TECHNOLOGIES MANAGEMENT INC.

February 12, 1996
Overnight

DEPOSIT TREAS. INT. DATE

960179-TI

210 N. Park Ave.
P.O. Drawer 200
Winter Park, FL
32790-0200

Tel. 407-740-8575
Fax 407-740-0613

Florida Public Service Commission
Division of Records and Reporting
2540 Shumard Oaks Boulevard
Gerald L. Gunter Bldg. Room 270
Tallahassee, FL 32399-0850
(904) 488-4733

RE: Initial Interexchange Carrier Application of Bell Atlantic Communications, Inc.

Enclosed for filing are the original and twelve copies of the above referenced application of Bell Atlantic Communications, Inc. for Authority to Provide Interexchange Telecommunications Service in Florida.

Also enclosed is our check in the amount of $250 for the filing fee. Questions pertaining to this application or tariff should be directed to my attention at (407) 740-8575.

Please acknowledge receipt of this filing by returning, file-stamped, the extra copy of this cover letter in the self-addressed, stamped envelope enclosed for this purpose.

Thank you for your assistance.

Sincerely,

C.M. Wightman

Connie Wightman
Consultant to
Bell Atlantic Communications, Inc.

cc: Jim Harvey
to file: BACI - FL

FLORIDA PUBLIC SERVICE COMMISSION

Application Form

for

Authority to Provide Interexchange Telecommunications Service

Between Points Within the State of Florida

To: Florida Public Service Commission
Division of Records and Reporting
101 East Gaines Street
Tallahassee, Florida 32399-0850
(904) 488-4733

This package includes the original and twelve (12) copies of the application along with a non-refundable application fee of $250.00.

FORM PSC/CMU 31 (11/91)

1. **This is an application for:**

(X) Original Authority (new company)
( ) Approval of transfer (to another certificated company)
( ) Approval of assignment of existing certificate (to a noncertificated 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.

( ) **Alternative Operator Service** - 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.

( ) **Call aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers associated with such aggregated telecommunications business.

3. **Name of corporation, partnership, cooperative, joint venture or sole proprietorship:**

Bell Atlantic Communications, Inc.

4. **Name under which the applicant will do business (fictitious name, etc.):**

Bell Atlantic Communications, Inc.

5. **National address (including street name & number, post office box, city, state and zip code).**

Bell Atlantic Communications, Inc.
1320 N. Courthouse Road
2nd Floor
Arlington, Virginia 22201
Telephone: (703) 974-7852
Facsimile: (703) 974-7446

6. **Florida address (including street name & number, post office box, city, state and zip code).**

Same as above.

7. **Structure of organization:**

( ) Individual
(X) Foreign Corporation
( ) General Partnership
( ) Corporation
( ) Foreign 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 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 the company, give reason why not.

9. **If incorporated, please give:**

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

See: Attachment 1

(b) **Name and address of the company's Florida registered agent.**

CT Corporation System
8751 West Broward Boulevard
Plantation, FL 33324

(c) **Provide proof of compliance with the fictitious name statute (Chapter 865.09 FS), if applicable.**

Fictitious name registration number: not applicable

(d) **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 officer, director or stockholder of the company has been adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime. No officer, director or stockholder of the company are involved in proceedings which may result in such action.

(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 the company, give reason why not.**

No officer, director or stockholder of the company is an officer, director, partner or stockholder in any other Florida certificated interexchange telephone company.

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

(a) The application:

Connie Wightman
Consultant to Bell Atlantic Communications, Inc.
Technologies Management, Inc.
P.O. Drawer 200
Winter Park, FL 32790-0200
(407) 740-8575
(FAX) 740-0613

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

Mr. Jim Harvey
Manager Tariffs and Regulatory Matters
Bell Atlantic Communications, Inc.
1320 N. Courthouse Road
2nd Floor
Arlington, Virginia 22201
Telephone: (703) 974-7852
Facsimile: (703) 974-7446

(c) Tariff:

Connie Wightman
Consultant to Bell Atlantic Communications, Inc.
Technologies Management, Inc.
P.O. Drawer 200
Winter Park, FL 32790-0200
(407) 740-8575

(d) Complaints/Inquiries from customers:

Customer Service
Manager Tariffs and Regulatory Matters
Bell Atlantic Communications, Inc.
1320 N. Courthouse Road
2nd Floor
Arlington, Virginia 22201
Telephone: (800) 556-2355
Facsimile: (703) 974-7446

11. **List the states in which the applicant:**

(a) **Has operated as an interexchange carrier.**
None.

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

None, however, the applicant is preparing applications for filing in a number of states.

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

See 11.a above.

(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 carrier or other telecommunications entity, and the circumstances involved.**

None.

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

( ) Facilities ( ) Operators
( ) Billing and Collection ( ) Sales
( ) Maintenance
(x) Other: None anticipated at this time

13. **Do you have a marketing program?**

All marketing are under development and will be handled in-house.

14. Will your marketing program:

( ) Pay commissions?
( ) Offer sales franchises?
( ) Offer multi-level sales incentives?
( ) Offer other sales incentives?

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

Not applicable.

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
( ) Hotels & motels
( ) Hotel & motel guests
( ) Universities
( ) Univ. dormitory residents
(X) Other: (specify) Any person or entity who orders or uses the services of BACI

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?

The company's name will appear on the customer bill along with a telephone number for inquiries. Where LEC billing is used, the Company intends to have USBI take initial inquiries at 800-460-0556.

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

The company will render bills for its 1+ services directly and will also bill 1+ and operator assisted calls on LEC bills through USBI.

18. 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 II.

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

_X_ MTS with distance sensitive per minute rates
- ___ Method of access is FGA
- ___ Method of access is FGB
- _X_ Method of access is FGD
- ___ 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

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

___ MTS for pay telephone service providers.

___ Block of time calling plan (Reach Out Florida, Ring America, etc.)

___ 800 Service (toll free)

___ WATS type service (Bulk or volume discount)
- ___ Method of access is via dedicated facilities
- ___ Method of access is via switched facilities

___ Private line services (Channel Services) (For ex. 1.544 mbps, DS-3, etc.)

___ Travel service
- ___ Method of access is 950
- ___ Method of access is 800

___ 900 service

_X_ Operator Services
- _X_ Available to presubscribed customers
- ___ Available to non presubscribed customers (for example, patrons of hotels, students in universities, patients in hospitals.

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___ Available to inmates

Services included are:

X Station assistance
X Person to person assistance
X Directory assistance
___ Operator verify and interrupt
___ Conference calling

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

For direct dialed calls: 1 + destination number
For operator assisted calls: 0+ destination number from presubscribed locations.

21. **Other:** Not applicable.

APPLICANT ACKNOWLEDGMENT 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 one and one-half percent, or currently applicable rates, on all intra and interstate business.

3. SALES TAX: I understand that a seven percent sales tax, or other currently applicable percentage, 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. LEC BYPASS RESTRICTIONS: I acknowledge the Commission's policy that interexchange carriers shall not construct facilities to bypass the LECs without first demonstrating to the Commission that the LEC cannot offer the needed facilities at a competitive price and in a timely manner.

6. 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 telephone service.

7. ACCURACY OF APPLICATION: By my signature below, I attest to the accuracy of the information contained in this application and associated attachments.

Alfred G. Binford, President
Bell Atlantic Communications, Inc.

2/7/96
Date

APPENDICES
A - Certificate of Transfer Statement
B - Customer deposits and advance payments
C - Intrastate network
D - Florida telephone exchanges and EAS routes
E - Glossary

ATTACHMENTS:
I - Florida Secretary of State Registration
II - Proposed Tariff

FORM PSC/CMU 31 (11/91)

APPENDIX A

CERTIFICATE OF TRANSFER STATEMENT

I, ______________________________, current holder of certificate number ______________, have reviewed this application and join in the petitioner's request.

Not Applicable.

____
Signature of owner or chief officer of the certificate holder.

Title: ______________________

Date: ______________________

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):

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

( ) 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.)

Alfred G. Binford
President
Bell Atlantic Communications, Inc.

Date: 2/7/96

FORM PSC/CMU 31 (11/91)

APPENDIX C

INTRASTATE NETWORK

1. POP: Addresses where located, and indicate if owned or leased.

1) None. 2)

3) 4)

2. SWITCHES: Address where located, by type of switch and indicate if owned or leased.

1) None. 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.

POP-to-POP	TYPE	OWNERSHIP
1) None		
2)		
3)		

Bell Atlantic Communications, Inc. does not maintain any interexchange carrier points of presence, switches or transmission facilities within the State of Florida. Originating calls are transported over facilities provided by the company's underlying carrier(s).

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.

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).**

   Not applicable.

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 service begin?

   Not applicable.

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

   Not applicable.

Alfred C. Binford
President
Bell Atlantic Communications, Inc.

2/7/96
Date

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).

Jacksonville	Tampa
Gainesville	Clearwater
Daytona Beach	St. Petersburg
Ocala	Lakeland
Orlando	Winter Park
Cocoa	Ft. Lauderdale
Melbourne	Pompano Beach
West Palm Beach	Hollywood
Miami	North Dade
Pensacola	Sarasota
Panama City	Ft. Myers
Tallahassee	Naples
Titusville	

The company intends to offer its services statewide.

Alfred G. Binford
President
Bell Atlantic Communications, Inc.

2/7/96
Date

FORM PSC/CMU 31 (11/91)

ATTACHMENT I

AUTHORITY TO OPERATE IN FLORIDA

FLORIDA DEPARTMENT OF STATE
Sandra B. Mortham
Secretary of State

November 3, 1995

CT CORPORATION

Qualification documents for BELL ATLANTIC COMMUNICATIONS, INC. were filed on November 3, 1995, and assigned document number F95000005399. 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.

Freta Lott
Corporate Specialist Supervisor
Division of Corporations

Letter Number: 895A00049285

APPLICATION BY FOREIGN CORPORATION FOR AUTHORIZATION TRANSACT BUSINESS IN FLORIDA

IN COMPLIANCE WITH SECTION 607.1503, FLORIDA STATUTES, THE FOLLOWING IS SUBMITTED TO REGISTER A FOREIGN CORPORATION TO TRANSACT BUSINESS IN THE STATE OF FLORIDA:

1. Bell Atlantic Communications, Inc.
(Name of corporation: must include the word "INCORPORATED", "COMPANY", "CORPORATION", or words or abbreviations of like import in language as will clearly indicate that it is a corporation instead of a natural person or partnership if not so contained in the name at present.)

2. Delaware
(State or country under the law of which it is incorporated)

3. 54-1762657
(FEI number, if applicable)

4. May 4, 1995
(Date of incorporation)

5. Perpetual
(Duration: Year corp. will cease to exist or "perpetual")

6. Upon Qualification
(Date first transacted business in Florida. (See sections 607.1501, 607.1502, and 817.156, F.S.))

7. 1320 N. Court House Road, Arlington, Virginia 22201
(Current mailing address)

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SECRETARY OF STATE
TALLAHASSEE, FLORIDA

8. See attached purpose clause
(Purpose(s) of corporation authorized in home state or country to be carried out in the state of Florida)

9. Name and street address of Florida registered agent:

Name: C T Corporation System

Office Address: c/o C T Corporation System, 1200 South Pine Island Road

Plantation, Florida, 33324
(Zip Code)

10. Registered agent acceptance:
Having been named as registered agent and to accept service of process for the above stated corporation at the place designated in this application. I hereby accept the appointment as registered agent and agree to act in this capacity. I further agree to comply with the provisions of all statutes relative to the proper and complete performance of my duties, and I am familiar with and accept the obligation of my position as registered agent.

C T Corporation System

Domenic A. Boriello

(Registered agent's signature) (Officer)

Domenic A. Boriello, Asst. Secretary
(Type Name and Title of Officer)

11. Attached is a certificate of existence duly authenticated, not more than 90 days prior to delivery of this application to the Department of State, by the Secretary of State or other official having custody of corporate records in the jurisdiction under the law of which it is incorporated.

12. Names and addresses of officers and/or directors:

A. DIRECTORS

Chairman: ______________________

Address: ______________________

____

Vice Chairman: ______________________

Address: ______________________

____

Director: See attached list of directors

Address: ______________________

____

Director: ______________________

Address: ______________________

____

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SECRETARY OF STATE
TALLAHASSEE, FLORIDA

B. OFFICERS

President: See attached list of officers

Address: ______________________

____

Vice President: ______________________

Address: ______________________

____

Secretary: ______________________

Address: ______________________

____

Treasurer: ______________________________

Address: ______________________________

____

NOTE: If necessary, you may attach an addendum to the application listing additional officers and/or directors.

