NYNEX entered into various interest rate, currency, and basis swap transactions, with an aggregate notional amount of $2.9 billion and $2.3 billion at December 31, 1995 and 1994, respectively, to manage interest rate, foreign exchange rate, and tax exposures. These transactions mature at various dates from 1995 through 2004.

Risk in these transactions involves both risk of counterparty nonperformance under the contract terms and risk associated with changes in market values, interest rates, and foreign exchange rates. The counterparties to these contracts consist of major financial institutions and organized exchanges. NYNEX continually monitors its positions and the credit ratings of its counterparties and limits the amount of contracts it enters into with any one party. While NYNEX may be exposed to credit losses in the event of nonperformance by these counterparties, it does not anticipate such losses, due to the aforementioned control procedures. The settlement of these transactions is not expected to, but may, have a material effect upon NYNEX's financial position or results of operations.

A description of NYNEX's financial instruments is presented in Management's Discussion and Analysis on pages 20–22.

Fair Value of Financial Instruments

The following table presents the carrying amounts and fair values of NYNEX's financial instruments at December 31, 1995 and 1994. Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," defines fair value as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced liquidation or sale.

(In millions)	1995 Carrying Amount	1995 Fair Value	1994 Carrying Amount	1994 Fair Value
Non-Derivatives				
Long-term investments				
Practicable to estimate fair value	$ 492.1	$1,055.8	$ 492.2	$ [illegible]
Not practicable	1,296.6	1,296.6	1,296.0	1,296.0
Long-term debt	7,336.3	7,712.9	7,714.6	7,084.5
Derivatives *				
Assets	11.4	19.2	11.8	18.3
Liabilities	(36.9)	(50.0)	(7.5)	(100.5)

* The carrying amounts [illegible] are included in Deferred [illegible] other assets, Other [illegible] and Other [illegible] deferred credits.

The fair value of the derivative contracts includes the remaining unamortized costs of foreign exchange hedges, which are ($34.9) and ($43.6) million for 1995 and 1994, respectively. These values reflect the implicit incremental borrowing costs associated with NYNEX's overseas investments in the United Kingdom and Thailand. The following methods and assumptions were used to estimate the fair value of each type of financial instrument for which estimation was practicable.

Long-term investments

The estimated fair value of some investments accounted for under the cost method is based on quoted market prices for those or similar investments. For other investments for which there are no quoted market prices, a reasonable estimate of fair market value could not be made without incurring excessive costs. It is not practicable to estimate the fair value of NYNEX's investment in the Viacom Preferred or NYNEX's investments in untraded entities because of the nature of the investments. Accordingly, the carrying value is presented as the fair value.

Long-term debt

The estimated fair value of long-term debt is based on quoted market prices or discounted future cash flows using the weighted average coupon rate and current interest rates.

Derivatives

The estimated fair value of most derivatives is based on amounts NYNEX would receive or pay to terminate such agreements taking into account current mid-market rates. The estimated fair value of the basis swaps is based on the amounts NYNEX would pay to replicate such agreements taking into account current rates.

O Additional Financial Information

(In millions)	1995	1994	1993
Taxes other than income			
Property	$ 359.8	$ 351.9	$ 399.6
Gross receipts	508.2	495.3	500.1
Payroll related	65.9	65.4	65.1
Other	81.7	80.6	74.1
Total	$ 1,015.6	$ 993.2	$ 1,038.9

December 31 (In millions)	1995	1994
Accounts payable		
Trade	$ 981.4	$ 1,146.5
Taxes	118.3	97.9
Compensated absences	310.2	305.9
Dividends	255.8	249.9
Payroll	129.5	131.3
Interest	131.8	125.6
Other	975.2	611.1
Total	$ 2,902.2	$ 2,668.2
Other current liabilities		
Advance billings and customers' deposits	$ 281.5	$ 291.3
Deferred income taxes	6.3	1.1
Other	295.9	761.1
Total	$ 583.7	$ 1,053.5

Total research and development costs charged to expense for 1995, 1994 and 1993 were $279.1, $159.7 and $162.8 million, respectively.

In 1995, 1994 and 1993, AT&T Corp. ("AT&T") provided approximately 14%, 15% and 16%, respectively, of NYNEX's total operating revenues, primarily Network access revenues and Other revenues from billing and collection services performed by the telephone subsidiaries for AT&T.

Telesector Resources owns a one-seventh interest in Bell Communications Research, Inc. ("Bellcore"). Bellcore furnishes technical and support services to NYNEX relating to exchange telecommunications and exchange access services. For 1995, 1994 and 1993, NYNEX recorded charges of $93.8, $112.2 and $128.5 million, respectively, in connection with these services.

P Supplemental Cash Flow Information

The following information is provided in accordance with Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows."

December 31 (In millions)	1995	1994	1993
Income tax payments	$ 478.3	$ 519.4	$ 591.8
Interest payments	$ 740.7	$ 630.0	$ 623.6
Non-cash transactions			
Additions to property, plant and equipment under capital lease obligations	$ 3	$ 10.6	$
Contribution of certain cellular net assets in exchange for an equity investment in Bell Atlantic NYNEX Mobile cellular partnership (see Note F)	$ 611.6	$	$
Common Stock issued for dividend reinvestment and stock purchase plan and stock compensation plans	$ 110.2	$ 107.1	$ 29.6
Short-term debt classified as Long-term debt (see Note H)	$ 1,939.4	$	$ 588.6

Q Revenues Subject to Possible Refund

Several state and federal regulatory matters, including affiliate transaction issues in New York Telephone's 1990 intrastate rate case ($188.0 million), may possibly require the refund of a portion of the revenues collected in the current and prior periods. As of December 31, 1995, the aggregate amount of such revenues that was estimated to be subject to possible refund was approximately $260.7 million, plus related interest. The outcome of each pending matter, as well as the time frame within which each will be resolved, is not presently determinable.

R Business Restructuring

In 1995 and 1994, $514.1 and $693.5 million, respectively, of pretax pension enhancement charges were recorded. These charges are a portion of an estimated $2.0 billion of pretax charges to be recorded for pension enhancements as employees leave NYNEX through retirement incentives. The pension enhancement charges were included in the Consolidated Statements of Income as Selling, general and administrative.

In the fourth quarter of 1993, $2.1 billion of pretax business restructuring charges were recorded, primarily related to efforts to redesign operations and work force reductions. These charges include $1.1 billion for severance and postretirement medical costs; $626 million for re-engineering service delivery, $283 million for sale or discontinuance of information product and services businesses, and $106 million for restructuring at other nontelephone subsidiaries. The restructuring charges were included in the Consolidated Statements of Income as follows: Maintenance and support $192 million; Marketing and customer services $53 million; Selling, general and administrative $1.8 billion; and Other income (expense) – net $31 million.

S Litigation and Other Contingencies

Various legal actions and regulatory proceedings are pending that may affect NYNEX. While counsel cannot give assurance as to the outcome of any of these matters, in the opinion of Management based upon the advice of counsel, the ultimate resolution of these matters in future periods is not expected to have a material effect on NYNEX's financial position but could have a material effect on annual operating results.

Supplementary Information

Quarterly Financial Data (Unaudited)

(In millions, except per share amounts)	For the quarter ended March 31	June 30	September 30	[illegible]
1995				
Operating revenues	$ 3,354.2	$ 3,495.6	$ 3,252.8	$ [illegible]
Operating income	$ 573.0	$ 390.7	$ 627.9	$ 494.6
Earnings before extraordinary item	$ 250.2	$ 240.8	$ 342.9	$ 235.6
Extraordinary item for the discontinuance of regulatory accounting principles net of taxes	$	$(2,919.4)	$	$
Net income (loss)	$ 250.2	$(2,678.6)	$ 342.9	$ 235.6
Earnings per share before extraordinary item	$ 59	$ 56	$ 80	$ 55
Extraordinary item per share	$	$ (6.84)	$	$
Earnings (loss) per share	$ 59	$ (6.28)	$ 80	$ 55
Dividends per share	$ 59	$ 59	$ 59	$ 59
Market price *				
High	$ 41.500	$ 43.125	$ 48.750	$ 54.000
Low	$ 35.875	$ 39.375	$ 39.250	$ 46.000
1994				
Operating revenues	$ 3,273.3	$ 3,311.6	$ 3,330.8	$ [illegible]
Operating income	$ 595.5	$ 129.2	$ 583.0	$ 448.5
Net income	$ 290.6	$ 1.2	$ 302.5	$ 198.3
Earnings per share	$ 70	$	$ 72	$ 47
Dividends per share	$ 59	$ 59	$ 59	$ 59
Market price *				
High	$ 41.375	$ 39.750	$ 39.125	$ 39.750
Low	$ 34.250	$ 33.250	$ 35.625	$ 36.250

* [illegible] the New York Stock Exchange [illegible]

Results for the first, second, third and fourth quarters of 1995 include $83.8, $165.9, $58.[illegible] and $226.4 million, respectively, of pretax charges for pension enhancements, which were reflected in operating expenses. The after-tax effect of these charges was [illegible] million, respectively.

Results for the second quarter of 1995 include the effects of the discontinuance of regulatory accounting principles, recorded as an extraordinary item (see Note B), a $264.1 million ($155.1 million after-tax) [illegible] and $210.[illegible] million [illegible] of special charges to meet various tax, benefit [illegible] and contingencies [illegible] in operating expenses and $11.5 million [illegible]. Results for the third quarter of 1995 include a $123.8 million ($65.8 million after-tax) net gain [illegible] NYNEX Mobile [illegible] BANM and $102.6 million ($66.0 million [illegible]). The third quarter pretax effect was distributed as [illegible] $62.0 million gain in Other income (expense) - net, $39.0 million in operating expenses, and $1.8 million in interest expense. Results for the fourth quarter of 1995 include a net $33.8 million of pretax credits in operating expenses ($22.0 million after-tax) [illegible] $13.7 million ($8.9 million after-tax) reduction in Interest expense [illegible] a $15.0 million ($9.7 million after-tax) charge in operating expenses [illegible] and a $27.4 million charge in Other income (expense) [illegible] instrument.

In the third quarter of 1995, NYNEX deconsolidated certain assets and liabilities of NYNEX Mobile [illegible] for an equity interest in BANM (see Note E). For the third and fourth quarters of 1995, NYNEX's interest in BANM is reported under the equity method. Results for the first quarter of 1995 include NYNEX Mobile operating revenues and operating expenses of $189.3 and $174.5 million, respectively. Results for the second quarter of 1995 include NYNEX Mobile operating revenues and operating expenses of $210.5 and $161.7 million, respectively.

[illegible] quarter of 1995 there was a change in the presentation of gross receipts taxes that were collected from customers. In the first two quarters of 1995 these taxes were included in operating revenues and expenses. In the last two quarters, as a result of a tax law change, [illegible] required to be collected.

Results for the second, third and fourth quarters of 1994 include $449.1, $11.2 and $214.6 million, respectively, of pretax charges for pension [illegible] reflected in operating expenses. The after-tax effect of these charges was $291.8, $20.5 and $140.8 million, respectively.

Results for the [illegible] quarter of 1994 include $51.9 million of pretax credits to pension and medical expense associated with plan amendments [illegible] and $6[illegible] million [illegible] tax credits and federal and state tax credits, partially offset by a $10.8 [illegible] associated with planned exits from [illegible] communications ventures. The total pretax effect was distributed as [illegible] benefit in operating expenses, a $3[illegible] benefit in income taxes and a $6[illegible] million charge in Other income (expense) - net. The after-tax effect of these net benefits was an increase in net income of $55.9 million, of which $1.2 million was applicable [illegible].

For further discussion of these items, see Management's Discussion and Analysis of Financial Condition and Results of Operations.

Notice of Annual Meeting of Share Owners

The 1996 Annual Meeting of Share Owners of NYNEX Corporation will be held at the John Hancock Hall, 180 Berkeley Street, Boston, Massachusetts, on Wednesday, May 1, 1996, at 10:30 a.m., for the following purposes:

- To elect four Directors;
- To ratify the appointment of auditors to audit NYNEX's consolidated financial statements for the fiscal year 1996;
- To approve changes in the NYNEX Non-Employee Director Compensation Program; and
- To act upon such other matters, including three Share Owner proposals regarding the classified Board of Directors, charitable contributions, and cumulative voting, as may properly come before the meeting.

Holders of record of shares of Common Stock of NYNEX at the close of business on Monday, March 18, 1996 will be entitled to vote at the meeting and any adjournment thereof.

Morrison DeS. Webb
Executive Vice President,
General Counsel and Secretary

March 18, 1996

Your Vote is Important

Whether or not you intend to be present at the meeting, please sign and date the enclosed proxy and return it in the enclosed prepaid envelope.

Proxy Statement

This proxy statement and the accompanying proxy voting instruction card ("proxy card") are being mailed, beginning March 18, 1996, to owners of shares of Common Stock ("Shares") of NYNEX Corporation ("NYNEX") in connection with the solicitation of proxies by the Board of Directors ("Board") for the 1996 Annual Meeting of Share Owners ("Meeting") in Boston, Massachusetts. This proxy procedure is necessary because many of NYNEX's Share Owners, who live throughout the United States and in many foreign countries, will not be able to attend the Meeting. Proxies are solicited to give all Share Owners an opportunity to vote. Shares can be voted at the Meeting only if the Share Owner is represented by proxy or is present in person (see "Voting of Shares" below).

If you plan to attend the meeting, please mark the appropriate box on the proxy card, detach and return in the envelope provided, and retain the accompanying admission ticket. Beneficial owners can obtain admission at the door by presenting a legal proxy or other proof of ownership, such as a bank or broker account statement, the day of the Meeting. No Share Owner will be permitted into the Meeting without a ticket or proper identification.

Your vote is important. Whether or not you plan to attend the Meeting, you are urged to execute and return the accompanying proxy card as soon as possible to ensure your representation. If you do attend, you may vote by ballot at the Meeting, thereby canceling any proxy vote previously given.

Share Owners who are receiving more than one Annual Report may discontinue mailing of the duplicate copies by marking the appropriate box on the proxy card of the selected accounts. This will help reduce the expense of printing and mailing duplicate materials but will not affect the mailing of dividend checks, dividend reinvestment statements, special notices and proxy materials.

Voting of Shares

The holders of a majority of the outstanding Shares entitled to vote, present in person or represented by proxy, will constitute a quorum for the transaction of business. Each Share represented is entitled to one vote on all matters properly brought before the Meeting. Where a quorum is present, the vote of the holders of a majority of Shares present in person or by proxy and entitled to vote will decide any question voted upon, and the four nominees for Director receiving the highest number of votes will be elected as Directors. For purposes of determining whether a proposal has received a majority of those Shares entitled to vote, abstentions will be included in the vote totals with the result that an abstention has the same effect as a negative vote. In instances where brokers are prohibited from exercising discretionary authority for beneficial owners who have not returned a proxy (so-called "broker non-votes"), those Shares will not be included in the vote totals and, therefore, will have no effect on the vote.

When proxies are returned properly executed, the Shares represented will be voted by the Proxy Committee of the Board in accordance with Share Owners' directions. You are urged to specify your choices by marking the appropriate boxes on the enclosed proxy card. If the proxy is executed and returned without specifying choices, the Shares will be voted by the Proxy Committee as recommended by the Board of Directors. A Share Owner giving a proxy has the power to revoke it at any time before it is voted at the Meeting by submitting a written revocation to NYNEX or by attending the Meeting and voting by ballot at the Meeting.

A Share Owner wishing to give a proxy to someone other than the Proxy Committee should cross out all three committee members' names appearing on the enclosed proxy card and insert the name(s) of another person or persons (not more than three). In addition, the "Vote Limitations" box should be marked. The executed proxy must be returned as indicated or presented at the Meeting by the Share Owner or the person(s) representing the Share Owner.

For a Share Owner who is a participant in the NYNEX Corporation Dividend Reinvestment and Stock Purchase Plan, the proxy card represents the number of full Shares in the participant's Dividend Reinvestment Plan account as well as Shares registered in the participant's name. For a Share Owner who is a participant in the NYNEX Corporation Savings Plan for Salaried Employees or the NYNEX Corporation Savings and Security Plan (Non-Salaried Employees), the proxy will serve as a voting instruction for the trustees of those Plans. If proxies representing Shares in the NYNEX Corporation Savings Plan for Salaried Employees or the NYNEX Corporation Savings and Security Plan (Non-Salaried Employees) are not executed and returned, those Shares will be voted by the trustees in the same proportion as the Shares for which executed proxies are returned by other participants.

In accordance with NYNEX's Policy on Confidential Voting, proxies, ballots and voting tabulations are available for examination only by the independent Inspector(s) of Election and tabulators. The vote of any Share Owner cannot be disclosed to the Board of Directors or management of NYNEX except as may be required by law and in other limited circumstances.

A list of Share Owners eligible to vote will be available for examination by Share Owners for any purpose germane to the Meeting at 185 Franklin Street, Boston, Massachusetts, from April 17 through April 30, 1996, and at the John Hancock Hall on the day of the Meeting.

Security Ownership of Certain Beneficial Holders and Management

On January 31, 1996, there were 435,932,086 Shares of NYNEX Common Stock outstanding. The following table sets forth information as of January 31, 1996 (except as otherwise noted), relating to beneficial ownership of Shares by (i) each person known by NYNEX to own beneficially more than 5% of the outstanding Shares of NYNEX Common Stock, (ii) each Director, (iii) each of the named Executive Officers and (iv) all Directors and Executive Officers as a group.

	Total Number of Shares	Shares Subject to Options (included in total)	Percent of Class
FMR Corp., 82 Devonshire Street, Boston, MA 02109	30,296,280	N/A	7.0%
John Brademas	1,300	0	*
Randolph W. Bromery	1,050	0	*
Richard L. Carrion	125	0	*
Lodewijk J.R. de Vink	81	0	*
Stanley P. Goldstein	2,500	0	*
Richard A. Jalkut	175,220	140,661	*
Helene L. Kaplan	2,500	0	*
Elizabeth T. Kennan	1,345	0	*
Edward E. Phillips	1,851	0	*
Hugh B. Price	42	0	*
Donald B. Reed	95,431	83,798	*
Frederic V. Salerno	218,609	177,789	*
Ivan G. Seidenberg	206,224	164,731	*
Alan Z. Senter	54,657	38,858	*
Walter V. Shipley	2,500	0	*
John R. Stafford	4,500	0	*
All Executive Officers and Directors (as a group)	1,454,571	1,115,481	*

* [illegible] outstanding Shares of NYNEX Common Stock.

[illegible]

NYNEX has instituted stock ownership guidelines for all Executive Officers and Directors. These guidelines require ownership (subject to certain transition requirements) of NYNEX Common Stock equal to three times annual salary for the Chief Executive Officer, two times annual salary for a Vice Chairman and those Executive Officers reporting directly to the Chief Executive Officer, and one times annual salary for all other Executive Officers. Directors are expected to hold throughout their tenure a minimum of 1,000 Shares, to be acquired over a period of not longer than three years.

Board of Directors

The business of the Corporation is conducted by management under the direction of the Board of Directors. Although Directors are not involved in day-to-day operating details, they are kept informed of NYNEX's business by various reports and documents given to them regularly, as well as by operating and financial reports presented by the Chairman of the Board and other Officers at meetings of the Board of Directors and committees of the Board.

Regular meetings of the Board of Directors are held each month, excluding August, and special meetings are called when required. The Board of Directors held fourteen meetings in 1995. On average, the Directors attended approximately 93% of the aggregate number of meetings of the Board of Directors and committees of the Board; no Director attended fewer than 75% of such meetings.

The Board of Directors has adopted a tenure policy for Directors which establishes 70 as the retirement age for non-employee Directors, as well as for any Director who was the Corporation's Chief Executive Officer. A Director who reaches retirement age shall retire from the Board not later than the next Annual Meeting, regardless of any unexpired term of office. The policy also provides that a non-employee Director who discontinues his or her principal employment, business or professional relationship, or continues in a less responsible capacity, shall offer to submit his or her resignation, but may, at the request of the Chairman of the Board, following consultation with the Nominating and Board Affairs Committee, continue as a Director. A Director who is an Officer of the Corporation (other than the Chief Executive Officer) shall resign at the same time as he or she ceases to be an Officer.

Committees of the Board
The Board of Directors has established six standing committees: an Executive Committee, Audit Committee, Committee on Benefits, Nominating and Board Affairs Committee, Finance Committee and Public Responsibility Committee.

The Executive Committee, composed of one employee Director and three non-employee Directors, has responsibility for activities in those areas not assigned to other committees of the Board of Directors and may exercise the full power and authority of the Board of Directors to the extent permitted by Delaware law. The Executive Committee held no meetings in 1995.

The Audit Committee, composed of six non-employee Directors, is responsible for recommending to the Board of Directors the accounting firm to be employed by NYNEX as its independent auditors. The Audit Committee's duties include consulting with NYNEX's independent auditors concerning the scope of the audit and reviewing the audit results. The Audit Committee also consults with the independent auditors with regard to the adequacy of internal controls and meets with appropriate corporate personnel to review internal auditing programs and findings. In 1995, the Audit Committee held six meetings.

The Committee on Benefits, composed of four non-employee Directors, is responsible for reviewing and approving for presentation to the Board of Directors compensation for Officers who are members of the senior management compensation group ("Senior Managers"), administering the NYNEX management incentive plans, keeping informed as to the administration and management of NYNEX's employee benefit plans, and insuring that the actions of Officers and benefit plan administrators are in the best interest of the participants in, and beneficiaries of, such benefit plans. The Committee on Benefits also approves or disapproves the presentation of proposed new trusteed employee benefit plans and material changes to such benefit plans to the Board of Directors and, further, recommends to the Board of Directors new benefit plans and programs, and amendments thereto, which exclusively benefit Senior Managers. No member of the Committee on Benefits is eligible to receive benefits under any of such benefit plans. The Committee on Benefits met on five occasions in 1995.

The Nominating and Board Affairs Committee, composed of three non-employee Directors, makes recommendations to the Board of Directors concerning the selection of candidates as nominees for election as Directors and advises on all directorship practices. In recommending candidates for the Board of Directors, the committee seeks individuals who have the experience and expertise which will allow them to contribute significantly to NYNEX's success. The committee's goal is to create a Board that is diverse and balanced in its membership, consistent with NYNEX's equal employment opportunity policy. NYNEX Directors must have integrity and independence and be willing to represent all Share Owners rather than a special interest or constituency. Directors must also be willing to commit the necessary time and energy to prepare for, attend and participate in Board and committee meetings. The Nominating and Board Affairs Committee held four meetings in 1995. Share Owners who wish to suggest qualified candidates should write to the Secretary of NYNEX Corporation at 1095 Avenue of the Americas, New York, New York 10036, stating in detail the qualifications of such persons for consideration by the Nominating and Board Affairs Committee.