13. ______________________________
(Signature of Chairman, Vice Chairman, or any officer listed in number 12 of the application)

14. Alfred G. Binford, President
(Typed or printed name and capacity of person signing application)

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95 NOV -3 PM 1:11
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

Appendix to Florida
Application by Fgn. Corp. for Authorization to Transact Business in Florida

Purpose Clause of
Bell Atlantic Communications, Inc.

To provide telecommunications services and any other lawful act or activity.

Appendix to Florida
Application by Fgn. Corp. for Authorization to Transact Business in Florida

Directors of
Bell Atlantic Communications, Inc.

---

1. Alfred G. Binford
   1320 N. Court House Road
   Arlington, Virginia 22201

2. Frederick D. D'Alessio
   1310 N. Court House Road
   Arlington, Virginia 22201

3. Keiko Harvey
   1 E. Pratt Street
   Baltimore, Maryland 21202

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SECRETARY OF STATE
TALLAHASSEE, FLORIDA

Appendix to Florida
Application by Fgn. Corp. for Authorization to Transact Business in Florida

Officers of
Bell Atlantic Communications, Inc.

---

1. Alfred G. Binford, President and Chief Executive Officer
   1320 N. Court House Road
   Arlington, Virginia 22201

2. Barbara L. Connor, Vice President and Treasurer
   1717 Arch Street
   Philadelphia, Pennsylvania 19103

3. Michelle A. Arrington, Secretary
   1717 Arch Street
   Philadelphia, Pennsylvania 19103

4. Barbara E. Grafton, Assistant Secretary
   1717 Arch Street
   Philadelphia, Pennsylvania 19103

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95 NOV -3 PM 1:11
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

ATTACHMENT II

PROPOSED TARIFF

ATTACHMENT II

PROPOSED TARIFF

TITLE PAGE

FLORIDA TELECOMMUNICATIONS TARIFF

OF

Bell Atlantic Communications, Inc.

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service and facilities for telecommunication services provided by Bell Atlantic Communications, Inc. ("BACI") with principal offices located at 1320 N. Courthouse Road, 2nd Floor, Arlington, Virginia 22201. This tariff applies for services furnished within the State of Florida. This tariff is on file with the Florida Public Service Commission, and copies may be inspected, during normal business hours, at the Company's principal place of business.

ISSUED BY: Al Binford, President
1320 N. Courthouse Road, 2nd Floor
Arlington, Virginia 22201
Telephone: (703) 974-5128

CHECK SHEET

This tariff contains the Sheets listed below, each of which is effective as of the date shown on each sheet. Original and re sed pages as named below comprise all changes from the original tariff.

SHEET	REVISION	SHEET	REVISION
1	Original *	29	Original *
2	Original *	30	Original *
3	Original *	31	Original *
4	Original *	32	Original *
5	Original *	33	Original *
6	Original *	34	Original *
7	Original *	35	Original *
8	Original *	36	Original *
9	Original *	37	Original *
10	Original *	38	Original *
11	Original *	39	Original *
12	Original *	40	Original *
13	Original *	41	Original *
14	Original *	42	Original *
15	Original *	43	Original *
16	Original *	44	Original *
17	Original *	45	Original *
18	Original *	46	Original *
19	Original *	47	Original *
20	Original *	48	Original *
21	Original *		
22	Original *		
23	Original *		
24	Original *		
25	Original *		
26	Original *		
27	Original *		
28	Original *		

* Indicates new or revised sheet with this filing

TABLE OF CONTENTS

ISSUED BY: Al Binford, President
1320 N. Courthouse Road, 2nd Floor
Arlington, Virginia 22201
Telephone: (703) 974-5128

Alphabetical Index

ISSUED BY: Al Binford, President
1320 N. Courthouse Road, 2nd Floor
Arlington, Virginia 22201
Telephone: (703) 974-5128

Alphabetical Index, (Cont'd.)

ISSUED BY: Al Binford, President
1320 N. Courthouse Road, 2nd Floor
Arlington, Virginia 22201
Telephone: (703) 974-5128

SYMBOLS

The following are the only symbols used for the purposes indicated below:

D - Delete or Discontinue

I - Change Resulting in an Increase to a Customer's Bill

M - Moved from another Tariff Location

N - New

R - Change Resulting in a Reduction to a Customer's Bill

T - Change in Text or Regulation but no Change in Rate or Charge.

When changes are made in any tariff sheet, a revised sheet will be issued canceling the tariff sheet affected. Changes will be identified on the revised sheet(s) through the use of the above mentioned symbols.

ISSUED BY: Al Binford, President
1320 N. Courthouse Road, 2nd Floor
Arlington, Virginia 22201
Telephone: (703) 974-5128

When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.

B. **Sheet Revision Numbers** - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the FPSC. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc. the FPSC follows in their tariff approval process, the most current sheet number on file with the Commission is not always the tariff pages in effect. Consult the check sheet for sheet 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 FPSC, an updated check sheet accompanies the tariff filing. The check sheet lists the sheets 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 will be no other symbols used on the check sheet if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some pages). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the FPSC.

SECTION 1.0 - TECHNICAL TERMS AND ABBREVIATIONS

1.1 Abbreviations

The following abbreviations are used herein only for the purposes indicated below:

BACI	-	Bell Atlantic Communications, Inc.
C.O.	-	Central Office
Corp.	-	Corporation
FCC	-	Federal Communications Commission
FPSC	-	Florida Public Service Commission
IXC	-	Interexchange Carrier
LATA	-	Local Access and Transport Area
LEC	-	Local Exchange Carrier
MTS	-	Message Telecommunications Service
PBX	-	Private Branch Exchange

SECTION 1.0 - TECHNICAL TERMS AND ABBREVIATIONS, (Cont'd.)

1.2 Definitions

The following definitions are appli able to this tariff:

Access Line - A local channel for voice, data, or video communications which connects the Customer location to a location of the Company or its underlying carrier.

Account - The Customer who has agreed, orally or in writing, to honor the terms of service established by the Company. An Account may have more than one service billed to the same Customer address. An Account may include multiple locations for the same Customer.

Account Code - A numerical code, assigned to the Customer, to enable the Company to identify use of a service offering by the Customer and to bill the use of that service offering by the Customer. Multiple Account Codes may be assigned to the Customer to identify individual users or groups of users.

Authorization Code - A pre-defined series of numbers to be dialed by the Customer upon access to the Company's system to identify the caller and validate the caller's authorization to use the services provided. The Customer is responsible for charges incurred through the use of his or her assigned Authorization Code.

Business Customer - For the purpose of this tariff, a Business Customer is a Customer of the Company whose primary use of the Company's service is for business purposes. A Business Customer is also a Customer who accesses the Company's service using an access line that has been assigned a business class of service by the local service provider.

Company - Bell Atlantic Communications, Inc., unless stated otherwise.

Company's Point of Presence - Location of the serving central office associated with access to the Company's or its underlying carrier's network.

SECTION 1.0 - TECHNICAL TERMS AND ABBREVIATIONS, (Cont'd.)

1.2 Definitions, (cont'd.)

Customer - Any person, firm, partnership, corporation or other entity which subscribes to or uses service under the terms and conditions of this tariff. The Customer is responsible for the payment of charges for service offered by the Company which are subscribed to or used by the Customer. The Customer is also responsible for payment of charges for a third person's use of service to which the Customer subscribes.

Customer Dialed Calling Card - A service whereby the Customer dials all of the digits necessary to route and bill the call to a valid non-BACI calling card or credit card.

Day Rate Period - 8:00 AM to but not including, 5:00 PM Monday through Friday.

Evening Rate Period -5:00 PM to but not including,11:00 PM Sunday through Friday.

Initial And Additional Period - The Initial Period denotes the interval of time allowed at the rate specified for a connection between given service points. The Additional Period denotes the interval of time used for measuring and charging for time in excess of the Initial Period.

LATA - Local access and transport area. A geographic area established by the US District Court for the District of Columbia in Civil Action No. 82-0192.

Night/Weekend Rate Period - 11:00 PM to but not including, 8:00 AM Monday through Friday, all day Saturday and Sunday until 5:00 PM.

Operator Station Call - A service whereby the Customer places a non-Person to Person call with the assistance of an operator (live or automated.)

SECTION 1.0 - TECHNICAL TERMS AND ABBREVIATIONS, (Cont'd.)

1.2 Definitions, (cont'd.)

Person to Person Call - A service whereby the person originating the call specifies a particular person to be reached, or a particular station, room number, department, or office to be reached through a PBX attendant.

Premises - The physical space designated by the Customer for the termination of the Company's service.

Residential Customer - For the purpose of this tariff, a Residential Customer is a Customer of the Company whose primary use of the Company's service is for personal use in a house, apartment or other residential dwelling unit. A Residential Customer is also a Customer who accesses the Company's service using an access line that has not been assigned a business class of service by the local service provider.

Switched Access - A method for reaching the Company through the local service provider's switched network whereby the Customer uses standard business or residential local lines.

Terminal Equipment - Telecommunications devices, apparatus and associated wiring on the Premises of the Customer.

Third Party Billing - A billing arrangement by which the charges for a call may be billed to a telephone number that is different from the calling number and the called number.

SECTION 2.0 - RULES AND REGULATIONS

2.1 Undertaking of Bell Atlantic Communications, Inc.

The Company's service is furnished to Customers for communications originating and terminating within Florida under the terms of this tariff. The Company's service is available twenty-four hours per day, seven days per week.

The Company arranges for installation, operation, and maintenance of the service provided in this tariff for the Customer in accordance with the terms and conditions set forth in this tariff.

2.2 Applicability of Tariff

This tariff is applicable to telecommunications services provided by Bell Atlantic Communications, Inc. within the state of Florida.

SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.3 Payment and Credit Regulations

2.3.1 Service is provided and billed on a monthly basis. Bills are due and payable upon receipt.

2.3.2 The Customer is responsible for payment of all charges for service furnished to or used by the Customer, or the Customer's agents, servant, employees or customers. The Customer is also responsible for payment of charges for a third person's use of service to which the Customer subscribes. All charges due from the Customer are payable to the Company or to the Company's authorized billing agent. Any objections to billed charges must be reported promptly to the Company.

2.3.3 The security of the Customer's Authorization Codes is the responsibility of the Customer. All calls placed using such Authorization Codes shall be billed to and shall be the obligation of the Customer. The Customer shall not be responsible for charges in connection with the unauthorized use of Authorization Codes arising after the Customer notifies the Company of the loss, theft, or other breach of security of such Authorization Codes.

2.3.4 The Company reserves the right to assess a charge whenever a check or draft presented for payment of service is not accepted by the institution upon which it is written.

2.3.5 The Customer shall be responsible for all calls placed by or through Customer's equipment by any person. In particular and without limitation to the foregoing, the Customer is responsible for any calls placed by or through the Customer's equipment via any remote access features. The Customer is responsible for all calls placed via their Authorization Code, whether such use is as a result of the Customer's intentional or negligent disclosure of the Authorization Code or otherwise.

SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.3 Payment and Credit Regulations, (cont'd.)

2.3.6 Deposits

The Company does not require a deposit from the Customer.

2.3.7 Advance Payments

For Customers whom the Company determines an advance payment is necessary, the Company reserves the right to collect an amount not to exceed one (1) month's estimated charges as an advance payment for service. This will be applied against the next month's charges and a new advance payment may be collected for the next month.

2.3.8 Taxes

Company reserves the right to bill any and all applicable taxes in addition to normal long distance usage charges, including, but not limited to: Federal Excise Tax, State Sales Tax, Municipal Taxes, and Gross Receipts Tax. Such taxes will assessed on a pro rata basis and itemized separately on Customer bills.

ISSUED BY: Al Binford, President
1320 N. Courthouse Road, 2nd Floor
Arlington, Virginia 22201
Telephone: (703) 974-5128

SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.4 Refunds or Credits for Service Outages or Deficiencies

2.4.1 Interruption of Service

Credit allowances for interruptions of service which are not due to the Company's testing or adjusting, to the negligence of the Customer or Subscriber, or to the failure of channels, equipment and/or communications systems provided by the Customer or Subscriber, are subject to the general liability provisions set forth in this tariff. It shal! be the obligation of the Customer to notify Company immediately of any interruption in service for which a credit allowance is desired by Customer. Before giving such notice, the Customer shall ascertain that the trouble is not within his or her control, or is not in wiring or equipment, if any, furnished by Customer. Interruptions caused by Customer-provided, Subscriber-provided or Company-provided automatic dialing equipment are not deemed an interruption of service as defined herein since the Customer has the option of using the long distance network via LEC access. For purposes of credit computation every month shall be considered to have 30 days. For services with a monthly recurring charge, no credit shall be allowed for an interruption of continuous duration of less than twenty-four hours. For message rated toll services, credits will be limited to, at maximum, the price of the initial period of individual call that was interrupted.

The Customer shall be credited for an interruption of one day (24 hours) or more at the rate of 1/30th of the monthly charge for the services affected for each day that the interruption continues.

Credit Formula:

Credit = A/30 x B

A = outage time in days
B = total monthly charge for affected service.

SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.5 Liability of the Company

2.5.1 The liability of the Company for damages of any nature arising from errors, mistakes, omissions, interruptions, or delays of the Company, its agents, servants, or employees, in the course of establishing, furnishing, rearranging, moving, terminating, or changing the service or facilities or equipment shall not exceed an amount equal to the charges applicable under this tariff (calculated on a proportionate basis where appropriate) to the period during which such error, mistake, omission, interruption or delay occurs.

2.5.2 In no event shall the Company be liable for any incidental, indirect, special, or consequential damages (including, but not limited to, lost revenue or profits) of any kind whatsoever regardless of the cause or foreseeability thereof.

2.5.3 When the services or facilities of other common carriers are used separately or in conjunction with the Company's facilities or equipment in establishing connection to points not reached by the Company's facilities or equipment, the Company shall not be liable for any act or omission of such other common carriers or their agents, servants or employees.

2.5.4 The Company shall not be liable for any failure of performance hereunder if such failure is due to any cause or causes beyond the reasonable control of the Company. Such causes shall include, without limitation, acts of God, fire, explosion, vandalism, cable cut, storm or other similar occurrence, any law, order, regulation, direction, action or request of the United States government or of any other government or of any civil or military authority, national emergencies, insurrections, riots, wars, strikes, lockouts or work stoppages or other labor difficulties, supplier failures, shortages, breaches or delays, or preemption of existing service to restore service in compliance with state and federal law.

2.5.5 The Company shall not be liable for interruptions, delays, errors, or defects in transmission, or for any injury whatsoever, caused by the Customer, or the Custor r's agents, servants, employees, or customers, or by facilities or equipment provided by the Customer.

SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.6 Liability of the Customer

The Customer shall indemnify, lefend and hold harmless the Company (including the costs of litigation and reasonable attorney's fees) against:

(i) Claims for libel, slander, infringement of copyright or unauthorized use of any trademark, trade name or service mark arising out of the material, data, information, or other content transmitted over the Company's facilities or equipment; and

(ii) Claims for patent infringement arising from combining or connecting the Company's facilities or equipment with facilities, equipment, apparatus or systems of the Customer; and

(iii) All other claims (including, without limitation, claims for damage to any business or property, or injury to, or death of, any person) arising out of any act or omission of the Customer, or the Customer's agents, servants, employees, or customers, in connection with any service or facilities or equipment provided by the Company.

SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.7 Discontinuance and Restoration of Service

Service continues to be provided until canceled by the Customer or until canceled by the Company as set forth below. The Company may render bills subsequent to the termination of service for charges incurred before termination. The Customer will pay such bills in full in accordance with the payment terms of this tariff.

2.7.1 Service may be suspended by the Company, without notice to the Customer, by blocking traffic to certain cities or NXX exchanges, or by blocking calls using certain Customer travel cards when the Company deems it necessary to take such action to prevent unlawful use of its service. BACI will restore services as soon as it can be provided without undue risk, and will upon request by the Customer, assign new travel card codes to replace ones that have been deactivated.

2.7.2 Cancellation by the Customer

The Customer may have service discontinued upon written or verbal notice to the Company. The Customer shall pay the Company for service furnished until the cancellation date specified by the Customer or until the date that the written cancellation notice is received, whichever is later.

2.7.2 Cancellation by the Company

(i) For Nonpayment: The Company, by written notice to the Customer and in accordance with applicable law, may discontinue service or cancel an application for service without incurring any liability when there is an unpaid balance for service that is more than 60 days overdue.

(ii) For Returned Checks: The Customer whose check or draft is returned unpaid for any reason, after two attempts at collection, shall be subject to discontinuance of service in the same manner as provided for nonpayment of overdue charges.

SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.7 Discontinuance and Restoration of Service, (cont'd.)

2.7.2 Cancellation by the Company, (cont'd.)

(iii) For Lack of Use: The Company, by written notice to the Customer, may discontinue service in the same manner as provided for nonpayment of overdue charges if after three full billing cycles the service has not been used.

(iv) For violation of law or this tariff: Except as provided in this tariff, the Customer shall be subject to discontinuance of service, without notice, for any violation of terms of this tariff, for any violation of any law, rule, regulation, order, decree or policy of any government authority of competent jurisdiction, or by reason of any order or decision of a court or other government authority having jurisdiction which prohibits the Company from furnishing such service or prohibits Customer from subscribing to, using, or paying for such service.

(v) For the Company to comply with any order or request of any governmental authority having jurisdiction: The Customer shall be subject to discontinuance of service, without notice, in order to permit the Company to comply with any order or request of any governmental authority having jurisdiction.

(vi) For unauthorized or unlawful use of Travel Card numbers and Authorization Codes: Travel Card Numbers and Authorization Codes are issued by the Company only to the Customer and may not be sold or otherwise distributed without the written consent of the Company. Any unauthorized or unlawful use of such numbers or Authorization Codes shall result in the immediate termination of service without notice.

ISSUED BY: Al Binford, President
1320 N. Courthouse Road, 2nd Floor
Arlington, Virginia 22201
Telephone: (703) 974-5128

SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.7 Discontinuance and Restoration of Service, (cont'd.)

2.7.3 Notice o. Discontinuance

BACI may refuse or discontinue service under the following conditions provided that, unless otherwise stated, the Customer shall be given 15 days notice to comply with any rule or remedy any deficiency:

(A) For non-compliance with or violation of any State, municipal, or Federal law, ordinance or regulation pertaining to telephone service.

(B) For use of telephone service for any purpose other than that described in the application.

(C) For neglect or refusal to provide reasonable access to BACI or its agents for the purpose of inspection and maintenance of equipment owned by BACI or its agents.

(D) For noncompliance with or violation of Commission regulation or BACI's rules and regulations on file with the Commission, provided five (5) working days' written notice is given before termination.

(E) For nonpayment of bills, provided that suspension or termination of service shall not be made without five (5) days written notice to the Customer, except in extreme cases. Such notice will be provided in a mailing separate from the customer's regular monthly bill for service.

(F) Without notice in the event of Customer or Authorized User use of equipment in such a manner as to adversely affect BACI's equipment or service to others.

SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.7 Discontinuance and Restoration of Service, (cont'd.)

2.7.3 Notice of Discontinuance, (cont'd.)

(G) Without notice in the event of tampering with the equipment or services owned by BACI or its agents.

(H) Without notice in the event of unauthorized or fraudulent use of service. Whenever service is discontinued for fraudulent use of service, BACI may, before restoring service, require the Customer to make, at his or her own expense, all changes in facilities or equipment necessary to eliminate illegal use and to pay an amount reasonably estimated as the loss in revenues resulting from such fraudulent use.

(I) Without notice by reason of any order or decision of a court or other government authority having jurisdiction which prohibits Company from furnishing such services.

2.7.4 Restoration of Service

If service has been discontinued for nonpayment or as otherwise provided herein and the Customer wishes it continued, service shall, at the Company's discretion, be restored when all past due amounts are paid or the event giving rise to the discontinuance (if other than nonpayment) is corrected.

ISSUED BY: Al Binford, President
1320 N. Courthouse Road, 2nd Floor
Arlington, Virginia 22201
Telephone: (703) 974-5128

SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.8 Application for Service

The Company reserves the right to require Customers to make application(s) for service in writing using forms provided by the Company. Upon acceptance of an application for service by the Company, all applicable provisions in the Company's tariffs, as amended from time-to-time which are lawfully on file, become the agreement for service between the Company and the Customer. Requests for additional service and changes to service, upon acceptance by the Company, become a part of the agreement for service, provided that each item of additional service shall be subject to the applicable minimum term of service. Acceptance or use of service offered by the Company shall be deemed an application for such service and an agreement by the Customer to subscribe to, use, and pay for such service in accordance with the applicable tariffs of the Company, as amended from time to time, which are lawfully on file. Any change in rates or other tariff provisions which are lawfully made shall be deemed to modify all agreements for service affected by such changes without further notice by Company to the Customer.

ISSUED BY:

Al Binford, President
1320 N. Courthouse Road, 2nd Floor
Arlington, Virginia 22201
Telephone: (703) 974-5128

SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.9 Limitations of Service

2.9.1 Service is offered subject to the availability of the necessary facilities and/or equipment and subject to the provisions of this tariff. The Company may decline applications for service to or from a location where the necessary facilities or equipment are not available. The Company may discontinue furnishing service in accordance with the terms of this tariff.

2.9.2 The Company reserves the right to discontinue or limit service when necessitated by conditions beyond its control (examples of these conditions are more fully set forth elsewhere in this tariff), or when service is used in violation of provisions of this tariff or the law.

2.9.3 The Company does not undertake to transmit messages, but offers the use of its service when available, and, as more fully set forth elsewhere in this tariff, shall not be liable for errors in transmission or for failure to establish connections.

2.9.4 The Company reserves the right to refuse to process Third Party Billed calls when the billed party and/or standard validation techniques do not confirm acceptance, or based on characteristics of the originating location.

2.9.5 The Company reserves the right to refuse to process Travel Card billed calls when authorization for use of the card cannot be validated.

2.9.6 The Company reserves the right to discontinue service, limit service, or to impose requirements as required to meet changing regulatory or statutory rules and standards, or when such rules and standards have an adverse material affect on the business or economic feasibility of providing service, as determined by the Company in its reasonable judgment.

2.9.7 Service is offered subject to restrictions imposed upon the Company by any authority having authority over the Company's provision of service.

SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.10 Use of Service

2.10.1 Service may be used for any lawful purpose for which it is technically suited. Customers who resell or rebill BACI's Florida intrastate service must have a Certificate of Public Convenience and Necessity as an interexchange carrier from the Florida Public Service Commission.

2.10.2 The Customer obtains no property right or interest in the use of any specific type of facility, service, equipment, number, process, or code. All right, title and interest to such items remain, at all times, solely with the Company or its underlying carrier, as appropriate.

2.10.3 Recording of telephone conversations of service provided by the Company under this tariff is prohibited except as authorized by applicable federal, state and local laws.

2.11 Assignment or Transfer

The Customer may not transfer or assign the use of service offered by the Company without the express prior written consent of the Company. Such transfer or assignment shall only apply where there is no interruption of the use or location of service. All terms and conditions contained in this tariff shall apply to all such permitted transferees or assignees, as well as all conditions of service.

SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.12 Employee Concessions

[Reserved for future use

2.13 Interconnection

2.13.1 Service furnished by the Company may be interconnected with services or facilities of other authorized communications common carriers and with private systems, subject to technical limitations established by the Company. Service furnished by the Company is not part of a joint undertaking with such other common carriers or systems. The Company does not undertake to provide any special facilities, equipment, or services to enable the Customer to interconnect the facilities or the equipment of the Company with services or facilities of other common carriers or with private systems.

2.13.2 Interconnection with the services or facilities of other common carriers shall be under the applicable terms and conditions of this tariff and the other common carrier's tariffs.

2.13.3 The Customer shall ensure that the facilities or equipment provided by the Customer are properly interconnected with the facilities or equipment of the Company. If the Customer maintains or operates the interconnected facilities or equipment in a manner which results or may result in harm to the Company's facilities, equipment, personnel, or the quality of service, the Company may, upon written notice, require the use of protective equipment at the Customer's expense. If this written notice fails to eliminate the actual or potential harm, the Company may, upon written notice, terminate the existing service of the Customer.

ISSUED BY: Al Binford, President
1320 N. Courthouse Road, 2nd Floor
Arlington, Virginia 22201
Telephone: (703) 974-5128

SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.14 Terminal Equipment

Company's facilities and service may be used with or terminated in Customer-provided terminal equipment or systems, such as PBXs, key systems, multiplexers, repeaters, signaling sets, teleprinters, handsets, or data sets. Such terminal equipment shall be furnished and maintained at the expense of the Customer, except as otherwise provided in this tariff or by contract between the Customer and the Company. The Customer is responsible for all costs at his or her premises, including personnel, wiring, electrical power, and the like, incurred in the use of Company's service. When such terminal equipment is used, the equipment shall comply with applicable rules and regulations of the Federal Communications Commission, including, but not limited to, Part 68. In addition equipment must comply with generally accepted minimum protective criteria standards and engineering requirements of the telecommunications industry which are not barred by the Federal Communications Commission.

2.15 Applicable Law

This tariff shall be subject to and construed in accordance with Florida law.

2.16 Minimum Service Period

The minimum service period is one month (30 days), unless otherwise specified by tariff or contract.