Compensation of Directors
Directors who are not employees receive an annual retainer fee of $30,000 and a fee of $1,500 for each Board and committee meeting attended. Non-employee Directors who serve as chairpersons of the committees of the Board receive an additional annual retainer fee of $5,000. Non-employee Directors may elect to defer the receipt of all or a part of their fees and retainers. Currently, amounts so deferred earn interest, compounded quarterly, at a rate equal to the average interest rate for ten-year United States Treasury notes for the previous quarter.

At the Meeting, Share Owners will be asked to approve certain changes to non-employee Director compensation which were adopted by the Board of Directors on December 21, 1995. These changes (which are detailed in this proxy statement, beginning on page 58) will affect the manner of payment of the annual retainer and pension benefits of the non-employee Directors.

Currently, under the NYNEX Stock Plan for Non-Employee Directors, each non-employee Director is granted 100 shares of NYNEX Common Stock on an annual basis. Non-employee Directors elected by the Board to fill vacancies and newly created directorships in the interim between Annual Meetings receive a prorated grant based upon the number of full or partial months such Director will serve between his or her election and the next Annual Meeting. A committee of the Board, consisting of not more than three Directors (or such lesser number as there may be from time to time) who are not eligible to receive grants, administers and interprets the plan.

Non-employee Directors are entitled to reimbursement for out-of-pocket expenses incurred in connection with attendance at Board of Directors and committee meetings. In addition, NYNEX provides non-employee Directors with travel accident insurance when on NYNEX business. The total cost of the travel accident insurance policy for 1995 was approximately $1,900.

Under the current NYNEX Non-Employee Director Pension Plan (pending amendment subject to Share Owner approval at the Meeting), each non-employee Director who serves on the Board of NYNEX, or any of its subsidiaries, and retires from the NYNEX Board with a minimum of five years' combined service on such Boards as a non-employee Director qualifies for a yearly pension equal to 50% of the Director's annual retainer fee (excluding the retainer received for chairing a committee of the Board). Pension payments increase by 10% of the annual retainer fee for each additional year served up to 100% of such fee. The pension is adjusted to reflect the first subsequent increase, if any, in the annual retainer for service on the Board following the Director's retirement. Such pension is payable to a qualified Director upon (i) retirement from the NYNEX Board and (ii) the attainment of age 65.

Directors are eligible to participate in the Directors' Charitable Award Program, which is designed to acknowledge the service of Directors and to recognize the mutual interest of NYNEX and its Directors in supporting worthy educational and charitable institutions. Under the program, NYNEX will contribute up to $1 million to tax-exempt organization(s) designated by a Director, payable over a ten-year period, on behalf of a participating Director who retires or attains age 65 (whichever occurs later) after five years of service on the Board of NYNEX, or dies or becomes disabled while serving as a Director. All charitable deductions accrue to NYNEX and the individual Directors derive no financial benefit from the program. NYNEX has purchased life insurance on the Directors, naming NYNEX as beneficiary, which is expected to recover the costs of contributions and the premium payments.

Directors who are also employees of NYNEX or one of its subsidiaries receive no remuneration for serving as Directors.

Election of Directors

(Item A on Proxy Card)

The Board of Directors consists of thirteen members, divided into three classes, with the terms of each class staggered so that the term of one class expires at each Annual Meeting of Share Owners. Mr. William C. Ferguson, former Chairman of the Board and Chief Executive Officer of NYNEX (1989-1995) and a Director since 1987, retired as a Director on December 31, 1995, and the Board was reduced to its present number. On May 1, 1996, Dr. Randolph W. Bromery, a Director since 1986, will retire in accordance with the previously described tenure policy, and it is anticipated that the Board of Directors will be reduced on that occurrence to twelve members.

The terms of Directors in one class, consisting of four Directors, expire at the 1996 Annual Meeting. Unless otherwise instructed on the proxy card, the Proxy Committee intends to vote for the election of the four nominees to three-year terms expiring at the 1999 Annual Meeting, in each case subject to the tenure policy described on page 54. These nominees have been selected by the Board on the recommendation of the Nominating and Board Affairs Committee. If any nominee becomes unable or unwilling to serve at the time of the Meeting, the shares represented by proxy will be voted for the remaining nominees and for any substitute nominee(s) designated by the Board. The Board of Directors does not anticipate that any nominee will be unavailable to serve.

The following sets forth information regarding principal occupation, other major affiliations, NYNEX committee memberships and age, for the four nominees and each Director continuing in office.

Nominees for Election at this Meeting

Class III–Terms expiring at 1999 Annual Meeting

Lodewijk J.R. de Vink, President and Chief Operating Officer of Warner-Lambert Company since 1991. Executive Vice President (1990-1991). Director of Warner-Lambert Company. Director of NYNEX since July 20, 1995; member of Committee on Benefits. Age 51.

Helene L. Kaplan, Of Counsel to the firm of Skadden, Arps, Slate, Meagher & Flom since 1990. Director of The May Department Stores Company, Chemical Banking Corporation, Metropolitan Life Insurance Company and Mobil Corporation. Director of NYNEX since 1990; member of Committee on Benefits and Public Responsibility Committee. Age 62.

Hugh B. Price, President and Chief Executive Officer of the National Urban League since 1994. Vice President of Rockefeller Foundation (1988-1994). Director of Metropolitan Life Insurance Company. Director of NYNEX since December 1, 1995; member of Audit Committee and Public Responsibility Committee. Age 54.

Ivan G. Seidenberg, Chairman of the Board and Chief Executive Officer of NYNEX since April 1, 1995. President and Chief Executive Officer (January-March, 1995); Chief Operating Officer (March-December, 1994); Vice Chairman of the Board (1991-1995); Executive Vice President and President of NYNEX Worldwide Information and Cellular Services Group (1990-1991). Director of AlliedSignal Inc., Melville Corporation and Viacom Inc. Director of NYNEX since 1991. Chairperson of Executive Committee. Age 49.

Incumbent Members of Board of Directors

Class I–Terms expiring at 1997 Annual Meeting

John Brademas, President Emeritus, New York University since 1992. President (1981-1992). Director of Loews Corporation, Texaco Inc. and Scholastic, Inc. Director of NYNEX since 1991; member of Audit Committee and Public Responsibility Committee. Age 69.

Elizabeth T. Kennan, President Emeritus, Mount Holyoke College since June 1995. President (1978-1995). Director of Northeast Utilities, Kentucky Home Mutual Life Insurance Company, Kentucky Home Life Insurance Company, Putnam Funds, Inc. and Talbots Inc. Director of NYNEX since 1984; member of Nominating and Board Affairs Committee and Chairperson of Audit Committee. Age 58.

Frederic V. Salerno, Vice Chairman of the Board-Finance and Business Development of NYNEX since 1994; President of NYNEX Worldwide Services Group, Inc. (1991-1994); President and Chief Executive Officer of New York Telephone Company (1987-1991). Director of Avnet Inc., Orange and Rockland Utilities, Inc., The Bear Stearns Companies Inc. and Viacom Inc. Director of NYNEX since 1991; member of Finance Committee. Age 52.

John R. Stafford, Chairman of the Board, President and Chief Executive Officer of American Home Products Corporation since 1986 (for the period 1990-1993 did not hold the additional title of President). Director of AlliedSignal Inc., Chemical Banking Corporation and Metropolitan Life Insurance Company. Director of NYNEX since 1989; member of Finance Committee and Chairperson of Committee on Benefits. Age 58.

Class II - Terms expiring at 1998 Annual Meeting

Richard L. Carrion, Chairman of the Board, President and Chief Executive Officer of BanPonce Corporation (bank holding company) since 1990. Director of NYNEX since February 16, 1995; member of Audit Committee and Committee on Benefits. Age 43.

Stanley P. Goldstein, Chairman of the Board and Chief Executive Officer of Melville Corporation since 1987; President (1985-1993). Director of NYNEX since 1990; member of Audit Committee and Finance Committee. Age 61.

Edward E. Phillips, Retired; Chairman of the Board of New England Mutual Life Insurance Company (1978-1993); Chief Executive Officer (1978-1991). Director of New England Mutual Life Insurance Company and New England Investment Companies. Director of NYNEX since 1983; member of Executive Committee, Finance Committee and Chairperson of Nominating and Board Affairs Committee. Age 68.

Walter V. Shipley, Chairman of the Board and Chief Executive Officer of Chemical Banking Corporation since 1994; President (1992-1993); Chairman of the Board and Chief Executive Officer (1983-1991). Director of Champion International Corporation and The Reader's Digest Association, Inc. Director of NYNEX since 1983; member of Executive Committee, Nominating and Board Affairs Committee and Chairperson of Finance Committee. Age 60.

Ratification of Appointment of Auditors

(Item B on Proxy Card)

Subject to Share Owner ratification, the Board of Directors, upon recommendation of the Audit Committee, has reappointed the firm of Coopers & Lybrand L.L.P. ("Coopers & Lybrand"), Certified Public Accountants, as independent auditors to audit the consolidated financial statements of NYNEX for the fiscal year 1996. Coopers & Lybrand has audited NYNEX's financial statements since NYNEX's incorporation in 1983.

One or more representatives of Coopers & Lybrand are expected to be present at the Meeting. They will have the opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

If Share Owners do not ratify the appointment of Coopers & Lybrand, other certified public accountants will be considered by the Board of Directors upon recommendation of the Audit Committee.

Your Board of Directors recommends a vote FOR ratification.

Directors' Proposal to Approve Changes in the Non-Employee Director Compensation Program

(Item C on Proxy Card)

Your Board of Directors recommends approval of certain changes in the compensation program for each member of the Board of Directors who is not an Officer or employee of NYNEX or any of its affiliates ("non-employee Directors"), currently eleven in number.

On December 21, 1995, upon the recommendation of NYNEX's management, the Board of Directors approved and adopted, subject to Share Owner approval, the NYNEX Corporation Non-Employee Director Retainer Stock Plan ("Retainer Plan") and certain amendments to the NYNEX Corporation Non-Employee Director Pension Plan ("Pension Plan"). The Retainer Plan and the amended Pension Plan will change the compensation program for non-employee Directors by providing for (i) the replacement of the NYNEX Stock Plan for Non-Employee Directors ("Stock Plan") with the annual grant of 250 shares of NYNEX Common Stock ("Shares") as part of the annual Director retainer fee under the Retainer Plan, effective May 1, 1996; (ii) the automatic payment in Shares of 50% of the balance of the annual Director retainer fee, effective May 1, 1996; (iii) at the Director's discretion, the payment in Shares of the remaining 50% of such annual Director retainer fee and/or 100% of the annual committee chairperson retainer fee, effective May 1, 1996; and (iv) the termination of future benefits under the Pension Plan and the voluntary conversion of a Director's accrued benefits into Shares, effective August 1, 1996. These changes are designed to increase generally the portion of non-employee Director compensation that is equity based, thereby aligning the Directors' interests more closely with those of the Share Owners.

Retainer Plan. The Retainer Plan is designed to provide non-employee Directors with an additional proprietary interest in NYNEX in a manner that is competitive with compensation programs of other major corporations. This should serve to promote NYNEX's long term interests by attracting and retaining qualified and experienced leaders of business and other fields.

Under the Retainer Plan, 250 Shares will be granted to each non-employee Director as part of his or her annual retainer fee, provided that the initial grant for the period July 1, 1996 through December 31, 1996 shall be 125 Shares. These Shares will replace the Shares currently granted under the Stock Plan which will be terminated. In addition, (i) 50% of the balance of the non-employee Director annual retainer fee (as determined from time to time by the Board) will be paid automatically in Shares, and (ii) up to the remaining 50% of such annual retainer fee and/or 100% of the Committee chairperson annual retainer fee may be paid in Shares at the Director's election. Such election shall be effected by filing a written notice with the Secretary of NYNEX and shall be irrevocable with respect to the first payment of retainer fees occurring more than six months after the date of the election. Further, the election shall continue in effect until terminated or modified by written notice to the Secretary.

Shares granted or paid under the Retainer Plan shall be issued and delivered to each non-employee Director in four installments on or as soon as practicable after the dates that cash installments of their annual retainer fee are scheduled to be paid. In accordance with the terms of the NYNEX Corporation Non-Employee Director Deferred Compensation Plan, as amended ("Deferral Plan"), each Director may make a prospective election to defer the receipt of all or any portion of the Shares to be granted under the Retainer Plan. All deferred compensation which would otherwise have been payable currently in Shares shall be credited to the Director's account under the Deferral Plan, provided that, in lieu of being so credited, compensation payable in Shares may, in the sole discretion of the Committee (described below), be issued to and held by the NYNEX Corporation Non-Employee Director Trust ("Trust") for the period specified by the Director in his or her deferral election.

The Retainer Plan will be administered and interpreted by a committee ("Committee") which shall be composed of three Directors (or such lesser number of Directors as there may be from time to time), all of whom are not eligible to receive grants or payments under the Retainer Plan. The total number of Shares that may be granted under the Retainer Plan may not exceed 300,000, subject to adjustments deemed equitable by the Committee to prevent dilution or enlargement of rights resulting from a recapitalization, stock split or other similar change in the corporate structure or Shares outstanding. The Shares may be authorized but unissued Shares or Shares which have been or may be reacquired by NYNEX, whether purchased in the open market or otherwise.

The Board of Directors may at any time amend or terminate the Retainer Plan, provided that no alteration or amendment may be made which would increase the number of Shares which may be granted (except previously discussed equitable adjustments) or change the category of Directors eligible under the Retainer Plan.

Pension Plan — The purpose of the Pension Plan is to reward for past services those non-employee Directors whose loyalty and efforts have made significant contributions to NYNEX. To qualify for a yearly pension under the Pension Plan (prior to amendment by the Board), each non-employee Director who serves on the Board of NYNEX, or any of its subsidiaries, must retire from the NYNEX Board with a minimum of five years' combined service on such Boards as a non-employee Director. A Director with five years service is entitled to a pension equal to 50% of the Director's annual retainer fee (excluding the retainer received for chairing a committee of the Board). Pension payments increase by 10% of the annual retainer fee for each additional year served up to 100% of such fee. The pension is adjusted to reflect the first subsequent increase, if any, in the annual retainer for service on the Board following the Director's retirement. Such pension is payable to a qualified Director upon (i) retirement from the NYNEX Board and (ii) the attainment of age 65.

The Pension Plan has been amended, subject to Share Owner approval, to terminate the accrual of future benefits thereunder, effective August 1, 1996. Effective that date, any non-employee Director who has served as a non-employee Director on the Board of NYNEX or on a subsidiary board for an aggregate of at least five years will be given the option to convert the present value of his or her benefits under the Pension Plan into Shares. Except as described below, the present value of the Directors' benefit shall be determined as of August 1, 1996.

If a Director makes the above described conversion election, he or she shall not be entitled to any other benefits under the Pension Plan. The election shall be irrevocable and shall be made by filing a written form with the Secretary of NYNEX prior to February 1, 1996. If a Director does not elect to convert his or her accrued benefits into Shares, then he or she shall receive a cash pension upon retirement from the NYNEX Board and attainment of age 65 under the terms of the Pension Plan prior to its amendment. If a Director files the appropriate election form prior to February 1, 1996 and retires from the Board prior to August 1, 1996, the present value of his or her benefits under the Pension Plan shall be determined as of his or her retirement date.

If the Director makes the conversion election, the number of Shares determined upon the conversion shall be deposited by NYNEX with the Trust. The trustees of the Trust will be directed to hold the Shares issued to the Trust, receive dividends thereon, reinvest such dividends in additional Shares as soon as practicable after the receipt of such dividends and, pending such reinvestment, invest the dividend proceeds in such a manner as the trustees deem appropriate. The Director shall have the authority to direct the trustees' exercise of voting rights with respect to Shares credited to the Director's account, but shall have no other rights with respect to such Shares.

The Director's conversion election shall also include an election with respect to the distribution of Shares held by the Trust upon the Director's ceasing to serve on the NYNEX Board. Shares may be distributed either in one payment, in up to ten approximately equal annual installments, or in approximately equal quarterly payments for a period of up to ten years.

The total number of Shares which may be granted under the Pension Plan may not exceed 50,000, subject to adjustments deemed equitable by the Executive Committee of the Board to prevent dilution or enlargement of rights resulting from recapitalization, stock split or other similar change in the corporate structure or Shares outstanding. The Shares granted under the Pension Plan may be authorized but unissued Shares or Shares which have been or may be reacquired by NYNEX, whether purchased in the open market or otherwise.

The Pension Plan is administered and interpreted by the Executive Committee of the Board of Directors. The Pension Plan may be modified or terminated at any time, provided that no such modification or termination shall affect the rights of a Director to a pension to which he or she had become entitled. Cash payments under the Pension Plan are made from the general assets of NYNEX and no assets are earmarked in respect of any amount due thereunder. Share payments are made from the Trust, subject to the claims of NYNEX creditors.

The foregoing summary of each of the Retainer Plan and the Pension Plan is qualified in its entirety by reference to the full text of such plan, a copy of which has been filed with the Securities and Exchange Commission. Although approval of the Retainer Plan and the amendments to the Pension Plan by Share Owners is not required as a matter of law, the Board of Directors believes that it is appropriate to give Share Owners the opportunity to vote on matters of this kind. Share Owner approval is a condition of listing stock issued under the Retainer Plan and the Pension Plan on the New York Stock Exchange and will exempt the receipt of shares issued under such plans from Section 16(b) of the Securities Act of 1934. Approval of the Retainer Plan and the amen 'ments to the Pension Plan requires the affirmative vote of the holders of the majority of the Shares present, in person or by proxy, and entitled to vote at the Meeting.

Your Board of Directors recommends a vote FOR this proposal.

Share Owners' Proposals

Proponents have stated they intend to have the following proposals presented at the Meeting. The proposals and supporting statements are quoted below. Approval of a Share Owner Proposal serves only as a recommendation to the Board of Directors to take the necessary steps to initiate such action as called for. The Board of Directors has concluded it cannot support these proposals for the reasons given.

Share Owner Proposal 1:
Mrs. Evelyn Y. Davis, Watergate Office Building, 2600 Virginia Avenue, N.W., Suite 215, Washington, D.C. 20037, record owner of 120 shares of NYNEX Common Stock, has stated that she intends to have the following proposal presented at the Meeting:

"RESOLVED: 'That the shareholders of NYNEX recommend that the Board of Directors take the necessary steps to reinstate the election of directors ANNUALLY, instead of the stagger system which was recently adopted.'"

The supporting statement by the proponent is:

"REASONS: 'Until recently, directors of NYNEX were elected annually by all shareholders.

'The great majority of New York Stock Exchange listed corporations elect all their directors each year.

'This insures that ALL directors will be more accountable to ALL shareholders each year and to a certain extent prevents the self-perpetuation of the Board.

'Last year the owners of 120,217,178 shares, representing approximately 37.3% of shares voting, voted FOR this proposal.

'If you AGREE, please mark your proxy FOR this resolution.'"

Your Board of Directors recommends a vote AGAINST this proposal.

The Board of Directors notes that the proponent has submitted an identical proposal yearly, commencing with the 1988 Annual Meeting. The Board of Directors continues to believe, for reasons stated below, that a classified board is in the best interests of NYNEX and its Share Owners.

Currently, under NYNEX's Classified Board Provision, the number of Directors in each class is as nearly equal in number as possible, with each Director serving for three years and with one class being elected each year. This provision is similar to those which have been adopted by the stockholders of many major corporations. In the opinion of the NYNEX Directors, a classified Board of Directors facilitates continuity and stability of leadership and policy by assuring that experienced personnel familiar with NYNEX and its business will be on the Board of Directors at all times. The classified Board of Directors is also intended to prevent precipitous changes in the composition of the NYNEX Board and, thereby, serves to moderate those changes in

NYNEX policies, business strategies and operations which the Board of Directors does not deem to be in the best interests of NYNEX and its Share Owners. Board classification is intended to encourage any person seeking to acquire control of the Corporation to initiate such an action through arm's-length negotiations with management and the Board of Directors who are in a position to negotiate a transaction which is fair to all NYNEX Share Owners.

If approved, the proposal would serve as a recommendation to the Board of Directors to take the necessary steps to reinstate the annual election of all Directors. Such steps would include the repeal of the Classified Board Provision in the NYNEX Restated Certificate of Incorporation, which requires the affirmative vote of fully 75% of the outstanding Shares entitled to vote at a subsequent meeting of Share Owners.

Your Board of Directors urges that Share Owners vote AGAINST this proposal.

Share Owner Proposal 2:
Mr. Hans R. Reinisch, 155 West 68th Street, New York, New York 10023, record owner of 800 shares of NYNEX Common Stock, has submitted the following proposal:

"RESOLVED: 'That the NYNEX Corporation specifically list in its annual report all donations and contributions made to charitable and not-for-profit organizations by NYNEX and any subsidiaries, and that the total amount contributed during the course of the year be stated as a separate item in the financial tables of the annual report — especially since this is a very large amount nearing the $20 million mark!'"

"SUPPORTING STATEMENT: 'At recent annual meetings a number of fellow shareholders strongly supported my contention that a list of charitable contributions could easily be printed on one page of the annual report, except for smaller matching contributions for employees' donations. Despite the usual misguided opposition by the Board of Directors and management to this and other shareholder resolutions, the number of shares voted in favor of my resolution has nearly doubled during the past few years.

'On one hand NYNEX claims that its charitable contributions are of vital importance to the corporation because these donations enhance its standing in the community and improve its public image! Why then exclude this vital information from the annual report and try to hide it from the shareholders?

'Nevertheless, the Board and management continue to claim that it would be too "costly" and "burdensome" to provide only a one page listing of contributions in the annual report. What utter nonsense! In the annual report and other corporate publications dozens of pages of photography and art work are printed at far greater cost, providing no particular useful information to shareholders or potential investors.

'And as to NYNEX's offer to send a listing of contributions to shareholders requesting this information, shareholders have communicated to me that either they never received a response or that only a summary of the largest contributions was sent.

'One particularly outrageous contribution made by NYNEX and which the Board of Directors has refused to explain for the past several years is why a senior NYNEX officer was provided with a $100,000 donation upon her retirement to start her own foundation. Unless there is full public disclosure questionable donations will be made on an ongoing basis.

'Yet NYNEX refuses to contribute to Planned Parenthood because its policies are too controversial. Nevertheless, it is willing to support equally controversial religious institutions which are strongly opposed to a woman's right to choose.