2.17 Local Charges and Cellular Air Time Charges

In certain instances, the Customer may be subject to local exchange company charges or message unit charges or to cellular company air time charges to access the Company's network or to terminate intrastate calls. The Company shall not be responsible for any such local charges incurred by the Customer in gaining access to the Company's network.

SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.18 Special Conditions Applicable to Operator Services

2.18.1 Subscribers must place a notice on or near each instrument that provides transient access to BACI's operator services. The notice will be provided by Bell Atlantic Communications, Inc. unless contractual agreement transfers the requirement to the call aggregator (as is frequently the case for LEC-provided public or semi-public service.) In all cases the notice will include the following information, customized for the individual installation:

(A) InterLATA operator service is provided by Bell Atlantic Communications, Inc.

(B) Per Call Service Charges: [as per product description and rate described elsewhere in this tariff]

(C) Calls may be billed to [list accepted credit/calling cards].

(D) Please consult the local telephone company directory or local telephone company operator for intraLATA dialing instructions and rates.

(E) To place an interLATA call dial [access code where applicable] + 0 + area code + interLATA telephone number.

(F) The establishment surcharge for Local Calls is: $X.XX/X% (to be billed by establishment).

(G) The establishment surcharge for Long Distance Calls is: $X.XX/X% (to be billed by establishment).

(H) BACI's interLATA rates may be obtained by dialing [the toll free number provided by BACI].

When the premises equipment functions differently than stated above, the tent card or sticker will be modified to reflect the actual dialing pattern.

SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.18 Special Conditions Applicable to Operator Services, (cont'd.)

2.18.2 Any applicable surcharges billed at check out time by a hotel/motel Subscriber for local or long distance calls must also be stated on the tent card. Subscriber surcharges will not be billed on telephone bills by BACI.

2.18.3 So long as Florida Rules require, IntraLATA "0+" calls and all "0-" (zero minus) calls will be routed to the local exchange carrier Where the capability exists, the local exchange carrier will route 0- interLATA calls to the presubscribed carrier of the access line. In all other cases the local carrier will route 0- interLATA calls as determined by applicable state and federal laws.

2.18.4 Calls handled and billed by Bell Atlantic Communications, Inc. will be audibly and distinctly branded "Bell Atlantic Communications" at the beginning and end of the operator treatment portion of the call and prior to the commencement of billing. Callers may disconnect from the call after the brand and prior to connection without incurring any call charges.

2.19 Other Rules

2.19.1 BACI reserves the right to validate the credit worthiness of Customers or Authorized Users through available verification procedures. Where a travel card code cannot be validated, the Customer may be required to provide an acceptable alternate billing method or the Carrier may refuse to place the call.

2.19.2 The Company reserves the right to discontinue service, limit service, or to impose requirements on Customers as required to meet changing regulations, rules or standards of the FPSC.

SECTION 3.0 - DESCRIPTION OF SERVICE, (Cont'd.)

3.2 Calculation of Distance

Usage charges for all mileage sensitive services are based on the airline distance between the rate center locations associated with the originating and terminating points of the call.

The distance between the originating and terminating points is calculated by using the "V" and "H" coordinates of the applicable rate centers as defined by BellCore (Bell Communications Research), in the following manner:

Step 1 - Obtain the "V" and "H" coordinates for the rate center of the originating and the destination points.

Step 2 - Obtain the difference between the "V" coordinates of each of the rate centers. Obtain the difference between the "H" coordinates.

Step 3 - Square the differences obtained in Step 2.

Step 4 - Add the squares of the "V" difference and "H" difference obtained in Step 3.

Step 5 - Divide the sum of the square obtained in Step 4 by ten (10). Round to the next higher whole number if any fraction results from the division.

Step 6 - Obtain the square root of the whole number obtained
in Step 5. Round to the next higher whole number if any fraction is obtained. This is the distance between the originating and terminating rate centers of the call.

Formula:

$$\sqrt{\frac{(V_1-V_2)^2+(H_1-H_2)^2)}{10}}$$

SECTION 3.0 - DESCRIPTION OF SERVICE, (Cont'd.)

3.2 Calculation of Distance, (Cont'd.)

EXAMPLE: Distance between Miami and New York City -

	V	H
Miami:	8,351	529
New York:	4,997	1,406
Difference:	3,354	-877

Square and add: $11{,}249{,}316 + 769{,}129 = 12{,}018{,}445$

Divide by 10: $12{,}018{,}445 / 10 = 1{,}201{,}844.5$

Round up: 1,201,845

Take square root: $\sqrt{1{,}201{,}845} = 1{,}096.3$

Round up: 1,097 miles

ISSUED BY: Al Binford, President
1320 N. Courthouse Road, 2nd Floor
Arlington, Virginia 22201
Telephone: (703) 974-5128

SECTION 3.0 - DESCRIPTION OF SERVICE, (Cont'd.)

3.3 Timing of Calls

Billing for calls placed over the network is based in part on the duration of the call.

3.3.1 Timing for all calls begins when the called party answers the call (i.e. when two way communications are established.) Answer detection is based on standard industry answer detection methods, including hardware and software answer detection.

3.3.2 Chargeable time for all calls ends when one of the parties disconnects from the call.

3.3.3 Minimum call duration for billing purposes is one minute unless otherwise specified in the individual rate schedules of this tariff.

3.3.4 Calls are measured and billed in one minute increments unless otherwise indicated in this tariff. A fractional minute is rounded up to a full minute.

3.3.5 There is no billing applied for incomplete calls.

ISSUED BY: Al Binford, President
1320 N. Courthouse Road, 2nd Floor
Arlington, Virginia 22201
Telephone: (703) 974-5128

SECTION 3.0 - DESCRIPTION OF SERVICE, (Cont'd.)

3.4 Time-Of-Day Rate Periods

The following time-of-day and day-of-week rate periods are applicable to all calls. Evening rates shall apply to all calls placed on the Company's recognized Holidays except when a lower rate would normally apply.

DAY RATE PERIOD	8:00 AM to 5:00* PM Monday through Friday
EVENING RATE PERIOD	5:00 PM to 11:00* PM Sunday through Friday
NIGHT/WEEKEND RATE PERIOD	11:00 PM to 8:00* AM Monday through Friday, all day Saturday and Sunday until 5:00 PM

* to, but not including

Calls are billed based on the rate in effect for the actual time-of-day rate period(s) during which the call occurs. Calls that cross rate period boundaries are billed the rate in effect in that boundary for each portion of the call.

Other Rate Periods

Peak:	Daytime Rate Period, per above.
Off Peak:	All other days and hours, including Holidays, which are not included in Daytime Rate Period above.

Holiday Rates

Calls on the following Company-recognized Holidays are rated at the Evening Rate Period or Off-Peak Rate Period rate unless a lower rate would normally apply.

New Year's Day**	Labor Day	Christmas Day**
Independence Day**	Thanksgiving Day	Martin Luther King Day*
Presidents' Day*	Memorial Day*	Columbus Day*
Veterans' Day**		

*- Applies to Federally observed day only.
**- When this holiday falls on Sunday, the Holiday rate applies on the following Monday. When this holiday falls on a Saturday, the Holiday rate applies to calls placed on the preceding Friday.

ISSUED BY: Al Binford, President
1320 N. Courthouse Road, 2nd Floor
Arlington, Virginia 22201
Telephone: (703) 974-5128

SECTION 3.0 - DESCRIPTION OF SERVICE, (Cont'd.)

3.6 Directory Assistance

A Directory Assistance charge appl :s per call to all intrastate calls made to directory assistance from points within the State of Florida.

3.7 Basic Toll Service

3.7.1 General Description

Basic Toll Service is offered to residential and Business Subscribers. Basic toll service utilizes Customer-provided switched access lines.

Calls are billed in one minute increments after an initial minimum call duration of one (1) minute. Any fractional minute is rounded up to a full minute. There is no minimum monthly billing.

3.7.2 Rates Regulations

The Customer is charged for actual usage for each call. Rates are based on the time of day rate period during which the call takes place, the mileage of the call and the duration.

ISSUED BY: Al Binford, President
1320 N. Courthouse Road, 2nd Floor
Arlington, Virginia 22201
Telephone: (703) 974-5128

SECTION 3.0 - DESCRIPTION OF SERVICE, (Cont'd.)

3.8 Operator Services

Operator Services allow Customers to place calls using operator assistance for call completion or billing.

Usage charges and an appropriate service charge will be assessed on a per call basis. For calls made using a telephone company card or a commercial credit card, acceptance of the card will be dependent upon the Carrier's ability to verify the card as valid. Only those cards accepted by the Carrier may be used for Operator Services. The Company reserves the right to verify acceptance of charge prior to billing charges to a third party number.

3.8.1 Service Charge

A per-call service charge applies in addition to the per minute usage rates when applicable. The service charge applies in all rate periods.

ISSUED BY: Al Binford, President
1320 N. Courthouse Road, 2nd Floor
Arlington, Virginia 22201
Telephone: (703) 974-5128

SECTION 3.0 - DESCRIPTION OF SERVICE, (Cont'd.)

3.8 Operator Services, (cont'd.)

3.8.2 Operator Dialed Surcharge

This surcharge applies in addition to usage charges and per call service charges for calls billed to other than a calling card when the Customer could dial the digits necessary to route and bill the calls, but elects to have the Company's operator do so instead.

APPLICATION OF OPERATOR DIALED SURCHARGE TYPE OF CALL	OPERATOR SERVICE CHARGE	OPERATOR DIALED SURCHARGE
Dial Station (customer dialed 1+)	No	No
Customer Dialed Calling Card Station (0+)	Yes	No
Operator Station (customer dialed 0+) collect, billed to a third number	Yes	No
Operator Station (operator dialed 0-) collect, billed to third number, sent paid	Yes	Yes
Operator Dialed Calling Card Station (operator dialed 0-) billed to a calling card	Yes	No
Person to Person (customer dialed 0+) collect, billed to third number, calling card, sent paid	Yes	No
Person to Person (operator dialed 0-) collect, billed to third number, sent paid	Yes	Yes
Person to Person (operator dialed 0-) billed to a calling card	Yes	No

SECTION 4.0 - RATES

4.1 General

Each Customer is charged individually for each call placed through the Company. Charges are comput d on an airline mileage basis as described in Section 3.2 of this tariff.

Charges may vary by service offering, mileage band, class of call, time of day, day of week, call duration, and/or volume and term commitment.

Customers are billed based on their use of BACI's long distance service.

SECTION 4.0 - RATES, (Cont'd.)

4.2 Exemptions and Special Rates

4.2.1 Discounts for Heari g Impaired Customers

A telephone toll message which is communicated using a telecommunications device for the deaf (TDD) by properly certified hearing or speech impaired persons or properly certified business establishments or individuals equipped with TDDs for communicating with hearing or speech impaired persons will receive, upon request, credit on charges for certain intrastate toll calls placed between TDDs. The credit to be given on a subsequent bill for such calls placed between TDDs will be equal to applying the evening rate during business day hours and night/weekend rate during evening and night/weekend hours. Discounts do not apply to per call add-on charges for services when the call is placed by a method that would normally incur the surcharge.

4.2.2 Emergency Call Exemptions

The following calls are exempted from all charges: Emergency calls to recognizable authorized civil agencies including police, fire, ambulance, bomb squad and poison control. BACI will only handle these calls if the caller dials all of the digits to route and bill the call. Credit will be given for any billed charges pursuant to this exemption on a subsequent bill after verified notification by the billed Customer within thirty (30) days of billing.

4.2.3 Directory Assistance Charges for Handicapped Persons

Presubscribed residential Customers or authorized users of Customers' services who are certified as handicapped are exempt from applicable Directory Assistance charges for the first 50 directory assistance calls per month.

4.2.4 Telecommunications Relay Service Rates

For toll calls received from the relay service, call charges shall be discounted by 50% from the otherwise applicable usage rate for a voice nonrelay call, except that whe-- the calling or called party indicates that either party is both hearing and visually impaired, the call shall be discounted 60 percent.

SECTION 4.0 - RATES, (Cont'd.)

4.3 Late Payment Charge and Cost of Collection

A late fee of 1.5% per month, or the maximum rate allowed by law (whichever is lower) will be charged on any Company-billed past due balance. In the event that the Company incurs fees or expenses, including attorney's fees, collecting or attempting to collect, any charges owed to the Company, the Company may charge the Customer all such fees and expenses reasonably incurred, and the Customer will pay such fees.

4.4 Return Check Charge

A return check charge of $15.00 will be assessed for checks returned for insufficient funds. Any applicable return check charges will be assessed according to the terms and conditions of the billing entity (i.e. local exchange company and/or commercial credit card company) and pursuant to Florida law and FPSC regulations.

SECTION 4.0 - RATES, (Cont'd.)

4.5 Directory Assistance

Per call to directory assistance: $0.65

SECTION 4.0 - RATES, (Cont'd.)

4.6 Basic Toll Service

Usage Rates Per Minute:

InterLATA

Mileage	Day Rate Period		Evening Rate Period		Night/Weekend Rate Period	
	Initial Period	Add'l Period	Initial Period	Add'l Period	Initial Period	Add'l Period
0-10	$.1800	$.1800	$.1300	$.1300	$.1100	$.1100
11-22	$.2000	$.2000	$.1500	$.1500	$.1200	$.1200
23-55	$.2300	$.2300	$.1700	$.1700	$.1300	$.1300
56-124	$.2500	$.2500	$.1700	$.1700	$.1400	$.1400
125-292	$.2600	$.2600	$.1800	$.1800	$.1400	$.1400
293-430	$.2600	$.2600	$.1900	$.1900	$.1500	$.1500
431+	$.2600	$.2600	$.1900	$.1900	$.1500	$.1500

IntraLATA

Mileage	Day Rate Period		Evening Rate Period		Night/Weekend Rate Period	
	Initial Period	Add'l Period	Initial Period	Add'l Period	Initial Period	Add'l Period
0-10	$.1800	$.1800	$.1300	$.1300	$.1100	$.1100
11-22	$.2000	$.2000	$.1500	$.1500	$.1200	$.1200
23-55	$.2300	$.2300	$.1700	$.1700	$.1300	$.1300
56-124	$.2500	$.2500	$.1700	$.1700	$.1400	$.1400
125-292	$.2600	$.2600	$.1800	$.1800	$.1400	$.1400

SECTION 4.0 - RATES, (Cont'd.)

4.7 Operator Services

4.7.1 Usage Charges

Customer Dialed Calling Card Call

Mileage	Day Rate Period		Evening Rate Period		Night/Weekend Rate Period	
	Initial Period	Add'l Period	Initial Period	Add'l Period	Initial Period	Add'l Period
0-10	$.1800	$.1800	$.1300	$.1300	$.1100	$.1100
11-22	$.2000	$.2000	$.1500	$.1500	$.1200	$.1200
23-55	$.2300	$.2300	$.1700	$.1700	$.1300	$.1300
56-124	$.2500	$.2500	$.1700	$.1700	$.1400	$.1400
125-292	$.2600	$.2600	$.1800	$.1800	$.1400	$.1400
293-430	$.2600	$.2600	$.1900	$.1900	$.1500	$.1500
431+	$.2600	$.2600	$.1900	$.1900	$.1500	$.1500

SECTION 4.0 - RATES, (Cont'd.)

4.7 Operator Services, (cont'd.)

4.7.1 Usage Charges, (cont'd.)

Operator Station Call

Mileage	Day Rate Period		Evening Rate Period		Night/Weekend Rate Period	
	Initial Period	Add'l Period	Initial Period	Add'l Period	Initial Period	Add'l Period
0-10	$.1800	$.1800	$.1300	$.1300	$.1100	$.1100
11-22	$.2000	$.2000	$.1500	$.1500	$.1200	$.1200
23-55	$.2300	$.2300	$.1700	$.1700	$.1300	$.1300
56-124	$.2500	$.2500	$.1700	$.1700	$.1400	$.1400
125-292	$.2600	$.2600	$.1800	$.1800	$.1400	$.1400
293-430	$.2600	$.2600	$.1900	$.1900	$.1500	$.1500
431+	$.2600	$.2600	$.1900	$.1900	$.1500	$.1500

SECTION 4.0 - RATES, (Cont'd.)

4.7 Operator Services, (cont'd.)

4.7.1 Usage Charges, (cont'd.)

Person to Person Call

Mileage	Day Rate Period		Evening Rate Period		Night/Weekend Rate Period	
	Initial Period	Add'l Period	Initial Period	Add'l Period	Initial Period	Add'l Period
0-10	$.1800	$.1800	$.1300	$.1300	$.1100	$.1100
11-22	$.2000	$.2000	$.1500	$.1500	$.1200	$.1200
23-55	$.2300	$.2300	$.1700	$.1700	$.1300	$.1300
56-124	$.2500	$.2500	$.1700	$.1700	$.1400	$.1400
125-292	$.2600	$.2600	$.1800	$.1800	$.1400	$.1400
293-430	$.2600	$.2600	$.1900	$.1900	$.1500	$.1500
431+	$.2600	$.2600	$.1900	$.1900	$.1500	$.1500

ISSUED BY: Al Binford, President
1320 N. Courthouse Road, 2nd Floor
Arlington, Virginia 22201
Telephone: (703) 974-5128

SECTION 4.0 - RATES, (Cont'd.)

4.7 Operator Services, (cont'd.)

4.7.1 Usage Charges, (cont'd.)

Operator Dialed Calling Card Station Call

Mileage	Day Rate Period		Evening Rate Period		Night/Weekend Rate Period	
	Initial Period	Add'l Period	Initial Period	Add'l Period	Initial Period	Add'l Period
0-10	$.1800	$.1800	$.1300	$.1300	$.1100	$.1100
11-22	$.2000	$.2000	$.1500	$.1500	$.1200	$.1200
23-55	$.2300	$.2300	$.1700	$.1700	$.1300	$.1300
56-124	$.2500	$.2500	$.1700	$.1700	$.1400	$.1400
125-292	$.2600	$.2600	$.1800	$.1800	$.1400	$.1400
293-430	$.2600	$.2600	$.1900	$.1900	$.1500	$.1500
431+	$.2600	$.2600	$.1900	$.1900	$.1500	$.1500

SECTION 4.0 - RATES, (Cont'd.)

4.7 Operator Services, (cont'd.)

4.7.2 Operator Service Charges

	Per Call
Customer Dialed Calling Card	$0.80
Operator Dialed Calling Card	$1.00
Operator Station	$1.00
Person to Person	$2.50
Operator Dialed Surcharge	$0.75

ISSUED BY: Al Binford, President
1320 N. Courthouse Road, 2nd Floor
Arlington, Virginia 22201
Telephone: (703) 974-5128

SECTION 5 - PROMOTIONS

5.1 Promotions - General

From time to time the Company shall, at its option, promote subscription or stimulate network usage by offering to waive some or all of the nonrecurring or recurring charges for the Customer (if eligible) of target services for a limited duration. Such promotions shall be made available to all similarly situated Customers in the target market area.

These promotions will be approved by the FPSC with specific starting and ending dates with promotions running under no circumstances longer than 90 days in any twelve month period.

5.2 Demonstration of Calls

From time to time the Company shall demonstrate service by providing free test calls of up to four minutes duration over its network.

ATTACHMENT III

RESUMES

MANAGEMENT HISTORY AND PROFILES OF KEY PERSONNEL

ALFRED G. BINFORD, President

Mr. Binford brings to this position over a decade of successful long distance marketing expertise. Prior to his current assignment as President of Bell Atlantic Communications, Inc., he served as Vice President of Corporate Marketing for Bell Atlantic since 1994. In that assignment, Mr. Binford was responsible for all Bell Atlantic's Corporate Advertising, Creative Services, Business Research, Competitive Response and Product and Marketing Development Process Leadership. From 1983 until joining Bell Atlantic in 1994, he held various positions with AT&T, including Regional Operations Manager, Executive Assistant to the Sales Vice President and Division Manager. Mr. Binford holds a BS degree in Business Management and Economics from State University of New York and MBA in Marketing from Fairleigh Dickinson University in New Jersey.

MICHAEL NOONAN, Chief Financial Officer

Michael Noonan joined the Bell Atlantic Communications team after leaving Hughes Electronics Corporation, where he served as Marketing Manager and, earlier, as Manager - Financial Analysis. Between his assignments at Hughes, Mr. Noonan held the position of Manager, Pricing and Competition with GTE Personal Communications Services from 1993 to 1994. He also brings to the company his experience as a Financial Analyst for Chrysler Corporation (1986-1987) and Bell Atlantic (1985-1986). Mr. Noonan earned an MBA at Wharton School, an MS in Electrical Engineering at California State University and a BA in Physics at University of Virginia.

MARK W. ADAMS, Senior Manager of Residential Marketing and Product Line Management

Mark Adams brings fifteen years of experience to his new position with Bell Atlantic Communications, Inc. Prior to joining BACI, Mr. Adams served as Senior Market Manager of Consumer Toll Services for Bell Atlantic. His earlier experience includes consumer marketing and product development assignments with MCI (1991-1994); External Affairs and Regulatory Matters for Bell Atlantic NSI (1987-1991); Staff Manager - Corporate Accounting and Finance, Revenue Requirements at US West (1983-1987) and Assistant Staff Manager - Regulatory and Public Affairs with C&P Telephone Company (1981-1983). Mr. Adams holds a BA in Business Management from Radford University and is currently working towards an MBA at Marymount University.

MANAGEMENT HISTORY AND
PROFILES OF KEY PERSONNEL, (cont'd)

MICHAEL L. PITTS, General Manager - Long Distance Strategic Planning and Development

When Michael Pitts joined Bell Atlantic Communications, Inc., he left AT&T, where he held a number of management and sales positions. Most recently, Mr. Pitts was General Manager-Business Development and Marketing for AT&T Connect 'N Save, where he was responsible for developing marketing strategies, business management and management of customer acquisition for new residential long distance services. Over the course of his career, he also served as Product Manager-International Business Card, Staff Manager-Strategic Planning, Staff Manager-Competitive Analysis and Strategy Development and Product Marketing Manager (AT&T Microelectronics.) Mr. Pitts holds an MBA from Rutgers Graduate College of Management and a BA in Microbiology and Economics from Rutgers.

ALLAN M. ZENDLE, Chief Information Officer

Allan Zendle joins Bell Atlantic Communications, Inc. from MCI Telecommunications Corporation where he most recently served as Director, Global Systems Planning and Engineering. During his career with MCI (from 1984 to 1995), Mr. Zendle also held Director positions in Network Management, Data Services and Operations Support and management positions in Product Planning and Network Services Planning. Prior to MCI, he worked for Telesaver, Inc., Control Data Corporation, and the U.S. Department of Agriculture. Mr. Zendle holds a BS in Psychology from Frostburg University and a BA in Business Administration and Political Science from University of Maryland.

JAMES R. HARVEY, Manager Tariffs and Regulatory Matters
Jim Harvey brings over 17 years of expertise to his position with Bell Atlantic Communications, Inc. Prior to joining this new venture, Mr. Harvey was Manager of Interstate Rates and Tariffs (1994-1995) and Manager of Interstate Earnings and Financial Reporting (1991-1994) for Bell Atlantic. But his telephony career began in 1978 with Southern New England Telephone Company in Connecticut. For SNET, Mr. Harvey was Staff Manager - Separations (1984-1991), Staff Assistant - Service Cost Methods (1980-1983), and Staff Assistant - Service Costs Terminal Equipment (1978-1980.) Prior to joining SNET, Mr. Harvey served as a legislative analyst for Rockwell International Corporation. His educational credentials include a BA in Economics from Yale University as well as completion of the Executive Development MBA program at the UC Kellogg Graduate School of Management at Northwestern University.

ATTACHMENT IV

FINANCIAL STATEMENTS

Bell Atlantic Communications, Inc. is a new enterprise which has not conducted any business to date. BACI will be capitalized by its parent company. After capitalization, financial statements will be available. In support of the company's financial ability to provide the proposed services, the Applicant offers the most recent annual report and financial disclosure statements of its parent company, Bell Atlantic Corporation, who will fund the capitalization of Bell Atlantic Communications, Inc.

@ Bell Atlantic

Q u a r t e r l y

Bulletin

2nd Quarter 1995

July 20, 1995

Peter D. Crawford
Executive Director
215 963 6123

Douglas R. Wilburne
Director
215 963 6097

Kevin R. Tarrant
Manager
215 963 6243

Kerry I. Higgins
Assistant Manager
215 963 6122

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For changes to the Bulletin mailing list, please call us on 215 963 6333.

Written correspondence should be addressed to

Bell Atlantic Corporation
Investor Relations Department
1717 Arch Street
31 W
Philadelphia, PA 19103
215 963 6333
Fax 215 963 6470

Internet
Bell Atlantic CyberLibrary
http://www.bell-atl.com

IR/SS Home Page
http://www.bell-atl.com/invest/

Strong Earnings Growth Continues at Bell Atlantic

Supported by healthy volumes in network services and growing profitability in cellular operations, second quarter 1995 earnings at Bell Atlantic Corporation (NYSE: BEL) grew 7.4 percent, to $1.02 per share from $.95 in the second quarter of 1994. Net income increased 7.7 percent, to $447.1 million from $415.4 million in the same period of 1994.