'No, it is not our intention to question each and every contribution and decision made by the NYNEX Foundation. However, under a veil of secrecy lasting many years, a clear pattern of favoritism and questionable donations has emerged. Full disclosure in the annual report may induce the Foundation to be more even-handed and equitable in the distribution of funds, which after all belong to the shareholders.

'The $20 million distributed annually to charities in behalf of NYNEX shareholders should be done more equitably and better reflect the diversity of the shareholders and customers of the corporation.

'If the $20 million distributed annually to charities in behalf of NYNEX and its shareholders, is so useful for enhancing our public image and standing in the community this information must be included in the annual report!'"

Your Board of Directors recommends a vote AGAINST this proposal.

The NYNEX contributions process is conducted in an entirely open manner with full disclosure. The Board has long recognized that contributions information should be available to NYNEX Share Owners and NYNEX has made that information available. However, the Annual Report to Share Owners is intended to be a synopsis of business activity in a given year rather than a detailed accounting. Therefore, we have consistently highlighted and described NYNEX's philanthropic programs and contributions in a detailed Corporate Responsibility Report available to all Share Owners upon request. This report describes the grant programs and the contribution guidelines pursuant to which these programs are selected. Moreover, specific listings of corporate contributions are fully disclosed, as required, to federal and state regulatory agencies and are available to the public on request. The Board of Directors believes that to go beyond the aforementioned policy, that is, to provide detailed information to the over one million NYNEX Share Owners, when not more than a few hundred have expressed an interest, would not be prudent or practical.

In 1995, the NYNEX family of companies made charitable grants totaling approximately $19.5 million, reflecting NYNEX's strong commitment to corporate social responsibility. In addition, NYNEX has instituted programs that encourage and recognize employee participation in community service, resulting in many thousands of employee hours devoted to charitable work without compensation. The Board of Directors is justifiably proud of NYNEX's philanthropic efforts and will continue to share this information with interested parties.

Your Board of Directors urges that Share Owners vote AGAINST this proposal.

Share Owner Proposal 3:
Mr. John J. Gilbert and Mrs. Margaret R. Gilbert, 29 East 64th Street, New York, New York 10121-7043, co-trustees of family trusts holding 3,058 shares of NYNEX Common Stock and owning of record an additional 252 shares, and Ms. Edith Rudy and Mr. Edward Rudy, owners of 413 shares of NYNEX Common Stock, have stated that they intend to have the following proposal presented at the Meeting:

"RESOLVED: That the stockholders of NYNEX Corporation, assembled in annual meeting in person and by proxy, hereby request the Board of Directors to take the steps necessary to provide for cumulative voting in the election of directors, which means each stockholder shall be entitled to as many votes as shall equal the number of shares he or she owns multiplied by the number of directors to be elected, and he or she may cast all of such votes for a single candidate, or any two or more of them as he or she may see fit.

"REASONS: A California law provides that all state pension holdings and state college funds, invested in shares must be voted in favor of cumulative voting proposals, showing increasing recognition of the importance of this democratic means of electing directors.

"The National Bank Act provides for cumulative voting. In many cases companies get around it by forming holding companies without cumulative voting. Banking authorities have the right to question the capability of directors to be on banking boards. In many cases authorities come in after and say the director or directors were not qualified. We were delighted to see the SEC has finally taken action to prevent bad directors from being on boards of public companies. The SEC should have hearings to prevent such persons becoming directors before they harm investors.

"We think cumulative voting is the answer to find new directors for various committees.

"Some recommendations have been made to carry out the CERES 10 points. The 11th should be, in our opinion, having cumulative voting and ending staggered boards.

"When Alaska became a state it took away cumulative voting over our objections. The Valdez oil spill might have been prevented if environmental directors were elected through cumulative voting. The huge derivative losses might have also been prevented with cumulative voting.

"Many successful corporations have cumulative voting. Example, Penzoil defeated Texaco in that famous case. Ingersoll Rand also having cumulative voting won two awards. *Fortune* magazine ranked it second in its industry as "America's Most Admired Corporations" and the *Wall Street Transcript* noted "on almost any criteria used to evaluate management, Ingersoll Rand excels." In 1994 and 1995 they raised their dividend.

"Lockheed Martin, as well as VWR Corporation now have a provision that if anyone has 40% of the shares cumulative voting applies, it applies at the latter company.

"In 1995 American Premier adopted cumulative voting. Allegheny Power Systems tried to take away cumulative voting, as well as put in a stagger system and stockholders defeated it, showing stockholders are interested in their rights.

"If you agree, please mark your proxy for this resolution, otherwise it will automatically be cast against it, unless you have marked to abstain."

Your Board of Directors recommends a vote AGAINST this proposal.

The Board of Directors believes that the present system of electing Directors, in which those Directors receiving a plurality of votes cast by the Share Owners as a whole are elected, best represents the interests of all NYNEX Share Owners. Electing Directors in this manner avoids the aggravated conflicts that can occur in Board activities when a Director is elected by a narrow constituency, which cumulative voting rules would foster.

Cumulative voting is a device that can be used by relatively small factions of Share Owners to elect a Director through "stacking" of their votes. Directors elected in such a manner may have their loyalty and judgement compromised and directed toward the interests of the particular constituency responsible for their election. This may lead to partisanship among Directors and interfere with each Director's fiduciary responsibility to act in the best interest of all NYNEX Share Owners. Furthermore, cumulative voting can be employed as a coercive tactic, such as threatening to obtain Board representation, in an effort to unduly influence management.

The majority of companies listed on the New York Stock Exchange elect their directors in a fashion similar to NYNEX. The Board of Directors believes that the present electoral method is the most universally accepted, appropriate and democratic practice available and should be retained.

Your Board of Directors urges that Share Owners vote AGAINST this proposal.

Other Matters To Come Before the Meeting

An address by the Chairman is planned, followed by a general discussion period during which Share Owners will have an opportunity to ask questions about the business of NYNEX.

If any matter not described herein should come before the Meeting, the Proxy Committee of the Board of Directors will vote the Shares represented by it in accordance with its best judgment. At the time this proxy statement went to press, NYNEX knew of no other matters which might be presented for Share Owner action at the Meeting, with the exception of matters omitted from this proxy statement pursuant to the rules and regulations of the SEC.

Submission of Director Nominations, Proposals or Other Business at Share Owner Meetings

Proposals intended for inclusion in next year's proxy statement should be sent to the Secretary of NYNEX Corporation, 1095 Avenue of the Americas, New York, New York 10036, and must be received by November 18, 1996.

Share Owners who do not submit proposals for inclusion in the proxy statement but who intend to present a proposal, nomination for Director, or other business for consideration at any meeting of Share Owners are required to notify the Secretary of NYNEX of their intentions and provide certain other information in advance of such meeting, in accordance with the procedures detailed in the NYNEX By-Laws. Share Owners interested in making any nomination or proposal should request a copy of the By-Laws from the Secretary of NYNEX.

Committee on Benefits Report on Executive Compensation

To our Share Owners:

A primary role of the Committee on Benefits ("Committee") is to determine and oversee the administration of compensation for NYNEX's Executive Officers. In this capacity, the Committee is dedicated to ensuring that NYNEX's compensation policies and practices are used effectively to support the achievement of NYNEX's short and long term business objectives. In carrying out its responsibilities, the Committee reviews the recommendations of compensation consulting firms engaged by NYNEX. There are several principles that guide the Committee in its decision making capacity. The Committee:

- Emphasizes a pay for performance philosophy, ensuring that overall compensation paid to Executive Officers reflects the fulfillment of NYNEX's key goals.

- Reinforces the central importance of Share Owner value creation through the use of several key compensation plans, each of which provides Executive Officers with value when Share Owners realize corresponding gains.

- Encourages NYNEX stock ownership by Executive Officers with the objective of strengthening the common interests of management and Share Owners, thereby promoting the maximization of Share Owner value.

• Targets executive compensation levels at rates that are consistent with levels at comparable companies ("Comparable Companies"), consisting of the six other Regional Holding Companies, as well as 123 large industrial companies with revenues in excess of $1 billion, and 24 industrial companies with sales of approximately $15 billion, selected by compensation consulting firms advising the Committee.

• Maintains a total compensation perspective on executive pay in judging the appropriateness of rewards for NYNEX's Executive Officers.

In 1995, the Committee approved a completely new compensation program for NYNEX's Executive Officers. This program is characterized by long intervals between salary adjustments, a strong and direct connection between compensation and NYNEX's stock price, a single, streamlined compensation plan to replace the prior Executive and Senior Management Short and Long Term Incentive Plans, mandatory deferral of a portion of incentive earnings, and an enhanced emphasis on stock options.

The Committee believes that the new compensation program will serve as a powerful catalyst for directing Executive Officer activities in support of NYNEX's goal achievement and that it will appropriately recognize the contributions of the Executive Officer group.

Description of Executive Compensation Policies

It is NYNEX's policy to target levels of Executive Officer compensation to reflect pay rates that are typical at Comparable Companies. Consistent with NYNEX's pay for performance orientation, actual compensation levels may lead or lag target rates, but under the terms of the new compensation framework, such variances depend on NYNEX's stock price appreciation and demonstrated operating success.

The principal elements of the new compensation program are a merit driven base salary, a single, value creation based, variable compensation opportunity, and stock options. In addition, NYNEX has terminated its supplemental executive defined benefit pension plan and replaced it with a defined contribution plan in which one half of all annual contributions to an Executive Officer's account must be invested in shares of NYNEX Common Stock.

During 1994, the compensation consulting firm provided the Committee with survey information comparing NYNEX's Executive Officer compensation to median 1994 executive compensation at Comparable Companies. This data indicated that NYNEX Executive Officers' salaries paid in 1994 and total compensation were approximately at the median paid by Comparable Companies. The Committee has used this comparison to assist it in setting 1995 salary levels, variable compensation award target levels, and stock option grants.

Section 162(m) of the Internal Revenue Code of 1986 (the "Code") generally denies a tax deduction to any publicly held corporation for compensation that exceeds $1 million paid to any proxy named executive in a taxable year, subject to an exception for "performance-based compensation" as defined in the Code and subject to certain transition provisions. Base salaries paid to such NYNEX Executive Officers for 1995 will continue to be tax deductible since no such amount will exceed the $1 million limit. Compensation for such NYNEX Executive Officers for 1995 received under the variable compensation plan also should qualify for the "performance-based compensation" exception since the Share Owner approved terms of the Executive Officer Short Term Incentive Plan comply with the stipulated requirements of Section 162(m) governing the tax deductibility of such income. Gains on the exercise of non-qualified stock options granted through December 31, 1995 should be fully deductible since the Share Owner approved terms of the 1995 Stock Option Plan also comply with the stipulated requirements of Section 162(m). Notwithstanding the Committee's belief that Executive Officer compensation will be fully deductible, the Committee reserves the right to pay compensation that is not tax deductible if it is determined to be in the best interests of NYNEX and its Share Owners.

Salary. In 1995, the Committee changed its policy of annual salary reviews to one of considering the salary level of each Executive Officer once every 18 months. The longer intervals between salary actions allow the Committee to assess more accurately the contributions of each Executive Officer and to make salary decisions accordingly.

NYNEX's executive compensation policy is to establish new Executive Officer salaries at levels that reflect the median salaries paid by Comparable Companies. In determining salary levels paid by Comparable Companies, NYNEX reviews a number of executive compensation surveys conducted by various consulting firms which include information regarding salaries paid by the companies shown in the Share Owner Return Performance Graph contained in this proxy statement.

Salaries for experienced Executive Officers are expected to vary from those of entry level Executive Officers, reflecting the incumbent's demonstrated contributions to NYNEX's goal achievement. In assessing whether salary increases are warranted, the Committee's principal consideration is the Executive Officer's performance on the job, including the impact such Executive Officer has had on effecting strategic change. The Committee also reviews any or all of the following factors in assessing salary actions:

- Internal compensation equity;
- Compensation practices for Comparable Companies; and
- The Executive Officer's level of responsibility, experience, and expertise.

Executive Officer Short Term Incentive Plan. The Committee believes that the new Executive Officer Short Term Incentive Plan ("Short Term Plan") is a cornerstone in reinforcing NYNEX's pay-for-performance philosophy. Beginning in 1995, awards from this program represent the only cash-based incentive compensation opportunity available to Executive Officers. The Short Term Plan is characterized by its method of solely rewarding accomplishments that create value for all NYNEX Share Owners.

The Short Term Plan provides Executive Officers with the opportunity to earn incentive compensation from two sources:

- Achievement of annual performance goals that correlate with value creation, and
- NYNEX's Total Share Owner Return compared to the returns generated by the Comparable Companies.

The sum of the awards earned relative to these accomplishments comprises an Executive Officer's overall incentive compensation reward. Payment of one-half of the incentive award is mandatorily deferred, and deferred account balances are credited with interest each year at a rate equal to NYNEX's annualized Total Share Owner Return over the preceding three-year period. One-half of an Executive Officer's deferred account balance is distributed after the end of each year; the remaining deferred account balance carries over to future years. The account balance is paid out in full only upon the Executive Officer's retirement or other termination from service.

Annual Performance Goals. Each year, the Committee reviews management's suggestions and recommends for Board of Directors' ("Board") approval performance goals, the achievement of which will enhance NYNEX's value. The Committee also reviews and recommends to the Board maximum levels of performance for determining the ultimate payment of awards. For this purpose, maximum means the level of performance above which no incremental incentive awards will be paid. Achievement of the maximum performance level results in an award that is equal to one-half of the maximum possible incentive compensation payment.

For Executive Officers in 1995, the approved goals were exclusively financial and related to pre-established levels of NYNEX Net Income and Cash Flow Return on Investment. The Committee also recommended, and the Board approved, Service Quality standards at each organization level, the achievement of which were intended to modify incentive award levels for every Executive Officer. In 1995, there were no other factors the Committee considered in determining Executive Officer incentive compensation awards.

Total Share Owner Return. Executive Officers also earn incentive awards based on NYNEX's Total Return to Share Owners (stock price growth and dividends paid over the previous twelve-month period) compared to the returns generated by the six other Regional Holding Companies. Top relative ranking by NYNEX yields awards equal in size to one-half of the maximum incentive payment permissible for the Executive Officer under the plan. Lower NYNEX rankings generate proportionally smaller awards.

The levels of incentive compensation earned by the proxy-named executives for the 1995 fiscal year are reflected in the "Bonus" column of the Summary Compensation Table contained in this proxy statement. For the 1995 performance year, the Committee determined that the Corporate Net Income goal had been achieved, the Cash Flow Return on Investment had been achieved, and taking into account performance against Service Quality imperatives, the Committee awarded Executive Officers 41% of their maximum incentive awards. The Committee also determined that NYNEX's Total Share Owner Return for the year placed it fourth relative to the Comparable Companies and, therefore, awarded 25% of the maximum incentive award for this factor for a total award of 66% of the maximum award payable to Executive Officers. One-half of these awards were automatically deferred in accordance with the terms of the Short Term Plan.

Senior Management Long Term Incentive Plan. No grants were made under this plan in 1995, and no future grants are planned; however, the payout of the 1992-1995 performance period is reflected in the Summary Compensation Table. In addition, any payouts for the 1993-1996 and the 1994-1997 performance periods will be contained in future proxy statements as these performance periods are completed.

Each year, the Committee recommends to the Board for approval grants of long term incentive awards to Executive Officers. The Committee establishes a maximum award based on an assessment of the average long term award levels at Comparable Companies. Long term incentive opportunities reinforce NYNEX's policy of requiring stock ownership by Executive Officers in support of building Share Owner value. Plan participants have the opportunity to earn incentive compensation over a four-year performance period based on two factors, each accorded equal weight:

- Return to Share Owners;
- Corporate achievement of strategic objectives.

Return to Share Owners. Payment of one-half of the maximum award is determined by reference to NYNEX's Total Return to Share Owners (stock price growth and dividends paid over a four-year period) as compared with the returns generated by the six other Regional Holding Companies. A top relative ranking of NYNEX yields awards equal in size to one-half of the maximum long term incentive awards payable under this plan. Lower rankings of NYNEX generate proportionally smaller awards.

Strategic Objectives. Payment of the remaining one-half of the maximum award reflects the Committee's assessment of management's effectiveness during the four-year period in positioning NYNEX for future success. In conducting its assessment, the Committee considers: regulatory and legislative progress, business growth and focus, customer service and quality, and employee-related issues, each accorded approximately equal weight. The Committee can recommend to the Board for its approval payment of up to one-half of the maximum long term incentive award payable under this plan for strategic accomplishments.

Awards are paid at the completion of each performance period in a combination of cash and shares of NYNEX stock. Participants may elect the extent to which they are paid in stock. However, to encourage stock ownership among Executive Officers, a minimum of one-half of the value of the award must be paid in NYNEX stock.

For the 1992-1995 performance period, the Committee determined that NYNEX's Total Return to Share Owners over the period relative to the other six Regional Holding Companies was below the target level and, therefore, awarded 16.7% of the maximum long term incentive award for this factor. The Committee also determined that there was significant progress in implementing NYNEX's strategic objectives and that the target objective level had been exceeded and, therefore, awarded to Executive Officers a payout of 50% of the maximum long term award for this factor, for a total payout of 66.7% of the maximum award payable to Executive Officers.

Stock Option Plan. Each year, the Committee recommends to the Board for approval grants of stock options to Executive Officers. Stock options provide Executive Officers with the opportunity to acquire an equity interest in NYNEX and to participate in the creation of Share Owner value as reflected in growth in the price of NYNEX Common Stock. Under the terms of the plan, the option exercise price is equal to 100% of the fair market value of NYNEX Common Stock on the date of option grant, thereby ensuring that plan participants will derive benefits only as Share Owners realize corresponding gains. To ensure a long term perspective, options have a ten-year term and become exercisable at the cumulative rate of one-third per year for the first three years.

The number of options the Committee may grant in a plan year to the Chief Executive Officer and other proxy-named Executive Officers is limited by the plan, in each case, to 250,000 options. The actual number of options granted is based upon competitive compensation practices, as reflected in the surveys of Comparable Companies as prepared by the consulting firm and the individual Executive Officer's performance as compared to the performance of the other Executive Officers.

The Committee believes that the practice of granting stock options annually reinforces NYNEX's policy of requiring stock ownership by Executive Officers. Furthermore, options only provide value to Executive Officers when Share Owners realize positive returns on their investment in NYNEX. In this way stock option grants reward Executive Officers only in conjunction with value creation for Share Owners.

Restricted Stock Award Plan. The Committee also administers the Restricted Stock Award Plan and determines the key employees to whom Restricted Stock awards will be granted, the number of shares of NYNEX Common Stock with respect to which Restricted Stock awards will be made, the applicable restriction periods and any other terms and conditions of each award. The purpose of the plan is to attract and retain selected individuals of exceptional skill. The grant criteria reflect the Committee's assessment of the requirements for hiring and retaining the particular individual. Restricted Stock awards were granted in 1995 to certain newly appointed NYNEX Officers, but none to the proxy-named Executive Officers.

Rationale for Chief Executive Officer ("CEO") Compensation in Last Fiscal Year

Salary. The CEO's salary is based solely upon competitive compensation practices. Mr. Seidenberg was named President and CEO of NYNEX on January 1, 1995. On January 1, 1995, his annual salary rate was increased to $640,000 to give recognition to his new position and to bring it more in line with compensation of other CEOs in Comparable Companies.

Short Term Incentive Compensation. Mr. Seidenberg's variable incentive award for 1995 reflected NYNEX's financial performance discussed above. In accordance with the terms of the plan, the Committee recommended to the Board that it approve an award for Mr. Seidenberg equal to 66% of his maximum possible award.

Long Term Incentive Compensation. Mr. Seidenberg's available long term incentive awards are also a function of salary and are based on compensation practices for similar jobs in Comparable Companies. As discussed above under the heading Senior Management Long Term Incentive Plan, Return to Share Owners and strategic objectives are each accorded equal weight in determining long term incentive compensation. In 1996, the Committee recommended to the Board a long term award for the 1992-1995 performance period under the Senior Management Long Term Incentive Plan. It was the Committee's assessment that there was significant progress in implementing NYNEX's strategic objectives. The Committee believes that such strategic accomplishment should serve as a platform for future business success and resultant appreciation of Share Owners' investment over the long term. The Committee also considered Total Return to Share Owners, which was below the target level over the period relative to the other six Regional Holding Companies.

Stock Options. In January 1995, the Committee awarded Mr. Seidenberg options to purchase 105,727 shares of NYNEX Common Stock at a price of $36.32 per share, which was the fair market value at that time. The number of options granted reflected the Committee's assessment of competitive compensation practices and Mr. Seidenberg's individual contribution toward the achievement of NYNEX's strategic objectives.

Summary

The Committee is responsible for reviewing, monitoring and approving for presentation to the non-employee Directors of the Board, for their approval, all compensation decisions affecting NYNEX Executive Officers. The Committee endeavors to ensure that the entire remuneration paid to Executive Officers is consistent with NYNEX's interest in providing market competitive compensation opportunities, reflective of its pay-for-performance philosophy, and supportive of its business mission. We will continue to actively monitor the effectiveness of NYNEX's executive compensation plans and assess the appropriateness of executive pay levels to assure prudent use of NYNEX's resources.

John R. Stafford, Chairperson	Richard L. Carrion
Lodewijk J.R. de Vink	Helene L. Kaplan

Compensation Committee Interlocks and Insider Participation

Mr. Ivan Seidenberg, Chairman of the Board and Chief Executive Officer of NYNEX, is a Director of Melville Corporation and serves as a member of its Compensation Committee. Mr. Stanley Goldstein, Chairman of the Board and Chief Executive Officer of Melville Corporation, serves on the NYNEX Board of Directors but does not serve on NYNEX's Committee on Benefits.

Summary Compensation Table

The following table shows, for the fiscal years ending December 31, 1993, 1994, and 1995, the cash compensation, as well as certain other compensation, paid or accrued to the named Executive Officers by NYNEX and its subsidiaries.