After adjusting for the favorable impact of changes in the exchange rate of the peso on Bell Atlantic's ownership share of the estimated dollar-denominated debt of Grupo Iusacell, Mexico's largest independent cellular provider, earnings per share for the second quarter of 1995 were $1.01, a 6.3 percent increase compared with the year-ago result. Adjusted net income for the period was $441.9 million, up 6.4 percent.

Highlights of second quarter financial results, excluding the effect of substantial 1994 downsizing of financial services and other non-core businesses, were:

- Operating income of $853.8 million, an increase of 7.6 percent over second quarter 1994 results.
- Operating cash flow (EBITDA) growth of 7.2 percent,
- And an increase in operating revenues of 5.6 percent.

"We are squarely on track to achieve our key financial and operating objectives for the year," said Raymond W. Smith, Bell Atlantic chairman and chief executive officer. "Effective cost controls and strong business volumes in our network and wireless businesses are clearly evident in the results for the second quarter. Particularly noteworthy is our strong showing in wireless, which bodes very well for our newly lau ed joint venture, Bell Atlantic NYNEX Mobile, headed by President and Chief Executive Officer Dennis F. Strigl, formerly President and CEO of Bell Atlantic Mobile."

Network Highlights

In Network, revenue increases resulted from solid growth in access lines and minutes of use, intensified marketing and increased customer demand for new services.

- Operating revenues were $3.1 billion, up 3.3 percent from second-quarter 1994 results.
- Operating expenses, including depreciation, were $2.3 billion, up 3.0 percent from year-ago levels.
- Cash operating expenses increased 1.6 percent from the second quarter of 1994, to $1.7 billion.
- Access minutes of use grew 8.6 percent compared with the same period a year ago.
- Access lines in service as of June 30, 1995, totaled 19.5 million, an increase of 3.1 percent over the last 12 months. This increase includes Centrex growth of 10.2 percent.
- Second quarter revenues from value added services such as Caller ID and messaging services grew nearly 12 percent compared with the same quarter last year, excluding special items. An increase in promotional efforts contributed to the addition of 250,000 Caller ID customers during the period, bringing total subscribers to 1,140,000. Promotions for second residential telephone lines and residential ISDN are expected to further stimulate revenues in the second half of 1995.
- ISDN lines in service at the end of the quarter numbered more than 120,000, up 75 percent from year-ago levels.

Wireless Highlights

In its final quarter prior to combining with NYNEX Mobile, Bell Atlantic Mobile continued to post strong customer and operating income growth.

- 162,900 subscribers were added in the second quarter of 1995, for a total of 1.96 million and an annualized growth rate of 55 percent.
- Total revenues increased 35 percent over the second quarter a year earlier.
- Operating income of $63.3 million represents an increase of $30.9 million over second quarter 1994 levels.

Conclusion

"In addition to the strong performance of our traditional core businesses, we're very pleased with steps we've taken during the second quarter to position Bell Atlantic to capture exciting growth opportunities in emerging markets," Smith said.

Condensed Consolidated Statements of Income (unaudited)

(Dollars in Millions, Except Per Share Amounts)

	3 Mos. Ended 6/30/95	3 Mos. Ended 6/30/94	Change	% Change
Operating Revenues				
Transport Services				
Local service	$ 1,105.3	$ 1,081.9	$ 23.4	2.2
Network access				
Interstate	727.3	654.3	73.0	11.2
Intrastate	145.1	129.4	15.7	12.1
Toll service	359.3	401.8	(42.5)	(10.6)
Ancillary Services				
Directory advertising	276.7	269.0	7.7	2.9
Other	119.4	104.9	14.5	13.8
Value-added Services	330.9	323.4	7.5	2.3
Wireless Services	336.5	259.1	77.4	29.9
Other Services	164.0	206.2	(42.2)	(20.5)
Total Operating Revenues	3,564.5	3,430.0	134.5	3.9
Operating Expenses				
Employee Costs	1,060.7	1,028.8	31.9	3.1
Depreciation and Amortization	681.7	649.1	32.6	5.0
Other	979.1	954.6	24.5	2.6
Total Operating Expenses	2,721.5	2,632.5	89.0	3.4
Operating Income	843.0	797.5	45.5	5.7
Equity in Income of Affiliates	22.5	17.1	5.4	31.6
Other Income (Expense), Net	5.8	35.7	(29.9)	(83.8)
Interest Expense	147.7	140.3	7.4	5.3
Income Before Income Taxes	$ 723.6	$ 710.0	$ 13.6	$ 1.9
Provision for Income Taxes	276.5	294.6	(18.1)	(6.1)
Net Income	$ 447.1	$ 415.4	$ 31.7	7.6
Earnings Per Common Share	$ 1.02	$ 0.95	$ 0.07	7.4

Per Share Analysis (unaudited)

Earnings per Share, as Reported	$ 1.02	$ .95	$ .07	7.4
Impact of peso devaluation	(.01)	-	(.01)	-
Adjusted Earnings per Share	$ 1.01	$ .95	$ .06	6.3

Condensed Consolidated Statements of Income (unaudited)

(Dollars in Millions, Except Per Share Amounts)

	6 Mos. Ended 6/30/95	6 Mos. Ended 6/30/94	Change	% Change
Operating Revenues				
Transport Services				
Local service	$ 2,186.6	$ 2,144.2	$ 42.4	2.0
Network access				
Interstate	1,405.8	1,319.6	86.2	6.5
Intrastate	287.5	268.0	19.5	7.3
Toll service	726.3	813.1	(86.8)	(10.7)
Ancillary Services				
Directory advertising	552.4	536.6	15.8	2.9
Other	244.8	198.9	45.9	23.1
Value-added Services	657.6	631.4	26.2	4.1
Wireless Services	628.0	495.8	132.2	26.7
Other Services	325.2	442.0	(116.8)	(26.4)
Total Operating Revenues	7,014.2	6,849.6	164.6	2.4
Operating Expenses				
Employee Costs	2,094.9	2,076.7	18.2	0.9
Depreciation and Amortization	1,349.4	1,297.7	51.7	4.0
Other	1,895.4	1,928.9	(33.5)	(1.7)
Total Operating Expenses	5,339.7	5,303.3	36.4	0.7
Operating Income	1,674.5	1,546.3	128.2	8.3
Equity in Income of Affiliates	15.8	39.0	(23.2)	(59.5)
Other Income (Expense), Net	6.9	27.6	(20.7)	(75.0)
Interest Expense	286.6	283.8	2.8	1.0
Income Before Income Taxes and Extraordinary Item	1,410.6	1,329.1	81.5	6.1
Provision for Income Taxes	549.0	517.8	31.2	6.0
Income Before Extraordinary Item	861.6	811.3	50.3	6.2
Extraordinary Item, Early Extinguishment of Debt, Net of Tax	–	(6.7)	6.7	–
Net Income	$ 861.6	$ 804.6	$ 57.0	7.1
Per Common Share				
Income Before Extraordinary Item	$ 1.97	$ 1.86	$ 0.11	5.9
Extraordinary Item, Early Extinguishment of Debt, Net of Tax	–	(0.02)	0.02	–
Net Income	$ 1.97	$ 1.84	$ 0.13	7.1

Per Share Analysis (unaudited)

Earnings per Share, as Reported	$ 1.97	$ 1.84	$ .13	7.1
Adjustments				
Impact of peso devaluation	.03	–	.03	–
Early extinguishment of debt	–	.02	(.02)	–
Adjusted Earnings per Share	$ 2.00	$ 1.86	$ .14	7.5

Selected Financial and Operating Statistics (unaudited)

(Dollars in Millions, Except Per Share Amounts)

	3 Mos. Ended 6/30/95	3 Mos. Ended 6/30/94	Change	% Change
Operating Revenues				
Network Operations	$ 3,017.6	$ 2,941.9	$ 75.7	2.6
Network Other	46.4	22.8	23.6	103.5
Total Network Services	3,064.0	2,964.7	99.3	3.3
Cellular Operations	332.7	255.7	77.0	30.1
Paging	3.8	3.4	0.4	11.8
Total Wireless Services	336.5	259.1	77.4	29.9
Other Services	164.0	206.2	(42.2)	(20.5)
Total Operating Revenues	$ 3,564.5	$ 3,430.0	$ 134.5	3.9
Debt Ratio - at end of period	60.0%	51.8%	8.2%	15.8
Book Value Per Common Share - at end of period	$ 14.46	$ 19.47	$ (5.01)	(25.7)
Return on Average Common Equity	28.4%	19.5%	8.9%	45.6
Return on Average Total Capital	14.3%	11.3%	3.0%	26.5
Composite Depreciation Rate	8.0%	7.7%	0.3%	3.9
Cash Dividends Declared Per Common Share	$ 0.70	$ 0.69	$ 0.01	1.4
Common Shares Outstanding (in millions)				
Weighted average common and equivalent	437.7	437.1	0.6	0.1
End of period	436.6	436.3	0.3	0.1
Gross Plant Additions				
Network Services	$ 684.5	$ 513.8	$ 170.7	33.2
All Other	109.9	106.2	3.7	3.5
Total Gross Plant Additions	$ 794.4	$ 620.0	$ 174.4	28.1
Employees - at end of period				
Network Operations	60,853	62,614	(1,761)	(2.8)
Network Other	451	228	223	97.8
All Other	11,000	10,245	755	7.4
Total Employees	72,304	73,087	(783)	(1.1)

Selected Financial and Operating Statistics (unaudited)

(Dollars in Millions, Except Per Share Amounts)

	6 Mos. Ended 6/30/95	6 Mos. Ended 6/30/94	$ Change	% Change
Operating Revenues				
Network Operations	$ 5,967.1	$ 5,870.3	$ 96.8	1.6
Network Other	93.9	41.5	52.4	126.3
Total Network Services	6,061.0	5,911.8	149.2	2.5
Cellular Operations	619.9	488.9	131.0	26.8
Paging	8.1	6.9	1.2	17.4
Total Wireless Services	628.0	495.8	132.2	26.7
Other Services	325.2	442.0	(116.8)	(26.4)
Total Operating Revenues	$ 7,014.2	$ 6,849.6	$ 164.6	2.4
Debt Ratio - at end of period	60.0%	51.8%	8.2%	15.8
Book Value Per Common Share - at end of period	$ 14.46	$ 19.47	$ (5.01)	(25.7)
Return on Average Common Equity	27.5%	19.0%	8.5%	44.7
Return on Average Total Capital	14.1%	11.3%	2.8%	24.8
Composite Depreciation Rate	8.0%	7.7%	0.3%	3.9
Cash Dividends Declared Per Common Share	$ 1.40	$ 1.38	$ 0.02	1.4
Common Shares Outstanding (in millions)				
Weighted average common and equivalent	437.6	437.2	0.4	0.1
End of period	436.6	436.3	0.3	0.1
Gross Plant Additions				
Network Services	$ 1,402.0	$ 904.8	$ 497.2	55.0
All Other	189.5	160.0	29.5	18.4
Total Gross Plant Additions	$ 1,591.5	$ 1,064.8	$ 526.7	49.5
Employees - at end of period				
Network Operations	60,853	62,614	(1,761)	(2.8)
Network Other	451	228	223	97.8
All Other	11,000	10,245	755	7.4
Total Employees	72,304	73,087	(783)	(1.1)

Network Operations

Selected Financial and Operating Statistics (unaudited)

(Dollars in Millions Except Per Access Line Amounts)

	3 Mos. Ended 6/30/95	3 Mos. Ended 6/30/94	Change	% Change
Operating Revenues	$ 3,017.6	$ 2,941.9	$ 75.7	2.6
Operating Expenses				
Employee Costs	901.0	891.2	9.8	1.1
Depreciation and Amortization	622.1	583.5	38.6	6.6
Other	697.9	710.3	(12.4)	(1.7)
Total Operating Expenses	$ 2,221.0	$ 2,185.0	$ 36.0	1.6
Operating Income	$ 796.6	$ 756.9	$ 39.7	5.2
Operating Cash Flow (1)	$ 1,418.7	$ 1,340.4	$ 78.3	5.8
Operating Cash Flow Margin	47.0%	45.6%	1.4%	3.1
Operating Revenues Per Access Line (annualized)	$ 620	$ 623	$ (3)	(0.5)
Operating Expenses Per Access Line (annualized)	$ 456	$ 463	$ (7)	(1.5)
Operating Cash Expenses Per Access Line (annualized)	$ 329	$ 339	$ (10)	(2.9)
Employees	60,853	62,614	(1,761)	(2.8)
Employees Per 10,000 Access Lines	31.3	33.2	(1.9)	(5.7)
Gross Plant Additions	$ 683.8	$ 513.8	$ 170.0	33.1
Gross Plant Investment	$ 32,723.0	$ 31,273.8	$ 1,449.2	4.6
Net Plant Investment	$ 15,705.1	$ 18,910.7	$ (3,205.6)	(17.0)
Gross Plant Investment Per Access Line	$ 1,681	$ 1,657	$ 24	1.4
Net Plant Investment Per Access Line	$ 807	$ 1,002	$ (195)	(19.5)
Composite Depreciation Rate	7.9%	7.6%	0.3%	4.0
Access Lines in Service (in thousands)				
Residence	12,446	12,187	259	2.1
Business	6,741	6,408	333	5.2
Public	279	282	(3)	(1.1)
Total Access Lines in Service	19,466	18,877	589	3.1
Access Minutes of Use (in millions)				
Interstate	15,016	14,038	978	7.0
Intrastate	3,954	3,424	530	15.5
Total Access Minutes of Use	18,970	17,462	1,508	8.6
Toll Messages (in millions)				
Intrastate	832.5	844.6	(12.1)	(1.4)
Interstate	41.9	43.1	(1.2)	(2.8)
Total Toll Messages	874.4	887.7	(13.3)	(1.5)

(1) Operating Cash Flow equals operating income plus depreciation and amortization.