		Annual Compensation			Long-Term Compensation			
					Awards		Payouts	
Name and Principal Position (1) at December 31, 1995	Year	Salary ($)	Bonus ($)(2)	Other ($)(3)	Restricted Stock Awards ($)(4)	Securities Underlying Options (#)	[illegible]	[illegible]
Ivan G. Seidenberg	1995	640,000	844,800	50,613	0	105,727	[illegible]	[illegible]
Chairman of the Board and	1994	540,000	189,000	62,598	380,520	40,248	[illegible]	[illegible]
Chief Executive Officer	1993	474,000	222,000	46,267	0	38,892	[illegible]	[illegible]
Frederic V. Salerno	1995	530,000	600,000	48,332	0	87,555	[illegible]	[illegible]
Vice Chairman of the Board	1994	491,000	278,000	64,636	380,520	40,248	[illegible]	[illegible]
Finance and Business Development	1993	474,000	313,500	47,459	0	38,892	[illegible]	[illegible]
Richard A. Jalkut	1995	500,000	620,000	47,000	0	82,500	[illegible]	[illegible]
President and Group Executive	1994	464,000	153,000	58,888	359,520	47,302	[illegible]	[illegible]
NYNEX Telecommunications	1993	416,000	209,500	45,262	0	18,018	[illegible]	[illegible]
Alan Z. Senter	1995	411,000	196,000	49,747	0	[illegible]	[illegible]	[illegible]
Executive Vice President and	1994	133,000	100,000	11,183	600,000	56,000	[illegible]	[illegible]
Chief Financial Officer	1993							
Donald B. Reed	1995	370,000	429,600	29,028	0	55,011	[illegible]	[illegible]
President and Group Executive	1994	341,000	194,000	32,599	272,500	27,420	[illegible]	[illegible]
External Affairs & Communications	1993	293,000	139,500	23,514	0	8,190	[illegible]	[illegible]
William C. Ferguson	1995	200,000	264,000	136,137	0	132,158	[illegible]	[illegible]
Retired Chairman of the Board	1994	800,000	885,000	210,194	0	87,120	[illegible]	[illegible]
and Chief Executive Officer	1993	773,000	526,000	103,446	0	84,180	[illegible]	[illegible]

Aggregated Option Exercises in Fiscal Year 1995 and 1995 FY-End Option Values

The following table shows information with respect to the named Executive Officers concerning the exercise of options to purchase Shares of NYNEX Common Stock during 1995 and unexercised stock options held as of the end of 1995.

			Number of Securities Underlying Unexercised Options at 1995 Fiscal Year-End		Value of Unexercised In-the-Money Options at 1995 Fiscal Year-End ($)(1)	
Name of Individual	Shares Acquired on Exercise	Value Realized ($)	Exercisable	Unexercisable	Exercisable	Unexercisable
Ivan G. Seidenberg	4,750	50,208	103,108	145,523	1,480,713	2,232,147
Frederic V. Salerno	0	0	122,224	127,351	1,761,415	1,931,219
Richard A. Jalkut	12,296	87,649	92,455	121,706	1,300,393	1,831,702
Alan Z. Senter	0	0	18,667	97,906	209,554	1,542,178
Donald B. Reed	0	0	50,858	78,751	626,873	1,204,423
William C. Ferguson	0	0	278,836	218,302	4,081,505	3,230,401

Option Grants in Fiscal Year 1995

The following table contains information concerning the grant of options under the NYNEX 1995 Stock Option Plan to the named Executive Officers during 1995.

Name of Individual	Number of Securities Underlying Options Granted (#)(2)	% of Total Options Granted to Employees in 1995	Exercise or Base Price ($/Share)(2)	Expiration Date(3)	Grant Date Present Value ($)(4)
Ivan G. Seidenberg	105,727	3.338	36.32	1/12/05	441,939
Frederic V. Salerno	87,555	2.764	36.32	1/12/05	365,980
Richard A. Jalkut	82,590	2.608	36.32	1/12/05	345,264
Alan Z. Senter	60,573	1.913	36.32	1/12/05	253,195
Donald B. Reed	55,011	1.737	36.32	1/12/05	229,945
William C. Ferguson	132,158	4.173	36.32	3/30/00	552,420

Retirement Plans

During 1995, NYNEX terminated its supplemental executive defined benefit non qualified pension plan and replaced it with a defined contribution plan. The value of the pension accrued for years prior to 1995 under the supplemental defined benefit plan was converted into a starting balance for the defined contribution plan. The annual company contribution to the defined contribution plan is determined as [illegible] of base salary that exceeds $150,000 plus 25% of bonus. This amount is included in the All Other Compensation column of the Summary Compensation Table on page 68 of this proxy statement.

Pension Table

This table provides the estimated annual benefits payable upon retirement under the NYNEX [illegible] plan. Pensions are computed on a straight life annuity basis and are not reduced for Social Security or other [illegible] set amounts except in cases where a joint or survivor annuity is selected. Participants receive a pension based upon average compensation up to $150,000 multiplied by 1.6%. Average compensation is determined as five year average base pay for the period January 1, 1986 to December 31, 1990, times years of service on December 31, 1990, plus all future base pay. The Executive Officers named below receive a benefit under this table plus the annual credit under the defined contribution plan which has been included in the All Other Compensation column of the Summary Compensation Table.

Average Compensation	Years of Service 15	20	25	30	[illegible]
$300,000	$36,000	$48,000	$60,000	$72,000	$84,000
400,000	36,000	48,000	60,000	72,000	84,000
500,000	36,000	48,000	60,000	72,000	84,000
600,000	36,000	48,000	60,000	72,000	84,000
700,000	36,000	48,000	60,000	72,000	84,000
800,000	36,000	48,000	60,000	72,000	84,000

Name of Individual	Current Pay Compensation*	Credited Years of Service*
Ivan G. Seidenberg**	$640,000	29
Frederic V. Salerno	540,000	40
Richard A. Jalkut	500,000	29
Alan Z. Senter**	411,000	1
Donald B. Reed	470,000	29

* [illegible]

** [illegible]

Under the prior executive non qualified pension plan executives retiring during 1995 received an annual benefit based upon average compensation multiplied by the number of years service times 1.6%. Average compensation was determined by adding the average of the five highest Short Term Incentive Plan awards received during the last ten years of employment plus the total of the last sixty full months of salary divided by five. Pensions may not exceed 60% of the average compensation used in the pension formula. In connection with his retirement on March 31, 1995, Mr. Ferguson elected and received a lump sum payment of $4,671,468 under the Senior Management Non Qualified Pension Plan. Mr. Ferguson also receives an annual pension of $268,747 from the NYNEX Management Pension Plan.

Employment Contracts, Termination of Employment and Change in Control Arrangements

On December 16, 1993, the Board of Directors approved the NYNEX Executive Severance Pay Plan (the "Severance Plan") and the Executive Retention Agreement (the "Agreement") to be entered into with certain NYNEX Executive Officers as well as certain other Officers of NYNEX companies. The purpose of the Severance Plan and the Agreement is to enable NYNEX and its subsidiaries to remain competitive in attracting and retaining the very best executive talent. The Agreement provides the Executive Officer with certain benefits, pursuant to the Severance Plan, upon termination of employment under specified conditions.

Certain NYNEX Executive Officers, including Messrs. Seidenberg, Jalkut and Reed but excluding Messrs. Salerno and Senter, entered into an Agreement with NYNEX, effective January 3, 1994, for a term of employment to continue day to day. Mr. Salerno entered into an employment agreement with NYNEX on terms substantially similar to those in the Agreement, but for a minimum term commencing August 1, 1994 through December 31, 1996. A retention award consisting of a grant of restricted stock was made to each such NYNEX Executive Officer at the time of signing the Agreement. The value of the retention award equals 50% of the sum of the Executive Officer's 1994 annual salary and the standard award granted under the NYNEX Senior Management Short Term Incentive Plan for 1994 performance.

During the term of the Agreement, dividends on the restricted stock will be reinvested in additional NYNEX restricted stock. The retention award restrictions on the restricted stock shall lapse at the time of termination of employment only if the Executive Officer voluntarily separates from employment with the consent of the Chairman and Chief Executive Officer of NYNEX (or, in the case of Mr. Seidenberg, with the consent of the Board of Directors), dies, or is terminated by NYNEX without cause during the term of the Agreement. In the case of all other terminations, the restricted stock will be forfeited by the Executive Officer.

An Executive Officer who separates from active service with the consent of the Chairman of the Board and Chief Executive Officer (or, in the case of Mr. Seidenberg, with the consent of the Board of Directors) or is separated from active service pursuant to the terms of the NYNEX Force Management Plan, and in either case signs a separation agreement and release, or dies during the term of the Agreement, shall be entitled to a severance payment. The severance payment will be the value of the restricted stock (including reinvested dividends) which is designated as the retention award in the Executive Officer's Agreement, plus an additional three times salary as of July 1, 1996 for Mr. Seidenberg and two times such salary for Messrs. Salerno, Jalkut and Reed and certain other NYNEX Executive Officers and one times such salary for certain other Officers of NYNEX companies, plus interest accrued based upon the earnings of the Global Balanced Fund investment option of the NYNEX Corporation Savings Plan for Salaried Employees. An Executive Officer will not receive benefits or payment under the Severance Plan if he or she is separated from active service for cause, is separated from active service with an Employing Company that is sold and the Employing Company hires or offers employment within 60 days of the Executive Officer's separation from the Employing Company, or if the Executive Officer has an employment agreement other than the Agreement with the Employing Company.

Mr. Senter entered into a three year employment agreement with NYNEX commencing September 1, 1994. The agreement provides for a sign on bonus of $600,000 in restricted NYNEX Shares which vest at the rate of one third per year, subject to certain conditions. Under terms of the agreement, if NYNEX terminates Mr. Senter's employment without cause prior to the third anniversary of the commencement of his employment, he will continue to receive monthly payments equal to his base salary until the end of the term of his agreement. In addition, Mr. Senter is entitled to receive a severance payment equal to two times his salary as of July 1, 1996 on substantially the same terms and conditions as contained in the Agreement described above.

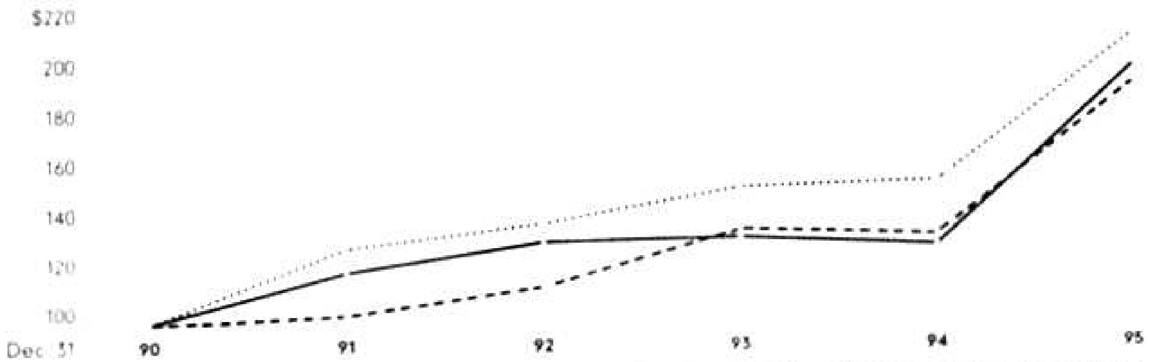
NYNEX maintains various plans pursuant to which NYNEX Executive Officers and certain other Officers of NYNEX companies defer (on a voluntary and, in certain cases, involuntary basis) the receipt of all or part of certain specified compensation payments. NYNEX also maintains certain non qualified pension, savings and retirement plans for such individuals. Amounts credited to the accounts of such individuals accrue earnings based upon various investment options selected by such individuals. To safeguard these benefits and other non qualified benefits for other Officers, NYNEX will establish a trust which would become fully funded and irrevocable upon a Change of Control. As defined in the trust, a Change of Control occurs if (a) any person (other than a trustee or other fiduciary of securities held under an employee benefit plan of NYNEX) becomes the beneficial owner of 15% or more of the NYNEX voting stock, (b) a tender offer is made and the offeror owns or has accepted payment for 15% or more of the NYNEX voting stock; or (c) during any period of twenty four consecutive months members of the Board at the beginning of such period, together with new Directors nominated or appointed during that period by a vote of at least two-thirds of such existing Directors (or of Directors whose election or nomination for election was previously so approved), cease to comprise a majority of the Board of Directors. The assets in the trust, however, remain subject to the claims of NYNEX's general creditors in the event of insolvency.

In the event of a Change in Control (defined substantially identical to "Change of Control" above), NYNEX's 1995 Long Term Incentive Program provides that all stock options and stock appreciation rights previously granted will become fully exercisable, the restrictions on restricted stock previously granted will terminate, and performance units under the Senior Management Long Term Incentive Plan will be immediately valued based on the highest fair market value of NYNEX Common Stock during the period beginning thirty days prior to and ending thirty days after the Change in Control.

Share Owner Return Performance Graph

The following line graph compares the yearly percent change in the cumulative Total Share Owner Return of NYNEX Common Stock against the cumulative total return of the Standard & Poor's 500 Stock Index and the Regional Holding Company peer group stock index for the period of five fiscal years (1991-1995).

Comparison of 5-Year Cumulative Total Return*



* Assumes $100 invested on December 31, 1990 in NYNEX Common Stock, Standard & Poor's 500 Index and Peer Group Index, with all dividends reinvested; also assumes retention by Pacific Telesis Group stockholders of the AirTouch Communications stock spin-off effective April 1, 1994, and conversion of U S WEST common stock into Communications Stock and Media Stock effective November 1, 1995.

	90	91	92	93	94	95
NYNEX	100.0	120.7	132.8	134.2	130.5	202.9
PEER's**	100.0	105.1	114.4	137.5	134.7	195.9
S&P 500	100.0	130.5	140.4	154.6	156.7	215.6

** Comprised of the Regional Holding Companies: Ameritech Corporation, Bell Atlantic Corporation, BellSouth Corporation, Pacific Telesis Group, SBC Communications Inc., U S WEST, Inc.

Other Information

As required by SEC rules, it is herein noted that in August 1995 four separate transactions in Shares of NYNEX Common Stock by a retired NYNEX Executive Officer, Raymond F. Burke, were not timely reported.

Solicitation of proxies is being made by management through the mail, in person and by telephone and telegraph. NYNEX will be responsible for costs associated with this solicitation. NYNEX has retained Kissel-Blake Inc., to aid in the solicitation of proxies at a cost of approximately $21,000, plus reimbursement of reasonable out-of-pocket expenses.

By order of the Board of Directors,

Morrison DeS. Webb

Morrison DeS. Webb
Executive Vice President, General Counsel and Secretary

March 18, 1996

NYNEX Corporate Officers

Ivan Seidenberg
Chairman and Chief Executive Officer

Frederic V. Salerno
Vice Chairman
Finance & Business Development

Alan Z. Senter
Executive Vice President and Chief Financial Officer

Morrison DeS. Webb
Executive Vice President, General Counsel and Secretary

Robert T. Anderson
Vice President
Business Development

President
NYNEX Network Systems Company

Jeffrey A. Bowden
Vice President
Strategy & Corporate Assurance

Peter M. Ciccone
Vice President
Financial Operations and Comptroller

John M. Clarke
Vice President
Law

Saul Fisher
Vice President
Law

Patrick F. X. Mulhearn
Vice President
Public Relations

Donald J. Sacco
Vice President
Human Resources

Thomas J. Tauke
Vice President
Government Affairs

Colson P. Turner
Vice President and Treasurer

President
NYNEX Capital Funding Company

Officers of Principal Operating Groups

Richard W. Blackburn
President and Group Executive
NYNEX Worldwide Communications & Media Group

Richard A. Jalkut
President and Group Executive
NYNEX Telecommunications

Donald B. Reed
President and Group Executive
External Affairs & Corporate Communications

Arnold J. Eckelman
Executive Vice President and Group Executive
Quality Assurance & Operations Support

Joseph C. Farina
Vice President and Group Executive
Process Re-engineering & Assurance

Mel Meskin
Vice President
Finance and Treasurer
NYNEX Telecommunications

NYNEX Asia Communications
Arthur J. Troy
President

NYNEX Asset Management Company
William F. Heitmann
President

NYNEX CableComms Group
John F. Killian
President and Chief Executive Officer

NYNEX Credit Company
Richard E. Lucey
President

NYNEX Entertainment & Information Services Company
Walter J. Rickard
President

NYNEX Global Systems Company
Daniel C. Petri
President

NYNEX Information Resources Company
Matthew J. Stover
President and Chief Executive Officer

NYNEX Science & Technology, Inc.
Casimir S. Skrzypczak
President

Vice President
Network & Technology Planning

NYNEX Trade Finance Company
Richard W. Frankenheimer
President

Share Owner Information

Corporate Headquarters:
NYNEX Corporation
1095 Ave. of the Americas
New York, NY 10036
(212) 395-2121

1996 Annual Meeting:
NYNEX will hold its annual meeting at the John Hancock Hall in Boston, Mass., on May [illegible], 1996 at 10:30 a.m.

Share Owner Services:
Let NYNEX Share Owner Services help with your account needs.

Dividend Reinvestment and Stock Purchase Plan (DRISPP): Provides you with a convenient way to increase your stock holdings at a minimal cost.

Direct Deposit of Dividends: Deposit your dividends via electronic funds transfer to a designated account at your bank or financial institution.

Odd-Lot Sales Program: Provides share owners owning less than 100 shares with a convenient way to sell their NYNEX stock at a reasonable cost.

Inquiries on these stock related matters, as well as dividend payments, stock transfers and requests for Form 10-K reports for NYNEX and its telephone subsidiaries, should be directed to NYNEX's transfer agent and registrar, The First National Bank of Boston ("Bank of Boston"):

NYNEX Corporation
c/o Bank of Boston
P.O. Box 9175
Boston, MA 02205-9175
1 (800) 358-1133

From outside the continental United States, call collect on (617) 575-2407.
Hearing impaired share owners with access to a Telecommunications Device for the Deaf (TDD) may dial 1 (800) 368-0328 toll free for account information.

General Information:
If you have questions or comments regarding NYNEX, or would like to receive the NYNEX "1995 Profile and Statistics," additional copies of the Annual Report or the Annual Report on audiocassette, direct your requests to:

NYNEX Corporation
Share Owner Communications
29th Floor
1095 Ave. of the Americas
New York, NY 10036

Investor Relations:
Institutional investors, financial analysts and portfolio managers should direct questions to:

Allen [illegible]
Corporate Director
Investor Relations
NYNEX Corporation
1095 Ave. of the Americas
New York, NY 10036
(212) [illegible]

continued on back cover

Governmental Relations:
NYNEX Government Affairs
Suite 400 West
1300 I Street, N.W.
Washington, DC 20005
(202) 336-7900

Independent Accountants:
Coopers & Lybrand L.L.P.
1301 Ave. of the Americas
New York, NY 10019

Stock Exchange Listings:
Boston Stock Exchange
Chicago Stock Exchange
New York Stock Exchange
Pacific Stock Exchange
Philadelphia Stock Exchange
Amsterdam Stock Exchange
Basel Stock Exchange
Geneva Stock Exchange
The International Stock Exchange, London
Zurich Stock Exchange

Ticker Symbol: NYN

NYNEX is fully committed to equal employment opportunity for all employees and applicants for employment.

We have a duty to ensure that there is no unlawful discrimination in recruitment, hiring, termination, promotions, salary treatment or any other condition of employment or career development, and that there is no harassment of any employee on the basis of race, color, religion, national origin, sex, age, marital status, sexual preference or orienta[illegible] disability, or status as a special disabled veteran or veteran of the Vietnam era.

NYNEX Board of Directors

John Brademas
Dr. Brademas is president emeritus of New York University. He has been a NYNEX director since 1991 and serves on the Audit Committee and the Public Responsibility Committee.

Randolph W. Bromery
Dr. Bromery is president of Springfield College and commonwealth professor emeritus of the University of Massachusetts at Amherst, and president of Geoscience Engineering Corporation. He has been a NYNEX director since 1986 and serves on the Audit Committee, Executive Committee and Public Responsibility Committee.

Richard L. Carrion
Mr. Carrion is chairman, president and chief executive officer of BanPonce Corporation. He has been a NYNEX director since 1995 and is a member of the Audit Committee and Committee on Benefits.

Lodewijk J.R. de Vink
Mr. de Vink is president and chief operating officer of Warner-Lambert Company. A NYNEX director since 1995, he is a member of the Committee on Benefits.

Stanley P. Goldstein
Mr. Goldstein is chairman and chief executive officer of Melville Corporation. He was elected to the NYNEX board in 1990 and serves on the Audit Committee and the Finance Committee.

Helene L. Kaplan
Mrs. Kaplan is of counsel to Skadden, Arps, Slate, Meagher & Flom, a New York City law firm. She was elected to the NYNEX board in 1990 and is a member of the Committee on Benefits and the Public Responsibility Committee.

Elizabeth T. Kennan
Mrs. Kennan is president emeritus of Mount Holyoke College and has been a NYNEX director since 1984. She serves on the Nominating and Board Affairs Committee and chairs the Audit Committee.

Edward E. Phillips
Mr. Phillips is retired chairman of New England Mutual Life Insurance Company. He has served on the NYNEX board since 1983 and is a member of the Executive Committee and Finance Committee and chairs the Nominating and Board Affairs Committee.

Hugh B. Price
Mr. Price is president and chief executive officer of the National Urban League. Elected to the NYNEX board in [illegible], he is a member of the Audit Committee and the Public Responsibility Committee.

Frederic V. Salerno
Mr. Salerno is vice chairman – Finance and Business Development of NYNEX. He has been a NYNEX director since 1991 and serves on the Finance Committee.

Ivan Seidenberg
Mr. Seidenberg is chairman and chief executive officer of NYNEX. He has been a NYNEX director since 1992 and chairs the Executive Committee.

Walter V. Shipley
Mr. Shipley is chairman and chief executive officer of Chemical Banking Corporation. A NYNEX board member since 1983, he serves on the Executive Committee and Nominating and Board Affairs Committee and chairs the Finance Committee.

John R. Stafford
Mr. Stafford is chairman, president and chief executive officer of American Home Products Corporation. He has been a NYNEX director since 1989, is a member of the Finance Committee and chairs the Committee on Benefits.

NYNEX

1095 Avenue of the Americas
New York, NY 10036

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

(Mark one)

[✔] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1995

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________ to ________

Commission file number 1-8608

NYNEX Corporation

A Delaware Corporation

I.R.S. Employer
Corporation Identification No. 13-3180[illegible]

1095 Avenue of the Americas, New York, New York 10036
Telephone Number (212) 395-2121

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

Title of each class	Name of each exchange on which registered
Common Stock (par value $1.00 per share)	New York, Boston, Chicago, Pacific and Philadelphia Stock Exchanges
Twenty year 9.55% Debentures due May 1, 2010	New York Stock Exchange, Inc.

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

At February 29, 1996, approximately 437,754,000 shares of Common Stock were outstanding.

At February 29, 1996, the aggregate market value of the voting stock held by nonaffiliates was approximately $22,526,820,000.

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

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

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of the Registrant's 1995 Annual Report to Stockholders (Part II)

(2) Portions of the Registrant's Proxy Statement dated March 18, 1996 issued in connection with the 1996 Annual Meeting of Stockholders (Part III)

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PART I

Item 1. BUSINESS.

General

NYNEX Corporation ("NYNEX") was incorporated in 1983 under the laws of the State of Delaware and has its principal executive offices at 1095 Avenue of the Americas, New York, New York 10036 (telephone number 212-395-2121). NYNEX is a global communications and media corporation that provides a full range of services in the northeastern United States and in high growth markets around the world. NYNEX has expertise in telecommunications, wireless communications, directory publishing, and video entertainment and information services.

NYNEX's principal operating subsidiaries are New York Telephone Company ("New York Telephone") and New England Telephone and Telegraph Company ("New England Telephone") (collectively, the "Telephone Companies") (see Telecommunications below).

Various services in the telecommunications and wireless communications businesses are subject to the jurisdiction of state and federal regulators. Intrastate communications services are under the jurisdiction of state public service commissions (see State Regulatory below), and interstate communications services are under the jurisdiction of the Federal Communications Commission ("FCC") (see Federal Regulatory below). In addition, state and federal regulators review various transactions between NYNEX affiliates.

The operations of NYNEX and its subsidiaries have been subject to the requirements of a consent decree known as the "Modification of Final Judgment" ("MFJ"), which arose out of an antitrust action brought by the United States Department of Justice against AT&T Corp. ("AT&T"). Pursuant to the MFJ, AT&T divested its 22 wholly-owned local exchange companies ("LECs"), including the Telephone Companies, distributed them to seven regional holding companies ("RHCs"), and distributed the stock of the RHCs to AT&T's stockholders on January 1, 1984.

The Telecommunications Act of 1996 (the "Act") provides that any conduct or activity previously subject to the MFJ is now subject instead to the restrictions and obligations imposed by the Act (see Competition below)

Telecommunications

New York Telephone is incorporated under the laws of the State of New York and provides telecommunications services in New York and a small portion of Connecticut. New England Telephone is incorporated under the laws of the State of New York and provides telecommunications services in Massachusetts, Maine, New Hampshire, Rhode Island and Vermont. The Telephone Companies mainly provide two types of telecommunications services, exchange telecommunications and exchange access, in their respective territories. The Telephone Companies revenues comprise 88.1% of NYNEX's operating revenues in 1995. Approximately 87.2% of those revenues are generated by operations in New York and Massachusetts. In 1995, revenues from one customer, AT&T,

Companies' general operating area that are served by such nonaffiliated companies. On December 31, 1995, these nonaffiliated companies had approximately 1,412,000 network access lines in service.

The Telephone Companies have consolidated all or part of many regional service and support functions into Telesector Resources Group, Inc. ("Telesector Resources") as part of the business restructuring plan (see Business Restructuring below). Regional service functions are interstate access services, operator services, public communications, sales, market area services, corporate services, information services, labor relations, engineering/construction and business planning. Support functions are quality and process re-engineering, marketing, accounting, finance, data processing and related services, technology and planning, public relations, legal and human resources. In addition, Telesector Resources provides various procurement, procurement support and materials management services to the Telephone Companies, on a nonexclusive basis. These services include product evaluation, contracting, purchasing, materials management and disposition, warehousing, transportation, and equipment repair management. Under a reciprocal services agreement, the Telephone Companies provide certain administrative and other services for Telesector Resources.

Each of the seven RHCs formed in connection with the AT&T divestiture owns an equal interest in Bell Communications Research, Inc. ("Bellcore"), which is held by Telesector Resources. Bellcore furnishes to the LECs, including the Telephone Companies, and certain of their subsidiaries, technical and support services (that include research and development) relating to exchange telecommunications and exchange access services that can be provided more efficiently on a centralized basis. Bellcore serves as a central point of contact for coordinating the efforts of NYNEX and the other RHCs in meeting the national security and emergency preparedness requirements of the federal government. In 1995, it was announced that the seven RHCs, including NYNEX, have decided to pursue the disposition of Bellcore. A final decision regarding the disposition of their interests and the structure of such a transaction will be subject to obtaining satisfactory financial and other terms and necessary approvals.

NYNEX Network Systems Company ("Network Systems") provides wireline and wireless network services outside the United States. As managing sponsor of FLAG Limited, Network Systems will construct a submarine cable system from the United Kingdom to Japan.

NYNEX CableComms Group PLC and NYNEX CableComms Group Inc. (collectively, "CableComms") provide cable television and telecommunications services in the United Kingdom. CableComms is licensed to provide these services in sixteen franchises covering approximately 2.7 million homes and 167,500 businesses.

Wireless Communications

Effective July 1, 1995, NYNEX and Bell Atlantic Corporation ("Bell Atlantic") completed the combination of substantially all of their domestic cellular properties by contributing them to a partnership, Bell Atlantic NYNEX Mobile cellular partnership ("BANM"), to own and operate these properties. The combination represents the consummation of the transaction that was agreed to and announced in June 1994. Bell Atlantic owns approximately 62.4% of BANM, and NYNEX owns approximately 37.6%. The partnership is controlled

PART I

Item 1. BUSINESS.

General

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accounted for approximately 14% of NYNEX's total operating revenues, primarily in network access and other revenues.

Exchange telecommunications service is the transmission of telecommunications among customers located within geographical areas (local access and transport areas, or "LATAs"). These LATAs are generally centered on a city or other identifiable community of interest and, subject to certain exceptions, each LATA marks an area within which the telephone companies operating within such territory may provide telecommunications services (see Competition below). Exchange telecommunications service may include long distance service as well as local service within LATAs. Examples of exchange telecommunications services include switched local residential and business services, private line voice and data services, Wide Area Telecommunications Service, long distance and Centrex services.

Exchange access service refers to the link provided by LECs between a customer's premises and the transmission facilities of other telecommunications carriers, generally interLATA carriers. Examples of exchange access services include switched access and special access services.

Certain billing and collection services are performed by the Telephone Companies for other telecommunications companies, primarily AT&T, and certain information providers that elect to subscribe to these services rather than perform such services themselves. In 1995, approximately 1% of NYNEX's total operating revenues was derived from billing and collection services. In 1990, the Telephone Companies and AT&T signed a six-year contract extending the Telephone Companies' roles as AT&T long distance billing and collection agents. The agreement allows AT&T the flexibility of gradually assuming certain administrative and billing functions now performed by the Telephone Companies. The Telephone Companies and AT&T are reviewing a proposed extension of the contract through December 31, 1996.

There are six LATAs that comprise the area served by New York Telephone, and they are referred to as follows: the New York City Metropolitan Area (which includes Westchester, Rockland, Putnam, Nassau and Suffolk Counties in New York and Greenwich and Byram in Connecticut), Poughkeepsie, Albany-Glens Falls, Syracuse-Utica, Buffalo and Binghamton-Elmira. There are six LATAs served by New England Telephone: Eastern Massachusetts, Western Massachusetts, Maine, New Hampshire, Vermont and Rhode Island.

The following table sets forth for the Telephone Companies the approximate number of network access lines in service at the end of each year:

	Network Access Lines In Service (In Thousands)				
	1995	1994	1993	1992	1991
New York Telephone	10,795	10,477	10,135	9,897	9,735
New England Telephone	6,343	6,101	5,906	5,721	5,604
Total	17,138	16,578	16,041	15,618	15,339

The territories served by the Telephone Companies contain sizeable areas and many localities in which local service is provided by nonaffiliated telephone companies. Rochester, Jamestown, Middletown, Webster and Henrietta, New York are the only cities with a population of more than 25,000 within the Telephone

Companies' general operating area that are served by such nonaffiliated companies. On December 31, 1995, these nonaffiliated companies had approximately 1,412,000 network access lines in service.

The Telephone Companies have consolidated all or part of many regional service and support functions into Telesector Resources Group, Inc. ("Telesector Resources") as part of the business restructuring plan (see Business Restructuring below). Regional service functions are interstate access services, operator services, public communications, sales, market area services, corporate services, information services, labor relations, engineering/construction and business planning. Support functions are quality and process re-engineering, marketing, accounting, finance, data processing and related services, technology and planning, public relations, legal and human resources. In addition, Telesector Resources provides various procurement, procurement support and materials management services to the Telephone Companies, on a nonexclusive basis. These services include product evaluation, contracting, purchasing, materials management and disposition, warehousing, transportation, and equipment repair management. Under a reciprocal services agreement, the Telephone Companies provide certain administrative and other services for Telesector Resources.

Each of the seven RHCs formed in connection with the AT&T divestiture owns an equal interest in Bell Communications Research, Inc. ("Bellcore"), which is held by Telesector Resources. Bellcore furnishes to the LECs, including the Telephone Companies, and certain of their subsidiaries, technical and support services (that include research and development) relating to exchange telecommunications and exchange access services that can be provided more efficiently on a centralized basis. Bellcore serves as a central point of contact for coordinating the efforts of NYNEX and the other RHCs in meeting the national security and emergency preparedness requirements of the federal government. In 1995, it was announced that the seven RHCs, including NYNEX, have decided to pursue the disposition of Bellcore. A final decision regarding the disposition of their interests and the structure of such a transaction will be subject to obtaining satisfactory financial and other terms and necessary approvals.

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NYNEX's other wireless communications ventures include the following: a venture between NYNEX, Bell Atlantic, AirTouch Communications Inc. and US WEST Inc. which will provide national wireless personal communications services; an investment in P.T. Excelcomindo Pratama, a newly formed Indonesian corporation which holds a license to operate a nationwide cellular business in Indonesia; and an investment in STET Hellas, a Greek cellular company which offers cellular services.

The venture between NYNEX, Bell Atlantic, AirTouch Communications Inc. and US WEST Inc. is comprised of two partnerships, one of which, PCS Primeco, participated in the FCC auction of personal communications services ("PCS") licenses and bid a total of approximately $1.1 billion for licenses in eleven cities, of which NYNEX's portion was approximately $277 million. The bid was paid upon grant of the licenses and final review of bidder qualifications by the FCC in June 1995. In 1996, the venture plans to continue to build markets and build out the network for prospective offering of services to customers.

Directory Publishing

NYNEX Information Resources Company ("Information Resources") produces, publishes and distributes alphabetical (White Pages) and classified (Yellow Pages) directories for the Telephone Companies pursuant to agreements that provide for the payment of fees to the Telephone Companies in exchange for the right to publish such directories. Information Resources, through subsidiaries and in partnership with other entities, publishes other domestic and international telephone directories (including Poland and the Czech Republic), provides on-line electronic directories in the United States and France and provides CD-ROM directories.

Video Entertainment and Information Services

NYNEX Entertainment & Information Services Company ("NEIS") licenses, acquires, and packages entertainment, information and other services for distribution over wireless and wireline networks in the NYNEX region. In addition, NEIS provides coordination, support and oversight to NYNEX's video and information services interests around the globe. NYNEX plans to introduce a branded, price-competitive package of video and information services.

NEIS was instrumental in the formation of Tele-TV, NYNEX's national programming and technology partnership with Bell Atlantic and Pacific Telesis Group formed to develop programming and other products and services for transmission over wireline and wireless networks, and NYNEX's investment with Bell Atlantic in CAI Wireless, Inc., which controls spectrum for the transmission of wireless video in key markets across the nation.

Other Operations

NYNEX Asset Management Company, a registered investment advisor, provides investment management services to NYNEX's pension and other trust funds.

NYNEX Credit Company is primarily engaged in the business of financing transportation, industrial, and commercial equipment and facilities to a broad range of companies through leasing transactions unrelated to NYNEX's other businesses.

NYNEX Capital Funding Company provides a source of funding to NYNEX and its subsidiaries, other than the Telephone Companies, through its ability to issue debt securities in the United States, Europe and other international markets.

NYNEX Trade Finance Company evaluates and obtains non-recourse and trade-related financing for NYNEX projects, evaluates and manages foreign currency risk and arranges the repatriation of profits from foreign operations, principally in developing and third-world economies.

Business Restructuring

In 1993, NYNEX recorded $2.1 billion in pretax charges ($1.4 billion after-tax) for business restructuring. These charges resulted from a comprehensive analysis of operations and work processes, resulting in a strategy to redesign them to improve efficiency and customer service, to adjust quickly to accelerating change, to implement work force reductions, and to produce savings necessary for NYNEX to operate in an increasingly competitive environment.

During 1994, NYNEX announced retirement incentives to provide a voluntary means of implementing substantially all of the planned work force reductions of 16,800 employees. The retirement incentives were to be offered at different times through 1996 according to local force requirements and were expected to generate an estimated additional $2.0 billion in pretax charges ($1.3 billion after-tax) over that period of time as employees elected to leave the business through retirement incentives rather than through the severance provisions of the 1993 force reduction plan. Much of the cost of the incentives will be funded by NYNEX's pension plans. In 1995 and 1994, NYNEX recorded $514.1 million ($326.8 million after-tax) and $693.5 million ($452.8 million after-tax), respectively, of incremental charges for the cost of pension enhancements and associated postretirement medical costs for approximately 4,700 and 7,200 employees, respectively, who left NYNEX under the retirement incentives.

During 1995, it became evident that the number of management employees leaving under the retirement incentives would exceed the original estimate due to additional management staff reduction efforts. It was also determined that, due to volume of business growth, the expected reduction in the number of nonmanagement employees would be less and would not be fully realized until 1998.

At the present time, NYNEX expects the total number of employees who will elect to take the pension enhancements to be in the range of 17,000 to 18,000, consisting of approximately 7,000 management and 10,000 to 11,000 nonmanagement employees depending on work volumes, needs of the business, and timing of the incentive offers.

NYNEX continues to monitor the estimated additional charges to be recorded and, at December 31, 1995, still anticipates the additional charges to be in the range of $2.0 billion ($1.3 billion after-tax), despite the increase in the expected number of employees who will elect to take the incentive. This estimate is based on favorable actuarial experience for actual postretirement medical costs, and favorable demographics of employees actually accepting the offer, which have resulted in per capita charges being somewhat lower than expected.

Extraordinary Item

The discontinued application of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("Statement No. 71"), required NYNEX, for financial accounting purposes, to adjust the carrying amount of telephone plant and equipment and to eliminate non-plant regulatory assets and liabilities from the balance sheet. This change resulted in an after-tax charge of $2.9 billion, consisting of $2.2 billion to adjust telephone plant and equipment and $0.7 billion to write off non-plant regulatory assets and liabilities. NYNEX now utilizes shorter asset lives for certain categories of telephone plant and equipment than those previously approved by regulators. The elimination of the amortization of net regulatory assets and the effects of certain changes in accounting policies are not expected to have a significant impact on financial results in future periods.

Capital Expenditures

NYNEX meets the expanding needs for telecommunications services by making capital expenditures to upgrade and extend the existing telecommunications network, including new construction, optical fiber and modernization. Capital expenditures also include the construction of mobile cell sites within the Northeast and cell site digital upgrades through June 30, 1995, and the building of the cable television and telecommunications network in the United Kingdom. Capital expenditures exclude the equity component of allowance for funds used during construction prior to the discontinuance of Statement No. 71, and additions under capital leases. Capital expenditures for 1991 through 1995 are set forth below:

	In Millions
1995	$3,188
1994	$3,012
1993	$2,717
1992	$2,450
1991	$2,499

NYNEX's capital expenditures in 1996 are currently expected to be at a level comparable to 1995 expenditures. Most of such expenditures will be for the Telephone Companies, Telesector Resources and CableComms.

State Regulatory

Maine

In May 1995, the Maine Public Utilities Commission ("MPUC") adopted a five-year price cap plan for New England Telephone, with the provision for a five-year extension after review by the MPUC. Overall average prices and specific rate elements for most services are limited by a price cap formula of inflation minus a productivity factor plus or minus certain exogenous cost changes. There is no restriction on New England Telephone's earnings.

New England Telephone is to make its first annual price cap filing on December 1, 1996. The MPUC also established a service quality index with penalties in the form of customer rebates to apply if service quality categories are missed. Penalties are subject to annual limits of $1 million per category and $10 million overall.

In a related earnings investigation, the MPUC ordered a one-time customer credit of $2.8 million and ordered that New England Telephone's revenues be reduced by $14.4 million annually. Pursuant to that order, in January 1996, the MPUC approved, with certain modifications, New England Telephone's proposal to use up to $4 million of the reduction to provide new services to Maine libraries and schools.

The May 1995 Orders of the MPUC were appealed to the Maine Supreme Judicial Court. The appellants contended that the MPUC should have ordered greater rate reductions by New England Telephone and challenged the MPUC's authority to apply $4 million to the provision of services to libraries and schools. A decision was issued by the Court on March 15, 1996, rejecting the appeal and affirming the MPUC's Orders.

Massachusetts

In May 1995, the Massachusetts Department of Public Utilities ("MDPU") approved a price regulation plan to govern New England Telephone's Massachusetts intrastate operations through August 2001, with no restriction on earnings. Certain residence exchange rates are capped. Pricing rules limit New England Telephone's ability to increase prices for most services, including a ceiling on the weighted average price of all tariffed services based on a formula of inflation minus a productivity factor plus or minus certain exogenous changes. The MPDU also established a quality of service index and tied service quality to the level of the productivity factor. New England Telephone's inability to meet the performance levels in any given month would result in an increase in the productivity offset by one-twelfth of one percent for purposes of the annual price cap filing. New England Telephone's initial price cap filing became effective in September 1995. Rate changes in the filing, which result in an annual reduction of approximately $32.8 million, relate to switched access services, residence optional calling plans, business local usage, and conduit attachment fees. An additional reduction of $5.3 million, associated with a monthly increase of $2.50 in the LifeLine Service credit, took effect in June 1995, as directed by the MDPU's Order.

The MDPU's Order has been appealed to the Supreme Judicial Court of Massachusetts by AT&T Communications of New England, MCI Telecommunications Corporation ("MCI") and New England Cable Television Association, and New England Telephone has intervened in each of the proceedings. In July 1995, hearings commenced in the MDPU's investigation concerning intraLATA and local exchange competition in Massachusetts. The MDPU has indicated that among the matters it intends to address are collocation, interconnection of networks, intraLATA toll presubscription, telephone number assignment and portability and universal service funding. Decisions in this proceeding could have a negative effect on New England Telephone's revenues.

New York

Incentive Plan

In August 1995, the New York State Public Service Commission ("NYSPSC") approved with modifications a Plan that changes the manner in which New York Telephone will be regulated by the NYSPSC over the next five to seven years. The Plan is a performance-based plan that replaces rate of return regulation with a form of price regulation and incentives to improve service and does not restrict New York Telephone's earnings. Prices are capped at current rates for "basic" services such as residence and business exchange access, residence and business local calling and LifeLine service, and price reduction commitments are established for a number of services, including toll and intraLATA carrier access services. Certain prices may be adjusted annually based on an inflation index and costs associated with NYSPSC mandates and other defined "exogenous" events. Depending on whether the Plan remains in effect for five or seven years, New York Telephone's prices will have been decreased by an amount that, based on current volumes of business, would produce an aggregate revenue reduction over the term of the plan of $1.1 billion at the end of five years, or $1.9 billion at the end of seven years.

The Plan also establishes service quality targets with stringent rebate provisions if New York Telephone is unable to meet some or all of the targets, and sets an accelerated schedule for the provision of intraLATA presubscription ("ILP"). New York Telephone's compliance tariffs under the Plan became effective on a temporary basis as of September 1, 1995, and will remain temporary pending the NYSPSC Staff's review and investigation.

In December 1995, the NYSPSC rejected various petitions that had been filed for reconsideration of the order approving the Plan and indicated that it had approved a Staff plan for monitoring New York Telephone's compliance. In December 1995, MCI commenced a proceeding in the New York Supreme Court seeking to overturn the NYSPSC's orders with respect to the Plan. MCI asserts as unlawful, among other things, the lack of an earnings cap in the Plan and the establishment of the $153 million set-aside and the provision for its subsequent release to New York Telephone. Both the NYSPSC and New York Telephone were named as parties. New York Telephone filed its answer to MCI's petition in February 1996.

Competition II Proceeding

In September 1995, the NYSPSC issued an order resolving certain issues in its proceeding on local exchange competition in New York State. New York Telephone must provide White Pages directory listings at no charge to customers of competitive local exchange carriers ("CLECs"), but may negotiate fees with CLECs for delivery of the directories to their customers. The NYSPSC also established a reciprocal compensation scheme for the payment of access rates when New York Telephone and CLECs terminate traffic on each other's networks. In general, the NYSPSC's plan permits "full-service, facilities-based" local exchange carriers to pay a lower rate than other carriers will be required to pay. The NYSPSC also determined that New York Telephone must, upon request, provide services to interconnect CLECs that are collocated in New York Telephone's central offices. Finally, the NYSPSC directed CLECs to provide ILP.

In December 1995, MCI commenced a proceeding in the New York Supreme Court challenging the NYSPSC's reciprocal compensation scheme for interconnection between carriers. New York Telephone intervened in the proceeding and filed an answer to MCI's petition in January 1996.

In December 1995, the NYSPSC issued orders resolving various procedural and operational issues related to ILP. The NYSPSC approved New York Telephone's proposal to implement ILP for analog central offices as those switches are replaced by digital equipment. By the end of February 1996, New York Telephone had implemented ILP in all of its digital switching systems.

Other

Effective January 1991, the NYSPSC authorized a $250 million increase in New York Telephone's rates, of which $47.5 million annually remains subject to refund pending resolution of certain issues relating to transactions in the years 1984 through 1990 between New York Telephone and other NYNEX affiliates. In September 1995, the NYSPSC's independent consultant concluded its final report detailing findings and recommendations, and an NYSPSC administrative law judge issued a procedural ruling for future hearings and the filing of evidence. In January 1996, New York Telephone filed notice with the NYSPSC of its intention to open settlement discussions in this case and requested an extension of the date for the filing of testimony.

Pursuant to a 1993 NYSPSC order, New York Telephone may retain a portion of 1993 earnings above an 11.7% return on equity, depending on its attainment of specified service quality criteria, with earnings above 12.7% return on equity to be held for the ratepayers' benefit. New York Telephone has submitted a report to the NYSPSC showing 1993 earnings below 11.7%.

In November 1995, the NYSPSC directed New York Telephone to file tariffs to remove restrictions on the resale of residential services, effective February 1996, or to show cause why such restrictions should not be removed. In January 1996, following New York Telephone's show-cause response requesting more time for implementation, the NYSPSC issued an order requiring implementation, with respect to both residential and business services, in October 1996.

New Hampshire

In June 1995, the New Hampshire Public Utilities Commission approved New England Telephone's proposed toll rate reduction targeted at small and medium volume usage customers, effective July 1995. The annual revenue effect of the toll rate reduction is estimated to be approximately $6.8 million.