Note: Network Operations includes Directory Publishing revenues, expenses, and employees.

Selected Financial and Operating Statistics (unaudited)

(Dollars in Millions, Except Per Access Line Amounts)

	6 Mos. Ended 6/30/95	6 Mos. Ended 6/30/94	$ Change	% Change
Operating Revenues	$ 5,967.1	$ 5,870.3	$ 96.8	1.6
Operating Expenses				
Employee Costs	1,784.2	1,800.4	(16.2)	(0.9)
Depreciation and Amortization	1,230.3	1,160.1	70.2	6.1
Other	1,374.8	1,409.1	(34.3)	(2.4)
Total Operating Expenses	$ 4,389.3	$ 4,369.6	$ 19.7	0.5
Operating Income	$ 1,577.8	$ 1,500.7	$ 77.1	5.1
Operating Cash Flow (1)	$ 2,808.1	$ 2,660.8	$ 147.3	5.5
Operating Cash Flow Margin	47.1%	45.3%	1.8%	4.0
Operating Revenues Per Access Line (annualized)	$ 613	$ 622	$ (9)	(1.4)
Operating Expenses Per Access Line (annualized)	$ 451	$ 463	$ (12)	(2.6)
Operating Cash Expenses Per Access Line (annualized)	$ 325	$ 340	$ (15)	(4.4)
Employees	60,853	62,614	(1,761)	(2.8)
Employees Per 10,000 Access Lines	31.3	33.2	(1.9)	(5.7)
Gross Plant Additions	$ 1,402.0	$ 904.8	$ 497.2	55.0
Gross Plant Investment	$ 32,723.0	$ 31,273.8	$ 1,449.2	4.6
Net Plant Investment	$ 15,705.1	$ 18,910.7	$ (3,205.6)	(17.0)
Gross Plant Investment Per Access Line	$ 1,681	$ 1,657	$ 24	1.4
Net Plant Investment Per Access Line	$ 807	$ 1,002	$ (195)	(19.5)
Composite Depreciation Rate	7.9%	7.6%	0.3%	4.0
Access Lines in Service (in thousands)				
Residence	12,446	12,187	259	2.1
Business	6,741	6,408	333	5.2
Public	279	282	(3)	(1.1)
Total Access Lines in Service	19,466	18,877	589	3.1
Access Minutes of Use (in millions)				
Interstate	29,632	27,806	1,826	6.6
Intrastate	7,710	6,865	845	12.3
Total Access Minutes of Use	37,342	34,671	2,671	7.7
Toll Messages (in millions)				
Intrastate	1,626.0	1,704.1	(78.1)	(4.6)
Interstate	83.6	89.2	(5.6)	(6.3)
Total Toll Messages	1,709.6	1,793.3	(83.7)	(4.7)

(1) Operating Cash Flow equals operating income plus depreciation and amortization.

Note: Network Operations includes Directory Publishing revenues, expenses, and employees.

Cellular Operations (unaudited)

(Units in thousands, except percentage and data per subscriber)

	3 mos. ended 6/30/95	3 mos. ended 6/30/94	% Change	Normalized % Change
Selected Operating Data				
Owned POPs (1)	35,677	34,841	2	–
Controlled MSA POPs (1)	32,779	32,519	1	–
Controlled RSA POPs (1)	4,278	3,652	17	–
Controlled Penetration (1)(2)	5.37%	3.59%	49	–
Controlled Subscribers (3)	1,991.2	1,300.3	53	55
Subscribers (4)	1,776.8	1,169.7	52	–
Churn	1.43%	1.48%	(3)	–
Rev per Sub per Month (5)	$ 65	$ 74	(12)	(12)
Acquisition Cost per Gross Add (6)	$ 226	$ 255	(11)	(12)
Selected Financial Data				
Revenue (7)	$ 332,737	$ 255,663	30	35
Operating Income (8)	$ 63,332	$ 34,560	83	96
Operating Cash Flow (9)(10)	$ 102,604	$ 67,538	52	57
Operating Cash Flow Margin (11)	39.69%	33.44%	19	19

Explanation of Normalization Adjustments

On May 1, 1994, the NYSMSA Partnership (the Partnership) between Bell Atlantic Mobile and NYNEX Mobile was restructured to include both company's reseller operations. Prior to restructuring, the Partnership provided wholesale services only and both companies separately provided reseller services throughout the Partnership's operating territory. 1994 data and statistics in the above table include Bell Atlantic's Northern New Jersey reseller operations. Normalized 1994 data and statistics indicated in the "Normalized % Change" column in the above table and described in the footnotes below, exclude Bell Atlantic Mobile's Northern New Jersey reseller operations, with the exception of the Controlled Subscribers line, described in footnote (3). Bell Atlantic owns a 36 percent interest in the Partnership and reports results "below the line" as equity in income of affiliates.

Footnotes

(1) 1995 and 1994 Controlled MSA POPs includes approximately five million Northern New Jersey POPs managed by Bell Atlantic Mobile pursuant to the restructured NYSMSA partnership as described above.

(2) Controlled penetration is calculated using controlled subscribers (including those managed by Bell Atlantic pursuant to the restructured NYSMSA partnership) divided by total controlled POPs.

(3) Controlled Subscribers for 1995 and 1994, included in the above table, include all Northern New Jersey subscribers that are managed by Bell Atlantic, but are part of the NYSMSA partnership as described above. Excluding customers previously managed by NYNEX, the normalized 1995 and 1994 subscribers would have been 1,956.6 and 1,265.7 respectively, a normalized growth rate of 55%.

(4) Subscribers for 1995 and 1994 exclude all Northern New Jersey subscribers that are managed by Bell Atlantic, but are part of the NYSMSA partnership as described above. Penetration excluding the Northern New Jersey POPs and subscribers is [illegible] and [illegible] for 1995 and 1994, respectively.

(5) 2nd quarter 1994 normalized revenue per subscriber is $74.

(6) Acquisition costs include commission expense and net margin on sale of customer equipment. 2nd quarter 1994 normalized acquisition cost per gross add is $257 resulting in a 12% year over year decline.

(7) Revenue includes service revenues, incollect, outcollect, and equipment revenue but excludes paging revenue. 2nd quarter 1994 normalized Revenue is $246,656.

(8) 2nd quarter 1994 normalized Operating Income is $32,369.

(9) Operating Cash Flow equals Operating Income plus depreciation and amortization.

(10) 2nd quarter 1994 normalized Operating Cash Flow is $65,359.

(11) Operating Cash Flow Margin uses revenues which consist primarily of service revenues, outcollect revenue, and net margin on customer equipment sales. 2nd quarter 1994 normalized Operating Cash Flow Margin is 33.47%.

Cellular Operations (unaudited)

(Units in thousands except percentage and data per subscriber)

	6 mos. ended 6/30/95	6 mos. ended 6/30/94	% Change	Normalized % Change
Selected Operating Data				
Owned POPs (1)	35,677	34,841	2	-
Controlled MSA POPs (1)	32,779	32,519	1	-
Controlled RSA POPs (1)	4,278	3,652	17	-
Controlled Penetration (1)(2)	5.37%	3.59%	49	-
Controlled Subscribers (3)	1,991.2	1,300.3	53	55
Subscribers (4)	1,776.8	1,169.7	52	-
Churn	1.51%	1.45%	4	-
Rev per Sub per Month (5)	$ 64	$ 73	(13)	(12)
Acquisition Cost per Gross Add (6)	$ 222	$ 246	(10)	(11)
Selected Financial Data				
Revenue (7)	$ 619,971	$ 488,905	27	35
Operating Income (8)	$ 97,464	$ 55,105	77	57
Operating Cash Flow (9)(10)	$ 175,457	$ 119,223	47	39
Operating Cash Flow Margin (11)	36.31%	30.55%	19	6

Explanation of Normalization Adjustments

On May 1, 1994, the NYSMSA Partnership (the Partnership) between Bell Atlantic Mobile and NYNEX Mobile was restructured to include both company's reseller operations. Prior to restructuring, the Partnership provided wholesale services only, and both companies separately provided reseller services throughout the Partnership's operating territory. 1994 data and statistics in the above table include Bell Atlantic's Northern New Jersey reseller operations. Normalized 1994 data and statistics, indicated in the "Normalized % Change" column in the above table and described in the footnotes below, exclude Bell Atlantic Mobile's Northern New Jersey reseller operations, with the exception of the Controlled Subscribers line described in footnote (3). Bell Atlantic owns a 36 percent interest in the Partnership and reports results below the line as equity in income of affiliates.

Footnotes

(1) 1995 and 1994 Controlled MSA POPs includes approximately five million Northern New Jersey POPs managed by Bell Atlantic Mobile pursuant to the restructured NYSMSA partnership as described above.

(2) Controlled penetration is calculated using controlled subscribers (including those managed by Bell Atlantic pursuant to the restructured NYSMSA partnership) divided by total controlled POPs.

(3) Controlled Subscribers for 1995 and 1994, included in the above table, include all Northern New Jersey subscribers that are managed by Bell Atlantic, but are part of the NYSMSA partnership as described above. Excluding customers previously managed by NYNEX, the normalized 1995 and 1994 subscribers would have been 1,956.6 and 1,265.7, respectively, a normalized growth rate of 55%.

(4) Subscribers for 1995 and 1994 exclude all Northern New Jersey subscribers that are managed by Bell Atlantic, but are part of the NYSMSA partnership as described above. Penetration excluding the Northern New Jersey POPs and subscribers is 5.56% and 3.75% for 1995 and 1994, respectively.

(5) 1994 YTD normalized revenue per subscriber is $72.

(6) Acquisition costs include commission expense and [illegible] margin on sales of customer equipment. 1994 YTD normalized acquisition cost per gross add is $249 resulting in an 11% year over year decline.

(7) Revenue includes service revenues, incollect, outcollect, and equipment revenue, but excludes paging revenue. 1994 YTD normalized Revenue is $458,910.

(8) 1994 YTD normalized Operating Income is $61,943.

(9) Operating Cash Flow equals Operating Income plus depreciation and amortization.

(10) 1994 YTD normalized Operating Cash Flow is $125,931.

(11) Operating Cash Flow Margin uses revenues which consist primarily of service revenues, outcollect revenue, and net margin on customer equipment sales. 1994 YTD normalized Operating Cash Flow Margin is 34.40%.