Rhode Island

In January 1996, New England Telephone and the Rhode Island Division of Public Utilities and Carriers filed with the Rhode Island Public Utilities Commission ("RIPUC") a proposed five-year price regulation plan to succeed the price regulation trial that expired in December 1995. The proposed plan provides for no restrictions on New England Telephone's earnings. Pricing rules would limit New England Telephone's ability to increase prices for most services based on a formula of inflation minus a productivity offset, plus or minus exogenous changes. In addition, a quality of service index is tied to the formula as an additional, one-time offse . New England Telephone's inability to meet the performance levels in any given month would result in an increase in the offset by one-twenty fourth of one percent for purposes of the next annual price cap filing. The proposed plan will be reviewed by the RIPUC in hearings to be scheduled, with a decision expected in the second quarter of 1996.

As part of the proposed plan, New England Telephone has agreed to introduce a new Statewide Calling Plan option for residence customers which would: allow unlimited toll calling within the state for a flat price of $25 per month, reduce local usage prices by $1 million; and continue the Internet trial for schools and libraries begun under the previous price regulation trial, with additional funding. The annual revenue effect of these three efforts is estimated to be a reduction of approximately $4 million.

In June 1995, the RIPUC issued an initial order in the competition proceeding, expressing an overall policy favoring local competition, asserting jurisdiction over potential local competitors and requiring seamless interconnection of networks. In December 1995, the RIPUC issued a revised schedule for testimony, discovery, and hearings in the next phase of the proceeding, with a final order proposed to be issued by July 1996. Among the issues being addressed in this proceeding are interconnection of networks, unbundling, telephone number portability, intraLATA toll presubscription, and universal service funding.

Vermont

In September 1995, New England Telephone filed a rate case seeking an annual increase in rates of $12.2 million. In February 1996, the Vermont Public Service Board ("VPSB") approved a stipulation filed by New England Telephone and the Vermont Department of Public Service, which will result in an annual increase in rates of $7.5 million, effective March 1996. As a result of the VPSB's approval of the stipulation, New England Telephone intends to withdraw its appeal of the VPSB's orders in the price regulation and earnings dockets.

In December 1995, a proposed decision was issued by the hearing officer in Phase I of the VPSB's proceeding on competition, which would direct New England Telephone to unbundle certain elements of its network, allow further unbundling upon a showing by the requesting party that unbundling is technically feasible and that demand exists, and set pricing rules for wholesale and retail services and interconnection. The VPSB is expected to rule on the proposed decision by April 1996. Phase II of the proceeding will address specific pricing and technical questions with respect to local service and intraLATA toll competition, including ILP and interconnection. A decision in Phase II is expected in late 1996.

Federal Regulatory

Price Cap Plan

The Telephone Companies are subject to incentive regulation in the form of price caps. Price cap limits are subject to adjustment each year to reflect inflation, a productivity factor and certain other cost changes. Revised tariffs under the price cap rules reduced interstate access rates by approximately $90 million in the 1993-1994 tariff period and $9.4 million in the 1994-1995 tariff period. In August 1995, the Telephone Companies implemented the annual update to the price cap rates, which will result in a net reduction in interstate access rates of approximately $75.0 million by June 1996. The annual update included tariff revisions to recover approximately $21 million of exogenous costs resulting from the implementation of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Collection of these revenues is subject to possible refund pending resolution of the FCC's Common Carrier Bureau investigation.

In 1995, the FCC announced interim changes in the price cap rules, under which each LEC will choose one of three productivity factor offsets to be used in setting its price cap index. LECs adopting the highest productivity factor will retain all interstate earnings. The two other options entail sharing of earnings and will allow a maximum interstate return on investment of either 14.25% or 12.75%.

The FCC also determined that the 3.3% productivity factor adopted in 1991 and used since then by most LECs, including the Telephone Companies, was understated. Accordingly, the FCC required each such LEC to make up front reductions to "reinitialize" its price cap index. The FCC also revised the criteria for including exogenous cost changes and, as a result, each LEC will be required to recalculate its price cap index on a prospective basis to exclude cost increases due to changes in the accounting treatment of other postemployment benefit expenses. Finally, the FCC gave the LECs additional pricing flexibility in certain service categories.

In 1995, the FCC issued a Notice of Proposed Rulemaking regarding the productivity factor used by LECs in the FCC price cap formula. The Proposed Rulemaking will consider changes in the determination of the productivity factor, the recognition of exogenous costs, the extent of carrier sharing, and the formula for calculating the price cap index for certain services. The FCC expects to issue an order in time for the final changes to be reflected in LECs' rates as of July 1996. The FCC has also issued a Notice of Proposed Rulemaking to determine how the price cap rules should be modified to accommodate increasing levels of competition. The FCC asked for comments on a proposal by the Telephone Companies that earnings sharing be reduced or eliminated as an LEC implements measures to promote competition for local exchange services. The FCC has indicated that it intends to establish a rulemaking proceeding in 1996 to consider reform of the rules concerning the structure of access charges. This rulemaking proceeding would consider changes that might be necessary as competition increases in the local telephone market.

Other Federal Regulatory

In January 1996, the FCC issued a Notice of Proposed Rulemaking addressing the charges made for interconnection between LECs and wireless carriers. Currently, such charges are established by contracts under the jurisdiction of the state regulatory commissions. The FCC requested comment on its tentative conclusion to require, pending the conclusion of its Proposed Rulemaking, reciprocal "bill-and-keep" compensation arrangements under which the originating carrier would no longer pay the terminating carrier for access. Adoption of the proposed procedure would have a negative effect on the revenues of the LECs, including the Telephone Companies. The Telephone Companies plan to participate actively in the proceeding.

During 1996, the FCC will conduct a number of rulemaking proceedings in order to implement the Telecommunications Legislation enacted in February 1996

In February 1996, New England Telephone advised the FCC that it relinquished authorization to construct advanced video dialtone network facilities in portions of Massachusetts and Rhode Island.

In December 1995, MFS Communications ("MFS") filed a petition with the FCC for a declaratory ruling that LECs must provide central office collocation with respect to all interstate access services, upon bona fide request. In its petition, MFS cites the Telephone Companies for refusal to provide interconnection to certain services in central offices where MFS is collocated. The Telephone Companies filed comments in which they argued that the FCC's current rules do not require expanded interconnection to the services described in MFS' petition and that the relief sought by MFS would require the FCC to issue a new rule.

In October 1995, the U.S. Court of Appeals for the District of Columbia Circuit denied the Telephone Companies' petition for rehearing on its decision that the FCC had understated the amount of damages to be paid in connection with overearnings complaints for the periods 1987-1988 and 1989-1990. In February 1996, the Telephone Companies joined other parties in petitioning the U.S. Supreme Court for review of the Court of Appeals decision. It is probable that the Telephone Companies will be required to pay damages plus interest, which were accrued in 1995. For the period 1987-1988 the amounts for New England Telephone and New York Telephone are approximately $7.4 million and $5.4 million, respectively. For the period 1989-1990, New York Telephone will be required to pay approximately $9.7 million.

In March 1995, the FCC released Orders to Show Cause to each of the LECs, including the Telephone Companies, resulting from an audit of the costs that the LECs reported to the National Exchange Carrier Association ("NECA") for Common Line Pooling purposes for 1988 and the first quarter of 1989. The audit report cites each of the LECs for alleged violations of the FCC's accounting rules and reporting errors which, as to the Telephone Companies, were calculated to total $37.8 million in respect of all interstate costs for the period. Some of the alleged errors would have had the effect of understating the Telephone Companies' revenue requirement; the net effect was an alleged revenue requirement overstatement of $19.8 million. That estimate is considered preliminary, however, because the auditors did not have sufficient information for several items to reach final conclusions. The Order required the Telephone Companies to show cause why the FCC should not: (1) issue a Notice of Apparent Liability for Forfeiture for violations of the FCC's accounting rules; (2) require the Telephone Companies to adjust their price cap index; and (3) require the Telephone Companies to improve their internal processes to bring them into compliance. The Telephone Companies filed responses in May and September 1995, demonstrating that forfeitures should not be imposed, that ratepayers were not harmed by the alleged violations, and that internal processes have already been improved.

Competition

NYNEX believes that, while it will face significantly increased risks in its traditional markets, there will be significant opportunities in its many new markets.

Federal and state regulators continue to adopt policies favoring competition and have initiated various proceedings to further those policies. Those policies will be advanced by the enactment of the Telecommunications Act of 1996, which immediately opens NYNEX's local telecommunications markets to full competition. An increasing number of national and global companies with substantial capital and marketing resources are expected to enter many of NYNEX's local markets. At the same time, the Act frees NYNEX to enter the long distance, video entertainment and information markets. NYNEX is granted immediate relief for long distance calling (both U.S. and international) originating outside of the NYNEX region, as well as for long distance services incidental to wireless, video and information services, and for video programming. In order to provide interLATA long distance service for calls originating within its region, NYNEX must: (a) satisfy a "checklist" of technical and regulatory requirements with respect to interconnection and unbundling of services; (b) provide interconnection to a facilities-based competitor for business and residential service, unless no such request is made; and (c) obtain an FCC public interest determination.

Most of the services that NYNEX provides in its local telecommunications markets have been facing increasing competition for the past several years. NYNEX has responded by obtaining increased pricing flexibility under incentive regulation, introducing new services, and improving service quality. Increases in 1995 Private Line/Special Access revenues, and the number of Centrex "win-backs" from PBX vendors indicate NYNEX's ability to respond effectively in its most competitive markets.

Competition for intraLATA toll revenues has intensified, beginning in 1994 with the increased marketing of "dial-around" programs by interexchange carriers. However, to date, the "retail" toll revenues NYNEX has lost to such programs are being offset in part by increased revenues from wholesale access charges. ILP began in New York in late 1995 and was completed in February 1996. Future wholesale pricing is the subject of pending regulatory proceedings.

In the highly competitive interstate access market, NYNEX received a waiver from the FCC in 1995, to de-average switched access rates in the metropolitan New York LATA and introduce a new fixed monthly charge paid directly by interexchange carriers. This has enabled NYNEX to charge prices that more accurately reflect the market conditions in its most competitive area.

NYNEX considers itself well positioned to enter the in-region long distance business quickly, as in New York and Massachusetts it already meets many of the requirements of this competitive "checklist". NYNEX provides for physical collocation of competitors' facilities and has signed interconnection agreements which include number portability and reciprocal compensation for terminating traffic with local exchange competitors. NYNEX has also unbundled many components of its network and offers them on a wholesale basis, and completed ILP in New York in February 1996.

Research and Development

Research and development is primarily conducted at NYNEX Science & Technology, Inc. ("Science & Technology"), which was formed in June 1991 to continue the activities previously performed within a department of NYNEX. Science &

Technology provides NYNEX with technical direction and support that is essential in developing new services, improving current services and increasing operational efficiencies. It focuses on the development of advanced communications, information and network products and services using leading edge technology. Another NYNEX business unit, Telesector Resources, performs market research, product development and field trials associated with new services NYNEX plans to introduce. Bellcore conducts research and development in areas relating primarily to exchange telecommunications and exchange access services. Research and development costs charged to expense were approximately $279.1, $159.7, and $162.8 million in 1995, 1994 and 1993, respectively.

Employee Relations

NYNEX and its subsidiaries had approximately 65,800 employees at December 31, 1995. Approximately 47,600 employees are represented by unions, of which approximately 70% are represented by the Communications Workers of America ("CWA") and approximately 30% by the International Brotherhood of Electrical Workers ("IBEW"), both of which are affiliated with the AFL-CIO.

In 1994, agreements were ratified with the CWA and the IBEW to extend the collective bargaining agreements through August 8, 1998. The wage rates increased 4.0% in August 1994 and 1995 and will increase 3.5% and 3.0% in August 1996 and 1997, respectively. In 1997, there may also be a cost-of-living adjustment. The agreements also provide for retirement incentives, a commitment to no layoffs or loss of wages as a result of company-initiated "process change", an enhanced educational program, stock grants and other incentives to improve service quality.

Item 2. PROPERTIES.

The properties of NYNEX and its subsidiaries do not lend themselves to simple description by character and location of principal units.

At December 31, 1995, the gross book value of property, plant and equipment was $35.7 billion, consisting principally of telephone plant and equipment (84%). Other classifications include: land, land improvements and buildings (9%); furniture and other equipment (4%); and plant under construction and other (3%).

Substantially all of the Telephone Companies' central office equipment is located in buildings owned by the Telephone Companies and is situated on land that they own. Many administrative offices of NYNEX and the Telephone Companies, as well as many garages and business offices of the Telephone Companies, are in rented quarters.

Substantially all of New York Telephone's assets are subject to lien under New York Telephone's Refunding Mortgage Bond indenture. At December 31, 1995, the principal amount of Refunding Mortgage Bonds outstanding was $1.10 billion.

As part of NYNEX's 1993 restructuring associated with re-engineering the way service is delivered to customers (see Business Restructuring above), NYNEX intends to consolidate work centers by the end of 1996 to build larger work teams in fewer locations. At December 31, 1995, the majority of the planned work centers were completed.

Item 3. LEGAL PROCEEDINGS.

There were no proceedings reportable under Item 3.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matter was submitted to a vote of security holders in the fourth quarter of the fiscal year covered by this Annual Report on Form 10-K.

Executive Officers of the Registrant (as of March 1, 1996)

For each of the executive officers of NYNEX, set forth below is the name, age, position and date each person initially became an executive officer:

Name	Age	Position	Date
Ivan G. Seidenberg	49	Chairman of the Board and Chief Executive Officer	March 1986
Frederic V. Salerno	52	Vice Chairman-Finance and Business Development	March 1991
Alan Z. Senter	54	Executive Vice President and Chief Financial Officer	September 1994
Morrison DeS. Webb	48	Executive Vice President, General Counsel and Secretary	May 1994
Richard A. Jalkut	51	President and Group Executive-NYNEX Telecommunications	January 1995
Richard Blackburn	53	President and Group Executive-NYNEX Worldwide Communications and Media Group	January 1995
Donald B. Reed	51	President and Group Executive-NYNEX External Affairs and Corporate Communications	January 1995
Arnold J. Eckelman	52	Executive Vice President and Group Executive-Quality Assurance and Operations Support	February 1995
Robert T. Anderson	49	Vice President-Business Development and President-NYNEX Network Services	February 1995
Jeffrey A. Bowden	49	Vice President-Strategy & Corporate Assurance	September 1994
Peter M. Ciccone	53	Vice President and Comptroller	June 1992
John M. Clarke	54	Vice President-Law	May 1994
Saul Fisher	52	Vice President-Law	March 1993
Patrick F. X. Mulhearn	44	Vice President-Public Relations	January 1994
Donald J. Sacco	54	Vice President-Human Resources	May 1990
Thomas J. Tauke	45	Vice President-Government Affairs	September 1991
Colson P. Turner	53	Vice President and Treasurer	July 1991

Prior to their election as executive officers of NYNEX, all of such officers except Mr. Senter, Mr. Bowden and Mr. Tauke had held, for at least the past five years, high level managerial positions with NYNEX or a subsidiary of NYNEX. Officers are not elected for a fixed term of office, but serve at the discretion of the Board of Directors.

Alan Z. Senter was elected Executive Vice President and Chief Financial Officer of NYNEX effective September 1, 1994. Prior to joining NYNEX, Mr. Senter was Chief Executive Officer of Senter Associates, a financial consulting services business from November 1993 to September 1994. From 1992 to 1993, Mr. Senter held the position of Executive Vice President and Chief Financial Officer and was a member of the Board of Directors. From 1990 to 1992, Mr. Senter held the position of Vice President Finance at Xerox. Mr. Senter is a member of the Board of Directors of XL Insurance Company.

Jeffrey A. Bowden was elected Vice President-Strategy & Corporate Assurance of NYNEX, effective September 1, 1994. Prior to joining NYNEX, Mr. Bowden held the position of Vice President and Director at The Boston Consulting Group from 1988 to 1994, where he founded and directed the telecommunications practice.

Thomas J. Tauke was elected Vice President-Government Affairs of NYNEX, effective September 1, 1991. Prior to joining NYNEX, he was founder and senior partner of Tauke, Walgren and Associates, a public policy consulting firm specializing in telecommunications, health, environmental and energy issues. Mr. Tauke was also president and chief executive officer of Home Technology Systems, Inc., a small business specializing in personal emergency systems. From January 1979 to January 1991, Mr. Tauke represented Iowa's Second Congressional District in the United States House of Representatives He is a member of the Board of Directors of the United States Telephone Association and Chairman of the Washington Center for Internships and Academic Seminars.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Information with respect to quarterly dividends and Common Stock prices appearing on page 50 of the Registrant's 1995 Annual Report to Stockholders; information with respect to Common Stock exchange listings appearing on the back cover of such Annual Report under the caption "Stock Exchange Listings"; and information with respect to the number of stockholders of record of Common Stock appearing on page 30 of such Annual Report are incorporated herein by reference.

During 1995, NYNEX issued approximately 7.1 million shares of Common Stock for the NYNEX Share Owner Dividend Reinvestment and Stock Purchase Plan ("DRISPP"), the NYNEX Corporation Savings Plan for Salaried Employees and the NYNEX Corporation Savings and Security Plan (Non-Salaried Employees) ("Savings Plans"), and other stock incentive programs. For the NYNEX 1992 Management Stock Option Plan and the NYNEX 1992 Non-Management Stock Option Plan, NYNEX has repurchased and placed in treasury stock approximately one million shares of Common Stock. NYNEX continues to buy stock as needed for the continuous exercise of the stock options. Upon exercise of the stock options, these repurchased shares will be released into the open market.

On March 21, 1996, the Board of Directors of NYNEX announced a quarterly cash dividend of $.59 per share of Common Stock, which was unchanged from the previous quarter. The dividend is payable on May 1, 1996, to stockholders of record at the close of business on April 10, 1996.

Item 6. SELECTED FINANCIAL DATA.

Selected financial data for the five years ended December 31, 1995, appearing on page 25 of the Registrant's 1995 Annual Report to Stockholders, is incorporated herein by reference.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Management's Discussion and Analysis of Financial Condition and Results of Operations, appearing on pages 10 through 25 of the Registrant's 1995 Annual Report to Stockholders, is incorporated herein by reference.

Item 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The consolidated financial statements of the Registrant and its wholly-owned subsidiaries, appearing on pages 28 through 50 of the Registrant's 1995 Annual Report to Stockholders, are incorporated herein by reference and are listed in Item 14 below.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

During 1995 and 1994, NYNEX did not change its auditors.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Item 11. EXECUTIVE COMPENSATION.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Information regarding Executive Officers of the Registrant required by Item 401 of Regulation S-K is included in Part I of this Annual Report on Form 10-K following Item 4.

Other information required under Items 10, 11, and 12 is included in the Registrant's Proxy Statement dated March 18, 1996, on pages 53 (commencing under the caption "Security Ownership of Certain Beneficial Holders and Management") through 57, and pages 63 (commencing under the caption "Committee on Benefits Report on Executive Compensation") through the top of page 72. Such information is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

There existed no relationship and there were no transactions reportable under Item 13.

PART IV

Item 14. EXHIBITS, CONSOLIDATED FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K.

(a) Documents filed as part of this Annual Report on Form 10-K.

(1) Consolidated Financial Statements. The following report and consolidated financial statements, included in the Registrant's 1995 Annual Report to Stockholders, are incorporated herein by reference in response to Item 8:

	Page(s) in Registrant's 1995 Annual Report to Stockholders
Report of Independent Accountants	26
Consolidated Statements of Income for each of the Three Years in the Period Ended December 31, 1995	28
Consolidated Balance Sheets as of December 31, 1995 and 1994	29
Consolidated Statements of Changes in Stockholders' Equity for each of the Three Years in the Period Ended December 31, 1995	30
Consolidated Statements of Cash Flows for each of the Three Years in the Period Ended December 31, 1995	31
Notes to Consolidated Financial Statements	32
Supplementary Information Quarterly Financial Data (Unaudited)	50

(2) Consolidated Financial Statement Schedule. The following consolidated financial statement schedule of the Registrant is included herein in response to Item 14:

	Page(s) in this Annual Report on Form 10-K
Report of Independent Accountants	29
II - Valuation and Qualifying Accounts	30

Consolidated financial statement schedules other than that listed above have been omitted because the required information is contained in the consolidated financial statements and notes thereto or because such schedules are not required or applicable.

(3) Exhibits. Exhibits on file with the Securities and Exchange Commission (the "SEC"), as identified in parentheses below, are incorporated herein by reference as exhibits hereto.

Exhibit Number	
(3)a	Restated Certificate of Incorporation of NYNEX Corporation ("NYNEX") dated May 6, 1987 (Exhibit No. (3)a to the Registrant's filing on Form SE dated March 24, 1988, File No. 1-8608).
(3)b	By-Laws of NYNEX dated October 12, 1983, as amended October 17, 1991 (Exhibit No. (3)b to the Registrant's filing on Form 10-Q dated October 31, 1991, File No. 1-8608).
(4)	No instrument which defines the rights of holders of long-term debt of NYNEX and its subsidiaries is filed herewith pursuant to Regulation S-K, Item 601(b)(4)(iii)(A). Pursuant to this regulation, NYNEX hereby agrees to furnish a copy of any such instrument to the SEC upon request.
(10)(ii)1	Preferred Stock Purchase Agreement between NYNEX and Viacom Inc., dated October 4, 1993, and amendment thereto dated November 19, 1993. (Exhibit 10(ii)(2) to the Registrant's 1993 Annual Report on Form 10-K, File No. 1-8608).
(10)(ii)2	Joint Venture Formation Agreement dated as of June 29, 1994 between NYNEX and Bell Atlantic (Exhibit 10 to the Registrant's filing on Form 10-Q dated June 30, 1994, File No. 1-8608).
(10)(ii)3	Agreement of Limited Partnership of Tomcom, L.P., dated as of October 20, 1994, by and between WMC Partners, L.P. (a Delaware limited partnership wholly owned by AirTouch Communications and U S WEST, Inc.) and Cellco Partnership (a Delaware general partnership wholly owned by affiliates of NYNEX and Bell Atlantic Corporation).
(10)(ii)4	Agreement of Limited Partnership of PCS Primeco, L.P., dated as of October 20, 1994, by and between PCS Nucleus, L.P. (a Delaware limited partnership wholly owned by AirTouch Communications and U S WEST, Inc.) and PCSCO Partnership (a Delaware general partnership wholly owned by affiliates of NYNEX and Bell Atlantic Corporation).
(10)(iii)1	NYNEX Senior Management Short Term Incentive Plan (Exhibit No. 10-aa to Registration Statement No. 2-87850).
(10)(iii)2	NYNEX Senior Management Long Term Disability and Survivor Protection Plan (Exhibit No. 10-dd to Registration Statement No. 2-87850).

Exhibit Number	
(10)(iii)3	NYNEX Senior Management Transfer Program (Exhibit No. 10-ee to Registration Statement No. 2-87850).
(10)(iii)4	Description of NYNEX Financial Counseling Service for Senior Managers (Exhibit No. 10-ff to Registration Statement No. 2-87850).
(10)(iii)5	NYNEX Deferred Compensation Plan for Non-Employee Directors (Exhibit No. 10-gg to Registration Statement No. 2-87850).
(10)(iii)6	Description of NYNEX Insurance Plan for Directors (Exhibit No. 10-hh to Registration Statement No. 2-87850).
(10)(iii)7	Description of NYNEX Plan for Non-Employee Directors' Travel Accident Insurance (Exhibit No. 10-ii to Registration Statement No. 2-87850).
(10)(iii)8	NYNEX Senior Management Incentive Award Deferral Plan (Exhibit No. 10-kk to Registration Statement No. 2-87850).
	(a) Description of certain amendments to the NYNEX Senior Management Incentive Award Deferral Plan.
(10)(iii)9	Description of NYNEX Mid-Career Hire Program (Exhibit No. 10-ll to Registration Statement No. 2-87850).
(10)(iii)10	NYNEX Mid-Career Pension Program (Exhibit No. 10-mm to Registration Statement No. 2-87850).
(10)(iii)11	NYNEX Estate Planning Legal Services Program (Exhibit No. 10-nn to Registration Statement No. 2-87850).
(10)(iii)12	NYNEX 1984 Stock Option Plan, as amended and restated (Post-Effective Amendment No. 1 to Registration No. 2-97813, dated September 21, 1987).
(10)(iii)13	NYNEX Senior Management Long Term Incentive Plan (Exhibit No. (19)(ii)1 to the Registrant's 1984 Annual Report on Form 10-K, File No. 1-8608).
	(a) Description of certain amendments to the NYNEX Senior Management Long Term Incentive Plan (Exhibit No. (19)(ii)4 to the Registrant's Filing on Form SE dated March 27, 1987, File No. 1-8608).
	(b) Description of certain amendme ts to the NYNEX Senior Management Long Term Incentive Plan (Exhibit No. (19)(ii)1 to the Registrant's Filing on Form SE dated March 23, 1993, File No. 1-8608).

Exhibit Number	
(10)(iii)14	NYNEX Senior Management Non-Qualified Pension Plan (Exhibit No. (19)(ii)2 to the Registrant's 1984 Annual Report on Form 10-K, File No. 1-8608).
	(a) Description of certain amendments to the NYNEX Senior Management Non-Qualified Pension Plan (Exhibit No. (19)(ii)6 to the Registrant's Filing on Form SE dated March 27, 1987, File No. 1-8608).
	(b) Description of certain amendments to the NYNEX Non-Qualified Pension Plan (Exhibit No. (19)(ii)7 to the Registrant's Filing on Form SE dated March 27, 1987, File No. 1-8608).
	(c) Description of certain amendments to the NYNEX Senior Management Non-Qualified Pension Plan (Exhibit No. (19)(ii)1 to the Registrant's 1987 Annual Report on Form 10-K, File No. 1-8608).
	(d) Description of certain amendments to the NYNEX Senior Management Non-Qualified Pension Plan (Exhibit No. (19)(ii)1 to the Registrant's 1991 Annual Report on Form 10-K, File No. 1-8608).
	(e) Description of certain amendments to the NYNEX Senior Management Non-Qualified Pension Plan (Exhibit No. (19)(ii)2 to the Registrant's filing on Form SE, dated March 23, 1993, File No. 1-8608).
	(f) Description of certain amendments to the NYNEX Senior Management Non-Qualified Pension Plan.
(10)(iii)15	Description of NYNEX Non-Employee Director Pension Plan (Exhibit No. (28)(i)1 to Amendment No. 1 to the Registrant's 1987 Annual Report on Form 10-K, File No. 1-8608).
(10)(iii)16	NYNEX Senior Management Non-Qualified Supplemental Savings Plan (Exhibit No. (10)(iii)(A)(18) to the Registrant's 1988 Annual Report on Form 10-K, File No. 1-8608).
	(a) Description of certain amendments to the NYNEX Senior Management Non-Qualified Supplemental Savings Plan
(10)(iii)17	NYNEX 1987 Restricted Stock Award Plan (Exhibit No. (28)(i)1 to the Registrant's Filing on Form SE dated March 23, 1988, File No. 1-8608).
(10)(iii)18	NYNEX 1990 Long Term Incentive Program (Exhibit No. 1 to the Registrant's Proxy Statement dated March 26, 1990, File No. 1-8608).

Exhibit Number	
(10)(iii)19	NYNEX 1990 Stock Option Plan (Exhibit No. 2 to the Registrant's Proxy Statement dated March 26, 1990, File No. 1-8608).
(10)(iii)20	NYNEX Stock Plan for Non-Employee Directors (Exhibit No. (10)(iii)(A)22 to the Registrant's 1990 Annual Report on Form 10-K, File No. 1-8608).
(10)(iii)21	Description of the NYNEX Supplemental Life Insurance Plan (Exhibit No. (19)(i)2 to the Registrant's filing on Form SE, dated March 23, 1993, File No. 1-8608).
(10)(iii)22	NYNEX Executive Retention Agreement (Exhibit No. (10)(ii)(A)24 to the Registrant's 1993 Annual Report on Form 10-K, File No. 1-8608).
(10)(iii)23	NYNEX Executive Severance Pay Plan (Exhibit No. (10)(ii)(A)25 to the Registrant's 1993 Annual Report on Form 10-K, File No. 1-8608).
(10)(iii)24	NYNEX 1995 Long Term Incentive Program (Exhibit No. 1 to the Registrant's Proxy Statement dated March 21, 1994, File No. 1-8608).
(10)(iii)25	NYNEX 1995 Stock Option Plan (Exhibit No. 2 to the Registrant's Proxy Statement dated March 21, 1994, File No. 1-8608).
(10)(iii)26	NYNEX Executive Retention and Employment Agreement (Exhibit No. (10)(iii)28 to the Registrant's 1994 Annual Report on Form 10-K, File No. 1-8608).
(10)(iii)27	NYNEX 1990 Stock Option Plan as amended (Exhibit No. 2 to the Registrant's Proxy Statement dated March 20, 1995, File No. 1-8608).
(10)(iii)28	NYNEX 1995 Stock Option Plan as amended (Exhibit No. 1 to the Registrant's Proxy Statement dated March 20, 1995, File No. 1-8608).
(10)(iii)29	NYNEX 1995 Long Term Incentive Program as amended (Exhibit No. 3 to the Registrant's Proxy Statement dated March 20, 1995, File No. 1-8608).
(10)(iii)30	NYNEX Executive Officer Short Term Incentive Plan (Exhibit No. 4 to the Registrant's Proxy Statement dated March 20, 1995, File No. 1-8608).
(10)(iii)31	NYNEX Executive Employment Agreement.
(10)(iii)32	Description of NYNEX Senior Management Non-Qualified Defined Contribution Pension Plan.

Exhibit Number	
(10)(iii)33	Description of NYNEX Senior Management Account Balance Deferral Plan.
(11)	Computation of Earnings Per Share.
(12)	Computation of Ratio of Earnings to Fixed Charges.
(13)	NYNEX 1995 Annual Report to Stockholders.
(21)	Subsidiaries of NYNEX.
(23)	Consent of Independent Accountants.
(24)	Powers of attorney.
(b)	Reports on Form 8-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NYNEX CORPORATION

By P. M. Ciccone
P. M. Ciccone
Vice President and Comptroller

March 21, 1996

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Principal Executive Officer:

I. G. Seidenberg*
Chairman of the Board and
Chief Executive Officer

Principal Financial Officer:

A. Z. Senter*
Executive Vice President
and Chief Financial Officer

Principal Accounting Officer:

P. M. Ciccone
Vice President and Comptroller

A Majority of Directors:
John Brademas*
R. W. Bromery*
R. L. Carrion*
J. R. de Vink*
Stanley P. Goldstein*
Helene L. Kaplan*
Elizabeth T. Kennan*
Hugh B. Price*
Frederic V. Salerno*
Ivan G. Seidenberg*
Walter V. Shipley*
John R. Stafford*

*By P. M. Ciccone
(P. M. Ciccone, as attorney-in-fact
and on his own behalf as
Principal Accounting Officer)
March 21, 1996

REPORT OF INDEPENDENT ACCOUNTANTS

Our report on the consolidated financial statements of NYNEX Corporation and its subsidiaries has been incorporated by reference in this Annual Report on Form 10-K from page 26 of the 1995 Annual Report of NYNEX Corporation. In connection with our audits of such consolidated financial statements, we have also audited the related consolidated financial statement schedule listed in the index on page 22 of this Form 10-K.

In our opinion, the consolidated financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

Coopers & Lybrand L.L.P.

New York, New York
February 5, 1996

NYNEX CORPORATION
CONSOLIDATED FINANCIAL STATEMENT SCHEDULE
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(In millions)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E
		Additions			
		(1)	(2)		
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
Allowance for Uncollectibles					
Year 1995	$ 226.7	$ 175.8	$238.4 (a)	$419.3 (b)	$ 221.6
Year 1994	$ 204.7	$ 178.9	$200.0 (a)	$356.9 (b)	$ 226.7
Year 1993	$ 190.3	$ 144.0	$134.0 (a)	$263.6 (b)	$ 204.7
Restructuring					
Year 1995	$ 847.9	$ ---	$ ---	$411.4	$ 436.5
Year 1994	$1,522.5	$ ---	$ ---	$674.6	$ 847.9
Year 1993	$ 274.0	$1,570.1	$ 31.0 (c)	$352.6	$1,522.5
Valuation Allowance for Deferred Tax Assets					
Year 1995	$ 42.2	$ 7.3	$(2.2)	$ 17.6	$ 29.7
Year 1994	$ 113.9	$ ---	$ ---	$ 71.7	$ 42.2
Year 1993	$ ---	$113.9	$ ---	$ ---	$113.9

(a) Includes amounts to establish a reserve for purchased accounts receivables.
(b) Amounts written-off as uncollectible. Amounts previously written-off are credited directly to this account when recovered.
(c) Amounts charged to other income.

Form 10-Q

SECURITIES AND EXCHANGE COMMISSION

(Mark one)

_X_ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1996

OR

___ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______ to _______

Commission File Number 1-8608

NYNEX CORPORATION

Incorporated under the laws of the State of Delaware

I.R.S. Employer Identification Number 13-3180909

1095 Avenue of the Americas, New York, New York 10036

Telephone Number (212) 395-2121

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

At April 30, 1996, 436,779,492 common hares were outstanding.

Part I - FINANCIAL INFORMATION

NYNEX CORPORATION

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(In millions, except per share amounts) (Unaudited)

For the Three Months Ended March 31,	1996	1995
OPERATING REVENUES		
Local services	$1,669.0	$1,661.2
Long distance	274.5	257.6
Network access	863.7	883.0
Other	446.8	552.4
Total operating revenues	**3,254.0**	**3,354.2**
OPERATING EXPENSES		
Maintenance and support	807.9	746.9
Depreciation and amortization	640.3	662.4
Marketing and customer services	343.4	328.0
Taxes other than income	214.1	259.5
Selling, general and administrative	649.8	571.9
Other	161.0	212.5
Total operating expenses	**2,816.5**	**2,781.2**
Operating income	437.5	573.0
Other income (expense) - net	21.5	(25.4)
Interest expense	165.1	191.6
Income (loss) from long-term investments	36.4	8.4
Earnings before income taxes and cumulative effect of change in accounting principle	**330.3**	**364.4**
Income taxes		
Federal	94.7	91.6
State, local and other	21.8	22.6
Total income taxes	116.5	114.2
Earnings before cumulative effect of change in accounting principle	**213.8**	**250.2**
Cumulative effect of change in accounting for directory publishing income, net of taxes (Note (b))	131.0	-
NET INCOME	**$ 344.8**	**$ 250.2**
Earnings per share before cumulative effect of change in accounting principle	$ .49	$ .59
Cumulative effect, per share, of change in accounting principle	$ .30	$ -
Earnings per share	**$ .79**	**$ .59**
Weighted average number of shares outstanding	434.5	424.7
Dividends declared per share	$ .59	$ .59
Retained earnings		
Beginning of period	$ -	$2,208.2
Net income	344.8	250.2
Dividends declared	(255.7)	(251.0)
Other	(17.3)	24.2
End of period	$ 71.8	$2,231.6

See accompanying notes to consolidated financial statements.

NYNEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(In millions) (Unaudited)

	March 31, 1996	December 31, 1995
ASSETS		
Current assets:		
Cash and temporary cash investments	$ 101.4	$ 93.2
Receivables (net of allowance of $243.6 and $221.6, respectively)	2,868.5	2,636.2
Inventories	141.6	141.3
Prepaid expenses	316.7	360.2
Deferred charges and other current assets	335.3	450.2
Total current assets	3,763.5	3,681.1
Property, plant and equipment - at cost	36,161.5	35,734.6
Less: accumulated depreciation	(19,222.6)	(18,679.3)
	16,938.9	17,055.3
Long-term investments	3,353.0	3,286.2
Deferred charges and other assets	1,979.8	1,873.3
Total Assets	**$26,035.2**	**$25,895.9**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,660.7	$ 2,902.2
Short-term debt	447.2	506.6
Other current liabilities	448.3	577.4
Total current liabilities	3,556.2	3,986.2
Long-term debt	9,094.8	9,336.9
Deferred income taxes	1,349.1	1,332.4
Unamortized investment tax credits	191.1	198.8
Other long-term liabilities and deferred credits	3,960.0	3,885.0
Minority interest, including a portion subject to redemption requirements (Note (d))	1,573.2	1,077.4
Commitments and contingencies (Notes (c), (f) and (g))		
Stockholders' equity:		
Preferred stock - $1 par value shares authorized: 70,000,000 shares issued: None	-	-
Preferred stock - Series A Junior Participating $1 par value shares authorized: 5,000,000 shares issued: None	-	-
Common stock - $1 par value shares authorized: 750,000,000 shares issued: at March 31, 1996 - 450,526,815 at December 31, 1995 - 447,174,181	450.5	447.2
Additional paid-in capital *	6,717.9	6,566.9
Retained earnings	71.8	-
Treasury stock (14,760,318 and 14,756,356 shares, respectively, at cost)	(591.3)	(591.1)
Deferred compensation - LESOP Trust	(338.1)	(343.8)
Total stockholders' equity	**6,310.8**	**6,079.2**
Total Liabilities and Stockholders' Equity	**$26,035.2**	**$25,895.9**

* The second and third quarter 1995 dividends were declared out of Additional paid-in capital.

See accompanying notes to consolidated financial statements.

NYNEX CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions) (Unaudited)

For the Three Months Ended March 31,	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 344.8	$ 250.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	640.3	662.4
Amortization of unearned lease income-net	(22.6)	(20.3)
Deferred income taxes - net	(36.2)	(41.5)
Deferred tax credits - net	(12.8)	(10.5)
Changes in operating assets and liabilities:		
Receivables	(232.4)	6.2
Inventories	(0.2)	(15.0)
Prepaid expenses	43.4	(99.8)
Deferred charges and other current assets	115.0	107.0
Accounts payable	(233.8)	(215.8)
Other current liabilities	(129.1)	(132.7)
Other-net	178.7	154.4
Total adjustments	310.3	394.4
Net cash provided by operating activities	**655.1**	**644.6**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(633.1)	(686.1)
Investment in leased assets	(23.3)	(16.5)
Cash received from leasing activities	27.8	37.3
Other investing activities-net	(70.3)	(65.1)
Net cash used in investing activities	**(698.9)**	**(730.4)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of commercial paper and short-term debt	5,801.2	3,238.4
Repayment of commercial paper and short-term debt	(6,042.9)	(2,986.3)
Repayment of long-term debt and capital leases	(64.7)	(43.5)
Issuance of common stock	111.9	28.8
Dividends paid	(238.6)	(223.3)
Minority interest	485.1	48.3
Net cash provided by financing activities	**52.0**	**62.4**
Net increase (decrease) in Cash and temporary cash investments	8.2	(23.4)
Cash and temporary cash investments at beginning of period	93.2	137.5
Cash and temporary cash investments at end of period	**$ 101.4**	**$ 114.1**

See accompanying notes to consolidated financial statements.

NYNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(a) BASIS OF PRESENTATION - The consolidated financial statements have been prepared by NYNEX Corporation ("NYNEX") pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") and, in the opinion of Management, include all adjustments necessary for a fair presentation of the financial information for each period shown. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such SEC rules and regulations. Management believes that the disclosures made are adequate to make the information presented not misleading. Certain information in the consolidated financial statements for 1995 has been reclassified to conform to the current year's presentation. The results for interim periods are not necessarily indicative of the results for the full year. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto incorporated by reference in NYNEX's 1995 Annual Report on Form 10-K.

(b) CHANGE IN ACCOUNTING PRINCIPLE - Effective January 1, 1996, NYNEX Information Resources Company ("Information Resources"), a wholly owned subsidiary of NYNEX, changed the recognition of its directory publishing revenue and production expenses from the "amortized" method to the "point of publication" method. Under the point of publication method, revenues and product expenses will be recognized when the directories are published rather than over the lives of the directories (generally one year) as was the case under the amortized method. NYNEX believes the change to the point of publication method is preferable because it is the method that is generally followed by publishing companies and reflects more precisely the operations of the business. The initial effect of the change to the point of publication method is reported as a cumulative effect of a change in accounting principle which resulted in a one-time, non-cash gain of $131.0 million, or $.30 per share, in the first quarter of 1996. The impact of applying the point of publication method during the first quarter of 1996 resulted in a $3.6 million, or $.01 per share, decrease to net income.

Pro forma results, assuming the point of publication method had been applied during the first quarter of 1995, are as follows:

	Three Months Ended March 31, 1995	
	Pro forma	As Reported
Net Income (In millions)	$247.7	$250.2
Earnings Per Share	$.58	$.59

NYNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(c) FINANCIAL COMMITMENTS AND GUARANTEES - As of March 31, 1996, New York Telephone Company ("New York Telephone"), a wholly-owned subsidiary of NYNEX, had deferred $168 million of revenues ($141 million under a New York State Public Service Commission ("NYSPSC") approved regulatory plan associated with commitments for fair competition, universal service, service quality and infrastructure improvements, and $27 million for a service improvement plan obligation). These deferred revenues will be recognized as commitments are met or obligations are satisfied under the plans. If New York Telephone is unable to meet certain of these commitments, the NYSPSC has the authority to require New York Telephone to refund these revenues to the customers. During the first quarter of 1996, $20 million was recognized in connection with intraLATA presubscription ("ILP") commitments that were met in 1996.

(d) MINORITY INTEREST - Consistent with the terms and conditions of the December 1995 transaction, during March 1996, NYNEX monetized its investment in Viacom Inc. ("Viacom") Series B Cumulative Preferred Stock by an additional $500 million. As a result, NYNEX has monetized a total of $600 million which represents approximately 50% of NYNEX's investment in Viacom. The additional $500 million of proceeds from this transaction were used to further reduce outstanding commercial paper. The additional proceeds received by Kipling Associates L.L.C. (a 50% owned and controlled NYNEX subsidiary) from Mandalay Investors L.L.C. (a third-party owned and controlled entity) are reflected in "Minority Interest, including a portion subject to redemption requirements."

(e) SUPPLEMENTAL CASH FLOW INFORMATION - The following information is provided in accordance with Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows":

(In millions)	For the Three Months Ended March 31, 1996	1995
Income tax payments - net	$ 23.0	$ 25.7
Interest payments	$ 174.3	$162.0
Non-cash transactions:		
Common Stock issued for Dividend Reinvestment and Stock Purchase Plan and stock compensation plans	$ 31.2	$ 30.6
Commercial paper borrowings classified as Long-term debt	$1,697.8	-

(f) REVENUES SUBJECT TO POSSIBLE REFUND - Several state and federal regulatory matters may possibly require New York Telephone and New England Telephone and Telegraph Company ("New England Telephone") (collectively, the "telephone subsidiaries") to refund a portion of the revenues collected in the current and prior periods. As of March 31, 1996, the aggregate amount of such revenues that was estimated to be subject to possible refund was approximately $274.6 million, plus related interest, of which approximately $200.0 million is attributable to affiliate transaction issues in New York Telephone's

NYNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1990 intrastate rate case. The outcome of each pending matter, as well as the time frame within which each will be resolved, is not presently determinable.

(g) LITIGATION AND OTHER CONTINGENCIES - Various legal actions and regulatory proceedings are pending that may affect NYNEX. While counsel cannot give assurance as to the outcome of any of these matters, in the opinion of Management based upon the advice of counsel, the ultimate resolution of these matters in future periods is not expected to have a material effect on NYNEX's financial position but could have a material effect on operating results.

(h) SUBSEQUENT EVENT - On April 22, 1996, NYNEX and Bell Atlantic Corporation ("Bell Atlantic") announced a proposed merger of equals pursuant to a definitive merger agreement dated April 21, 1996 that provides for the formation of a new company to be named Bell Atlantic Corporation. Under the terms of the agreement, NYNEX shareholders will receive one share in the new company for each NYNEX share owned and Bell Atlantic shareholders will receive 1.302 shares in the new company for each Bell Atlantic share owned. The merger, which is expected to qualify as a pooling of interests for accounting purposes, is subject to a number of conditions, including regulatory approvals, receipt of opinions that the merger will be tax free, and the approval of the shareholders of both NYNEX and Bell Atlantic. The transaction is expected to close within twelve months.

NYNEX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

FIRST QUARTER OF 1996 AS COMPARED TO FIRST QUARTER 1995

Net income

Net income for the first quarter of 1996 was $344.8 million, or $.79 per share. Net income for the first quarter of 1995 was $250.2 million, or $.59 per share.

Net income for the first quarter of 1996 includes a gain of $131.0 million, or $.30 per share, for the cumulative effect of a change in accounting for directory publishing income (see Note (b)) and a gain of $45.8 million, or $.11 per share, from the sale of NYNEX's interest in Vanstar Corporation ("Vanstar"). Net income for the first quarter of 1996 also includes charges of $193.5 million, or $.45 per share, for certain special charges related to various self-insurance programs, legal, regulatory and other obligations and contingencies, and for pension enhancements. Net income for the first quarter of 1995 included a charge of $53.8 million, or $.13 per share, for pension enhancements.

Excluding the above items, net income for the first quarter of 1996 would have been $361.5 million, or $.83 per share, an improvement of $57.5 million, or 18.9% over adjusted net income for the first quarter of 1995.

Operating revenues

Operating revenues for the first quarter of 1996 were $3.3 billion, a decrease of $100.2 million, or 3.0%, from the first quarter of 1995.

Included in operating revenues for the first quarter of 1996 were special charges of $55.0 million related to customer claims and a $14.0 million refund ordered by the NYSPSC pertaining to intrastate gross receipts tax collected by New York Telephone on behalf of interexchange carriers. Included in operating revenues for the first quarter of 1995 were revenues of NYNEX Mobile Communications Company ("NYNEX Mobile"), which was deconsolidated as a result of the Bell Atlantic NYNEX Mobile ("BANM") cellular partnership formed on July 1, 1995, amounting to $189.3 million. Also included in operating revenues for the first quarter of 1995 were $16.8 million ($3.5 million intrastate and $13.3 million interstate) of revenues from interexchange carriers associated with gross receipts tax collected on behalf of the taxing authority. (New York Telephone is no longer required to collect gross receipts tax from interexchange carriers and to remit to the taxing authority.)

Excluding the items discussed above, operating revenues would have improved $174.9 million, or 5.6%, over adjusted operating revenues for the first quarter of 1995. Revenues from New York Telephone, New England Telephone and Telesector Resources Group, Inc. (collectively, the "telecommunications group") would have improved by 5.1% to $3.0 billion. Revenues from NYNEX's other subsidiaries (the "nontelephone subsidiaries") would have improved 9.7% to $308.9 million.

The adjusted operating revenue improvement of $174.9 million, or 5.6%, includes the following categories:

Local service revenues improved $25.3 million, or 1.5%. The $25.3 million improvement results primarily from the **net** of **(i)** a $52 million increase primarily resulting from increased demand, driven by growth in access lines and sales of calling features and **(ii)** $26 million in price and required rate reductions in New York and Massachusetts.

Long distance revenues improved $16.9 million, or 6.6%. The $16.9 million improvement results primarily from the **net** of **(i)** increased demand for message toll service and **(ii)** price and required rate reductions in Maine, New York and Massachusetts, and decreased demand for private line and wide area telecommunications services as a result of customer shifts to lower priced services offered by the telephone subsidiaries and increased competition. Certain decreases in long distance revenues, resulting from competition, are being partially offset by increases in network access revenues.

Network access revenues improved $49.0 million, or 5.6%. The $49.0 million improvement results primarily from the **net** of **(i)** a $63 million increase in interstate demand and an $18 million increase in intrastate demand, and **(ii)** a $27 million reduction in interstate and intrastate rates.

Other revenues improved $83.7 million, or 23.1%. The $83.7 million improvement results primarily from the **net** of **(i)** a $38 million increase due to the cessation of "setting aside" revenues at New York Telephone as a result of an NYSPSC order approving a performance-based regulatory plan (the "Plan") effective second quarter of 1995, $20 million of revenue recognized in connection with ILP commitments that were met in 1996 and a $23 million improvement in NYNEX CableComms revenues due to significant increases in cable television customers and in residence and business telecommunications lines and **(ii)** a $17 million decrease due to an accrual for anticipated service obligations under a service improvement plan (see **State Regulatory**).

Operating expenses

Operating expenses for the first quarter of 1996 were $2.8 billion, an increase of $35.3 million, or 1.3%, over the first quarter of 1995.

Included in operating expenses for the first quarter of 1996 were pension enhancement charges of $107.8 million, a $14.0 million intrastate gross receipts tax refund (see ***Operating revenues*** above) and special charges of $110.0 million related to various self-insurance programs and legal and regulatory contingencies. Included in operating expenses for the first quarter of 1995 were pension enhancement charges of $83.8 million, $16.8

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million of gross receipts tax collected and remitted to the taxing authority (see ***Operating revenues*** above) and NYNEX Mobile expenses amounting to $174.6 million.

Excluding the items discussed above, operating expenses would have increased $106.7 million, or 4.3%, over adjusted operating expenses for the first quarter of 1995. Telecommunications group operating expenses would have increased $58.1 million, or 2.5% and the nontelephone subsidiaries' operating expenses would have increased $48.6 million, or 22.0%.

At the telecommunications group, the $58.1 million adjusted increase results primarily from a $33 million increase in employee related costs resulting from higher salaries and wages partially offset by work force reductions and lower benefit costs and a $7 million increase in advertising and marketing costs. At the nontelephone subsidiaries, the $48.6 million adjusted increase results primarily from an increase in NYNEX CableComms expenses due to significant increases in cable television customers and in residence and business telecommunications lines.

The components of the pension enhancement charges for first quarter of 1996 and 1995 are as follows:

	For the Three Months Ended March 31,			
(In millions)	1996*		1995*	
	Pretax	After-Tax	Pretax	After-Tax
Pension enhancement charges	$ 87.4	$54.1	$71.6	$45.9
Postretirement medical costs	20.4	12.4	12.2	7.9
	$107.8	$66.5	$83.8	$53.8

* 1996 - 380 management and 580 nonmanagement employees
1995 - 500 management and 400 nonmanagement employees

Operating income

Operating income for the first quarter of 1996 was $437.5 million, a decrease of $135.5 million, or 23.6%, from the first quarter of 1995.

Operating income, after adjusting for the items discussed above in ***Operating revenues*** and ***Operating expenses***, would have been $710.3 million, an improvement of $68.2 million, or 10.6%, over adjusted operating income for the first quarter of 1995. Operating margin for the first quarter of 1996 would have improved 1.0 percentage point to 21.4% from 20.4% adjusted. This improvement resulted from improved productivity as adjusted expense growth of 4.3% was outpaced by adjusted revenue growth of 5.6%.

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Other income (expense) - net

Other income (expense) - net for first quarter of 1996 improved $46.9 million over the first quarter of 1995. The $46.9 million improvement results primarily from a $66 million gain on the sale of NYNEX's interest in Vanstar and a $10 million unrealized "mark to market" adjustment partially offset by $31 million of costs associated with the formation of the BANM cellular partnership and a $9 million reclassification of capitalized interest to Interest expense associated with the discontinuance of regulatory accounting principles (Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation").

Interest expense

Interest expense for the first quarter of 1996 decreased $26.5 million, or 13.8%, from the first quarter of 1995, primarily due to the aforementioned reclassification of capitalized interest from Other income (expense) - net and a decrease resulting from interest charges on the revenues "set aside" as required by the NYSPSC in 1995. In addition, total debt decreased from $10.1 billion at the end of the first quarter of 1995 to $9.5 billion at the end of the first quarter 1996; however, average interest rates remained essentially flat at 6.9%.

Income (loss) from long-term investments

Income (loss) from long-term investments for the first quarter of 1996 improved $28.0 million over first quarter of 1995. The $28.0 million improvement results primarily from the **net** of (i) equity income from the BANM cellular partnership and (ii) losses from investments in the Tele-TV Partnerships and PrimeCo Personal Communications, L.P. ("PrimeCo").

Income taxes

Income taxes for the first quarter of 1996 increased $2.3 million, or 2.0%, over the first quarter of 1995 primarily attributable to a four percentage point increase in the effective tax rate for the first quarter of 1996 over the first quarter of 1995 primarily resulting from $19 million of research tax credits recorded in the first quarter of 1995.

Cumulative effect of change in accounting principle

Effective January 1, 1996, Information Resources, a wholly owned subsidiary of NYNEX, changed the recognition of its directory publishing revenue and production expenses from the "amortized" method to the "point of publication" method. Under the point of publica ion method, revenues and product expenses will be recognized when the directories are published rather than over the lives of the directories (generally one year) as was the case under the amortized method. NYNEX believes the change to the point of publication method is preferable because it is the method that is generally followed by publishing companies and reflects more precisely the operations of the business. The initial effect of the change to the point of publication method is reported as a cumulative effect of a change in accounting principle which resulted in a one-time, non-cash gain of $131.0 million, or $.30 per share, in the first quarter of 1996. The impact of applying the point of publication method during the first quarter of 1996 resulted in a $3.6 million, or $.01 per share, decrease to net income.

The pro forma amounts, assuming the point of publication method had been applied during the first quarter of 1995, are as follows:

	Three Months Ended March 31, 1995	
	Pro forma	As Reported
Net Income (In millions)	$247.7	$250.2
Earnings Per Share	$ .58	$ .59

While the application of the point of publication method is not expected to have a material impact on total 1996 and pro forma 1995 results, the impact of the change is likely to materially effect the quarterly results due to the nature of the change.

SUBSEQUENT EVENT

On April 22, 1996, NYNEX and Bell Atlantic announced a proposed merger of equals pursuant to a definitive merger agreement dated April 21, 1996 that provides for the formation of a new company to be named Bell Atlantic Corporation. Under the terms of the agreement, NYNEX shareholders will receive one share in the new company for each NYNEX share owned and Bell Atlantic shareholders will receive 1.302 shares in the new company for each Bell Atlantic share owned. The merger, which is expected to qualify as a pooling of interests for accounting purposes, is subject to a number of conditions, including regulatory approvals, receipt of opinions that the merger will be tax free, and the approval of the shareholders of both NYNEX and Bell Atlantic. The transaction is expected to close within twelve months.

It is expected that the new combined company will recognize recurring expense savings of approximately $600 million annually by the third year following the closing as a result of consolidating operating systems and other administrative functions and reducing work force levels. Of these savings, $300 million is expected to be achieved in the first year following the completion of the merger with an additional $150 million in each of the two succeeding years. Transition and integration charges of approximately $500 million are anticipated in the first year following the completion of the merger. An additional $200 to $400 million in charges are anticipated over the two succeeding years. Annual capital expenditures for the new combined company should reflect approximately $250 to $300 million of incremental purchasing efficiencies.

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Information contained above with respect to the expected financial impact of the proposed merger is forward-looking. These statements represent NYNEX's and Bell Atlantic's reasonable judgment with respect to future events and are subject to risks and uncertainties that could cause actual results to differ materially. Such factors include: materially adverse changes in economic conditions in the markets served by NYNEX and Bell Atlantic; substantial delay in the expected closing of the merger; and a significant change in the timing of when NYNEX and Bell Atlantic expect to be permitted to offer long distance services within their regions.

CURRENT STATUS OF BUSINESS RESTRUCTURING

Reserve Utilization in 1996

The restructuring reserve balance at March 31, 1996, which does not include the liability for postretirement medical benefits associated with employees' leaving NYNEX under the business restructuring, was approximately $283.4 million. Summarized below are the components of $96 million of reserves utilized during the first quarter of 1996:

(In millions)			
Severance			$ 26
Process Re-engineering:			
Systems redesign:			
Customer contact	$13		
Customer provisioning	-		
Customer operations	14		
Customer support	2		
Total systems redesign		$ 29	
Work center consolidation		1	
Branding		-	
Relocation		-	
Training		2	
Re-engineering implementation		-	
Total process re-engineering			32
Sale/discontinuance of information products and services businesses			5
Nontelephone subsidiaries' restructuring			33
Total			$ 96

Cost Savings

Since the inception of process re-engineering and the special pension enhancement program in 1994, approximately 13,000 employees have accepted the retirement incentives. On an annualized basis, this will equate to an average reduction in wages and benefits of approximately $700 million. A portion of these cost savings will be offset by the effects of wage and price inflation, growth in volume of business and higher costs attributable to service improvements.

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CAPITAL RESOURCES AND LIQUIDITY

Cash Flows

Operating activities: Net cash provided by operating activities was $655.1 and $644.6 million for the first quarter of 1996 and 1995, respectively, an increase of $10.5 million. There was a $94.6 million improvement in net income and a $22.1 million decrease in depreciation and amortization primarily due to the deconsolidation of NYNEX Mobile. Changes in operating assets and liabilities used $437.1 million of cash flows in the first quarter of 1996, primarily as a result of increased accounts receivable and decreased trade payables. Costs associated with re-engineering activities reserved for in 1993 resulted in cash outlays of $20 million and $34 million in the first quarter of 1996 and 1995, respectively. Pension enhancement charges in the first quarter of 1996 and 1995 did not materially affect operating cash flows because the cash outflows will be incurred primarily by the NYNEX Pension Plans in future years.

Investing activities: Net cash used in investing activities was $698.9 million and $730.4 million for the first quarter of 1996 and 1995, respectively, a decrease of $31.5 million.

Capital expenditures were $633.1 million in the first quarter of 1996, a decrease of $53.0 million, from the first quarter of 1995, primarily due to the deconsolidation of NYNEX Mobile and decreased purchases of computer equipment at Telesector Resources Group, Inc. The largest component of capital expenditures continues to be for the telecommunications group. These capital expenditures are funded through cash generated from operations. Buildout of the cable television/telecommunications network in the United Kingdom continued.

Other investing activities: In the first quarter of 1996, net cash flows from other investing activities were $5.2 million higher than the first quarter of 1995. During the first quarter of 1996, cash inflow resulted from the sale of NYNEX's interest in Vanstar which was offset by additional investments in PrimeCo, the Tele-TV Partnerships, FLAG Limited, P.T. Excelcomindo Pratama, and an initial investment in Infoseek.

Financing activities: Net cash provided by financing activities was $52.0 million and $62.4 million for the first quarter of 1996 and 1995, respectively, a decrease of $10.4 million. Total debt decreased $301.5 million from December 31, 1995. As a result, the debt ratio decreased to 60.1% as of March 31, 1996, compared with 61.8% as of December 31, 1995. The proceeds from the monetization of a portion of NYNEX's investment in Viacom Preferred Stock (see Note (c)) were used to reduce commercial paper. On April 1, 1996, $55 million of New York Telephone's 3.375%, Series I Refunding Mortgage Bonds matured. Proceeds necessary to repay these borrowings were raised through the issuance of commercial paper.

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Issuance of common stock: During the first quarter of 1996 NYNEX continued to issue common stock for employee savings plans, the Dividend Reinvestment and Stock Purchase Plan ("DRISPP"), stock compensation plans and employee stock option plans resulting in an increase in equity of approximately $143 million. The noncash issuance of stock, primarily for dividends in connection with DRISPP, was $31 million. The dividends for common stock remained unchanged at $.59 per share in the first quarter of 1996.

Minority interest: Financing cash flows in the first quarter of 1996 included net funds of $485.1 million primarily provided by the Viacom monetization proceeds (see below).

Liquidity

Viacom: Consistent with the terms and conditions of the December 1995 transaction, during March 1996, NYNEX monetized its investment in Viacom Series B Cumulative Preferred Stock by an additional $500 million. As a result, NYNEX has monetized a total of $600 million which represents approximately 50% of NYNEX's investment in Viacom. The additional $500 million of proceeds from this transaction were used to further reduce outstanding commercial paper. The additional proceeds received by Kipling Associates L.L.C. (a 50% owned and controlled NYNEX subsidiary) from Mandalay Investors L.L.C. (a third-party owned and controlled entity) are reflected in "Minority Interest, including a portion subject to redemption requirements."

At March 31, 1996, NYNEX had $950 million of unissued, unsecured debt and equity securities registered with the SEC. The proceeds from the sale of securities would be used to provide funds to NYNEX for general corporate purposes. At March 31, 1996, NYNEX Capital Funding Company ("CFC") had $637 million of unissued medium-term debt securities registered with the SEC. When issued, these securities will be guaranteed by NYNEX. The proceeds from the sale of these securities may be used to provide financing for NYNEX and the nontelephone subsidiaries. At March 31, 1996, New England Telephone and New York Telephone had $500 and $250 million, respectively, of unissued, unsecured debt securities registered with the SEC.

Following the announcement of the definitive merger agreement between NYNEX and Bell Atlantic, the credit rating agencies reaffirmed the current ratings of NYNEX (including NYNEX Credit Company and CFC), New York Telephone and New England Telephone and, in certain cases, negative outlooks were changed to credit watch positive. Management believes that the bond ratings are indicative of strong credit support for timely principal and interest payments in the foreseeable future.

$1.7 billion of outstanding commercial paper borrowings was classified as Long-term debt at March 31, 1996 under the unsecured revolving credit facility entered into on November 10, 1995 with Chemical Bank as the administrative agent. With this facility, NYNEX has the ability (and intent) to refinance the commercial paper borrowings on a long-term basis.

NYNEX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

REGULATORY ENVIRONMENT

State Regulatory

New York

Competition II Proceeding: In response to an NYSPSC request for comments, in April 1996, Sprint Corporation ("Sprint") filed comments objecting to New York Telephone's implementation of ILP and seeking the imposition of sanctions or penalties on New York Telephone. New York Telephone has submitted a response opposing Sprint's contentions.

In December 1995, MCI Telecommunications Corporation ("MCI") commenced a proceeding in the New York Supreme Court challenging the NYSPSC's reciprocal compensation scheme for interconnection between carriers. MCI, the NYSPSC and New York Telephone have entered into a stipulation that removes the case from the court's active calendar. The NYSPSC has agreed to address the effect, if any, of the Telecommunications Act of 1996 ("1996 Act") upon the challenged rate structure.

In the NYSPSC's proceeding examining the terms and conditions for resale of New York Telephone services, to be effective in October 1996, the NYSPSC is also considering issues with respect to the unbundling of network elements, as prescribed by the 1996 Act.

New York Telephone has filed with the NYSPSC a proposal to accelerate the implementation of ILP in analog central offices, for completion by October 1996.

Incentive Plan: The Plan approved by the NYSPSC in 1995 establishes service quality targets with stringent rebate provisions if New York Telephone is unable to meet some or all of the targets. Based on service performance results through March 31, 1996, it is probable that New York Telephone will be required to issue rebates to customers (see *Other revenues*). A reasonable estimate of the amount or range of any annual rebate cannot be made, pending NYSPSC action regarding the waiver of certain service results for the period in question and pending service performance results for the balance of Plan Year 1, which ends August 31, 1996.

New Hampshire

In April 1996, the New Hampshire Public Utilities Commission ("NHPUC") initiated proceedings for the purpose of implementing ILP by October 1996. New England Telephone and other local exchange carriers ("LECs") are required to file implementation plans with the NHPUC by the end of May. Hearings are scheduled to begin in June.

In April 1996, the NHPUC solicited comments on proposed draft rules to govern the authorization of local exchange competition. The NHPUC announced that draft rules will be filed with the state legislature in June. By statute, the rulemaking process must be completed by year-end.

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Federal Regulatory

Telecommunications Act of 1996: During 1996, the Federal Communications Commission ("FCC") will conduct a number of rulemaking proceedings in order to implement the 1996 Act. In March 1996, the FCC issued Notices of Proposed Rulemaking to implement the Universal Service provisions and the Open Video System provisions of the 1996 Act. In April 1996, the FCC issued a Notice of Proposed Rulemaking to implement the interconnection obligations imposed on LECs by the 1996 Act. While the outcome of these rulemakings cannot be predicted, they are likely to have a significant impact on the telephone subsidiaries' rate structures, rate levels, and revenues. However, NYNEX believes that, while it will face significantly increased risks in its traditional markets, there will be significant opportunities in its many new markets.

In April 1996, NYNEX entered into a two-year long distance resale agreement with Sprint Communications Company, L.P. NYNEX has filed a Section 214 application with the FCC to provide out-of-region international long distance service and expects to begin providing that service this summer. NYNEX also expects to begin offering long distance service this summer in six states, pending regulatory approvals: Arizona, California, Florida, Georgia, Illinois, and Texas.

The 1996 Act requires Regional Bell Operating Companies to meet a checklist of items that open their local networks and markets to competition before being permitted to offer in-region long distance service. NYNEX expects to be operationally ready to begin offering long distance service in New York by October 1996, in Massachusetts by June 1997, and in the rest of the states within its region by December 1997.

Price Cap Plan: The FCC expects to issue an order in the latter part of 1996 in its Proposed Rulemaking regarding the productivity factor used by LECs in the FCC price cap formula. The Proposed Rulemaking will consider changes in the determination of the productivity factor, the recognition of exogenous costs, the extent of carrier sharing, and the formula for calculating the price cap index for certain services.

In March 1996, the U.S. Court of Appeals for the District of Columbia Circuit denied petitions filed by New York Telephone and New England Telephone and several other LECs for review of the FCC decision that had required each LEC to (a) "reinitialize" its price cap index to reflect a higher productivity factor, and (b) recalculate its price cap index on a prospective basis to exclude cost increases due to changes in the accounting treatment of other postemployment benefit expenses.

Other Federal Regulatory: In January 1996, the FCC issued a Notice of Proposed Rulemaking addressing the charges made for interconnection between LECs and wireless carriers. Currently, such charges are established by contracts under the jurisdiction of the state regulatory commissions, some of which are also reflected in state tariffs. The FCC requested comment on its tentative

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conclusion to require, pending the conclusion of its Proposed Rulemaking, reciprocal "bill-and-keep" compensation arrangements under which the originating carrier would no longer pay the terminating carrier for access. Adoption of the proposed procedure would have a negative effect on the revenues of the LECs, including the telephone subsidiaries. The telephone subsidiaries have filed comments opposing the imposition of "bill-and-keep" arrangements, but supporting reciprocal payments. Reciprocal payment arrangements have been in place in New York since September 1995, and New England Telephone has begun the negotiation of reciprocal agreements with wireless carriers in its states.

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PART II - OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

Exhibit Number

(4)(a) Rights Agreement, dated as of October 19, 1989, between NYNEX and American Transtech Inc. (Exhibit No. 1 to the Registrant's Current Report on Form 8-K, Date of Report October 20, 1989, File No. 1-8608)

First Amendment to Rights Agreement, dated April 21, 1996, between NYNEX and First National Bank of Boston, as successor rights agent

(12) Computation of Ratio of Earnings to Fixed Charges

(18) Letter regarding Change in Accounting Principle

(27) Financial Data Schedule

(b) Reports on Form 8-K.

No report on Form 8-K was filed by the registrant during the quarter for which this report is filed.

Form 10-Q

NYNEX CORPORATION

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NYNEX CORPORATION

A. Z. Senter
A. Z. Senter
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

May 10, 1996

ATTACHMENT L

COLLECTION OF DEPOSITS AND ADVANCE PAYMENT FOR SERVICES BY APPLICANT

COLLECTION OF DEPOSITS AND ADVANCE PAYMENT FOR SERVICES BY APPLICANT

NYNEX Long Distance Company intends to seek security deposits from customers, under certain circumstances, as set forth in the proposed tariff, Attachment I.

NYNEX Long Distance Company does not currently intend to seek advance payments from customers. Instead, all charges will be billed in arrears. In the event that NYNEX Long Distance Company elects to collect advance payments from certain classes of customers under certain circumstances, it will amend its tariff to reflect such collection.