Condensed Consolidated Balance Sheets (unaudited)

(Dollars in Millions)

	6/30/95	12/31/94	Change
Assets			
Current Assets			
Cash, cash equivalents and short-term investments	$ 164.0	$ 142.9	$ 21.1
Other current assets	3,727.3	3,640.4	86.9
Total Current Assets	3,891.3	3,783.3	108.0
Plant, Property and Equipment	34,851.9	33,745.8	1,106.1
Less accumulated depreciation	(17,690.3)	(16,807.7)	(882.6)
Net Plant, Property and Equipment	17,161.6	16,938.1	223.5
Investments in Affiliates	1,882.6	1,576.8	305.8
Other Assets	1,884.4	1,973.6	(89.2)
Total Assets	$ 24,819.9	$ 24,271.8	$ 548.1
Liabilities and Shareowners' Investment			
Current Liabilities			
Debt maturing within one year	$ 2,746.1	$ 2,087.6	$ 658.5
Other current liabilities	3,061.0	3,489.1	(428.1)
Total Current Liabilities	5,807.1	5,576.7	230.4
Long Term Debt	6,743.2	6,805.7	(62.5)
Employee Benefit Obligations	3,890.9	3,773.8	117.1
Deferred Credits and Other Liabilities	1,980.4	1,949.3	31.1
Preferred Stock of Subsidiary	85.0	85.0	
Shareowners' Investment	6,313.3	6,081.3	232.0
Total Liabilities and Shareowners' Investment	$ 24,819.9	$ 24,271.8	$ 548.1

Condensed Consolidated Statements of Cash Flows (unaudited)

(Dollars in Millions)

	6 Mos. Ended 6/30/95	6 Mos. Ended 6/30/94
Cash Flows From Operating Activities:		
Net Income	$ 861.6	$ 804.6
Adjustments to reconcile net income to net cash provided from operating activities		
Depreciation and amortization	1,349.4	1,297.7
Extraordinary item, early extinguishment of debt, net of tax	-	6.7
Other, net	(373.3)	(581.3)
Net Cash Provided by Operating Activities	1,837.7	1,527.7
Net Cash Used in Investing Activities	(1,863.7)	(128.6)
Net Cash Used in Financing Activities	(55.4)	(1,292.3)
Increase (Decrease) in Cash and Cash Equivalents	(81.4)	106.8
Cash and Cash Equivalents, Beginning of Period	142.9	146.1
Cash and Cash Equivalents, End of Period	$ 61.5	$ 252.9

2nd Quarter Highlights

BEL and NYN Complete Cellular Combination; Introduce Low Cost Roaming Network

Bell Atlantic (BEL) and NYNEX (NYN) completed the combination of their cellular businesses, effective July 1, on target with the companies' previously stated goal of closing the transaction by the third quarter of 1995. Coincident with this transaction, the companies closed the previously announced sale of their overlapping cellular properties in New England covering 2.3 million people to SNET for approximately $450 million.

The management team of the new company is prepared to quickly capitalize on the synergies created by combining the two operations. In a competitive move to provide innovative services for customers, the new company announced it has reduced roaming charges to 59 cents per minute and has also eliminated all daily roaming surcharges across the entire East Coast coverage area. This first major customer initiative creates a standardized and affordable rate structure consistent throughout the company's East Cost service area, now known as the MobileReach* network. The result is one of the lowest and most consistent rates available in the country. By establishing a large regional network, the company has developed a broad-based platform for consistent, yet easily-customized services that are flexible, affordable, and convenient. "Until recently, many wireless customers faced a disparity in roaming rates depending on their location outside the home territory, which made it virtually impossible to predict the costs of phone usage accrued while on the road. In short, roaming became a service with negative connotations, instead of the convenient calling capability it was designed to be," said Dennis F. Strigl, president and CEO of the new company. "With our 59 cent roaming charges within our MobileReach network, we have reduced per minute roaming rates by up to 40% and have taken a giant step toward eliminating customer confusion."

BEL Withdraws FCC Filing, Plans Upgraded Full Service Network

In June 1994, BEL filed construction permits (section 214 requests) with the Federal Communications Commission (FCC) to begin building its full service network (FSN) in six major metropolitan areas in the company's service territory. In its 214 requests, BEL had filed to use a technology known as hybrid fiber coax (HFC). Since then, the technology and the marketplace have changed. Accordingly, in May 1995 the company cleared the way by changing its full service network plans and formally withdrawing the technologically outdated construction applications.

BEL is evaluating a technology platform known as switched digital video (SDV), a flexible system that can evolve to meet the demand for a wider array of advanced digital interactive services. SDV has more capacity (broader bandwidth) and superior two-way capabilities compared to competing technologies. In addition, SDV requires lower maintenance expense. The nation's first commercial SDV system is now under construction in BEL's Dover Township, N.J. territory and is expected to be in full operation by late this summer. On June 9, the FCC approved BEL's video dial tone tariff for the Dover system, and as of mid-July seven video information providers have reserved in excess 300 of the 384 channels on the network.

The company intends to file new 214 applications, the timing and content of which will depend in part on the outcome of ongoing rulemaking proceedings on video dial tone, as well as completion of vendor equipment negotiations. BEL expects to aggressively deploy the next generation of SDV broadly across its service area when it is available from manufacturers in late 1996 or early 1997.

BEL and NYN Complete First Stage of CAI Wireless Investment

In May, BEL and NYN closed the first stage of a two-stage transaction related to their previously announced joint investment in CAI Wireless Systems, a wireless cable company. The companies have agreed to invest up to $100 million in CAI to gain the right to use CAI's distribution systems in order to begin offering digital video programming to customers in 1996.

To complete the first stage of the transaction, BEL and NYN invested $30 million ($15 million each). In the second stage, expected to close later this summer, the companies will invest another $70 million ($35 million each). CAI has indicated that proceeds from stage II will be used for the acquisition of ACS Enterprises which operates wireless cable systems in metropolitan areas including Pittsburgh, Philadelphia, Washington, DC, Baltimore, Cleveland, and Stockton and Bakersfield, CA.

TELE-TV National Brand Launched; Video-On-Demand Market Trial Kicks Off

In May, BEL, NYN and Pacific Telesis launched their national interactive TV brand name, TELE-TV, which is also the name of their new joint venture company and programming service. TELE-TV, headed by Chairman and CEO, Harold Stringer, will provide nationally branded, traditional and interactive home entertainment, information and education programming over the partnering companies' new broadband and wireless networks, with the first commercial deployment by the end of 1996.

In May, BEL kicked off its market trial of interactive services with up to 2,000 households in Fairfax County, Virginia using asymmetrical digital subscriber line or ADSL technology. During the trial, 1,000 subscribers will be trialing Bell Atlantic Video Service's (BVS) Stargazer brand service. Another 1,000 participants may be served by other video information providers using BEL's video dial tone platform. Stargazer trial participants will be able to receive information and entertainment programming, at anytime of the day, from as many as 700 program choices offered via the Stargazer platform. Prices during the market trial range from 49 cents to $4.49 with program choices divided into four major categories: Entertainment, Kids Zone, Learning and Lifestyles, and Marketplace. Entertainment includes new, recently released and classic movies, the best of recent and classic TV series, as well as comedy and sports specials. Kids Zone contains branded children's offerings such as "Sesame Street" and "Nickelodeon," as well as other popular and educational fare. Learning and Lifestyles features special interest and educational offerings, pursuits, home and family, sports and fitness, science and nature, as well as history and culture. Marketplace will allow consumers to "armchair shop" via on-demand TV for products from Nordstrom, J.C. Penney or Lands' End

2nd Quarter Highlights (Continued)

The company plans to expand the offering to as many as 20,000 additional customers upon regulatory approval. TELE-TV plans to manage this expanded offering. TELE-TV is also providing support for the current phase of BVS's market trial.

In addition, in early July, TELE-TV announced that Nissan Motor Corporation and VISA are the first of twelve advertisers who will test and develop interactive television advertising as part of TELE-TV's year long Core Advertiser Program. The Core Advertiser program is in addition to the market trial retailing program with Nordstrom, J.C. Penney and Lands' End. The program will allow advertisers to begin measuring reaction to a full range of advertising tactics, placements and messages. Each advertiser in the program will create a unique application that will include a combination of traditional, informational and point-of-purchase advertising, all linked to the on-demand, interactive programming offered over TELE-TV's service. The first environment for the Core Advertising Program will be the current market trial of Stargazer in northern Virginia.

PCS PrimeCo Selects CDMA

In early June, PCS PrimeCo, the four way partnership of BEL, NYNEX, AirTouch Communications and U S WEST, currently known as PCS PrimeCo, announced the selection of Code Division Multiple Access (CDMA) as the digital technology to be deployed throughout its Personal Communications Services (PCS) network. PCS PrimeCo chose CDMA technology because it will enable the partnership to offer the most cost effective wireless services in its markets, as well as easily provide the interoperability necessary to create a nationwide wireless system. The four partners have also selected CDMA as the digital technology for their cellular systems.

PrimeCo's selection of CDMA will provide customers with seamless service whenever they are on the PCS PrimeCo network, a common look and feel for products and services, as well as the flexibility to use one phone anywhere they travel on the PCS PrimeCo national network. In addition, for customers who travel between the partners' PCS and cellular network, dual mode phones will be available that will automatically switch to CDMA or analog, as needed.

PrimeCo is in discussions with all potential suppliers of infrastructure equipment and handsets for the CDMA technology and expects to announce its supplier partners once formal agreements are reached. The suppliers will need to have the ability to meet PrimeCo's aggressive goal of providing service to customers by the end of 1996.

BEL Forms New Long Distance Line of Business

Following a federal court decision allowing BEL and other Bell companies to provide long distance service to cellular customers, BEL established a new entity, Bell Atlantic Long Distance, Inc., to provide competitively priced services to wireless long distance customers. The resale of interLATA service to cellular customers will be a viable market for BEL. It will also provide opportunities for Bell Atlantic Long Distance Inc. to develop expertise which can be applied to other target markets. As a prerequisite to interLATA entry, BEL has filed documents with the U.S. Department of Justice to demonstrate the presence of competition in California, Florida, New York City, Texas and other markets where the company initially plans to offer long distance service to wireless customers.

BEL Lowers Business ISDN usage rates by 60 percent

Beginning June 1, BEL lowered its business basic rate ISDN usage price for local transmission by 60 percent from 5 cents to 2 cents per minute for each ISDN data channel. ISDN is an all-digital network technology that creates a digital connection between the end user and the local network switching center enabling the transmission of voice, data and video signals on a single copper phone line. ISDN brings the power of advanced applications to anyone with access to an ordinary telephone line, not just companies with special private networks. Applications include high speed on-ramps to the Internet and on-line service providers, telecommuting through access of a local area network, desktop video conferencing, and collaborative computing. For Internet users, it will mean being able to navigate and download graphics, video and sound files of the World Wide Web at four times the speed of today's fastest modems, and at a cost of about half-a-cent per megabyte. As of the end of the second quarter, BEL had in excess of 120,000 ISDN lines in service. The current push by BEL to reduce prices for ISDN follows other moves by the corporation to stimulate more widespread availability and use of the technology. In 1994, BEL introduced its "ISDN Anywhere" program to make the technology universally available throughout its service territory. That program eliminated "foreign exchange" charges that remote customers often had to pay to get the technology delivered to their BEL switching office location. ISDN service is currently available from BEL for $19.50 a month, plus the cost of a normal business telephone line. BEL plans to begin offering residential ISDN service by the end of the year.

BEL Caller ID Service Reaches One-Millionth Customer

At the end of May, BEL passed a major service threshold when it surpassed the one millionth Caller ID customer mark. Interest in the call management and security features of BEL's Caller ID and Caller ID Deluxe services has been building steadily due in part to a variety of promotions that include offers of a free display unit or a credit towards its purchase. Caller ID subscribers as of the end of the second quarter totaled approximately 1.1 million, an increase of 250,000 during the quarter. In addition, the FCC recently ordered long distance carriers to provide Caller ID information on long distance calls, beginning Dec. 1. The availability of nationwide Caller ID capability should help fuel further demand for this service.

Bell Atlantic

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark one)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 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 1-8606

Bell Atlantic Corporation

(Exact name of registrant as specified in its charter)

Delaware (State of incorporation)	**23-2259884** (I.R.S. Employer Identification No.)
1717 Arch Street **Philadelphia, Pennsylvania** (Address of principal executive offices)	**19103** (Zip Code)

Registrant's telephone number (215) 963-6000

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 __

At July 31, 1995, 436,599,374 shares of the registrant's Common Stock were outstanding, after deducting 62,615 shares held in treasury.

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PART I - FINANCIAL INFORMATION

Item 1. <u>Financial Statements</u>

BELL ATLANTIC CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)
(Dollars in Millions, Except Per Share Amounts)

	Three months ended June 30, 1995	Three months ended June 30, 1994
OPERATING REVENUES	$3,564.5	$3,430.0
OPERATING EXPENSES		
Employee costs, including benefits and taxes	1,060.7	1,028.8
Depreciation and amortization	681.7	649.1
Other	979.1	954.6
	2,721.5	2,632.5
OPERATING INCOME	843.0	797.5
Equity in Income of Affiliates	22.5	17.1
Other Income, Net	5.8	35.7
Interest Expense	147.7	140.3
INCOME BEFORE PROVISION FOR INCOME TAXES	723.6	710.0
Provision for Income Taxes	276.5	294.6
NET INCOME	$ 447.1	$ 415.4
<u>PER COMMON SHARE</u>		
NET INCOME	$ 1.02	$ .95
Cash Dividends Declared	$ .70	$ .69
Weighted Average Number of Common Shares and Equivalent Shares Outstanding (in millions)	437.7	437.1

See Notes to Condensed Consolidated Financial Statements

BELL ATLANTIC CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)
(Dollars in Millions, Except Per Share Amounts)

	Six months ended June 30, 1995	Six months ended June 30, 1994
OPERATING REVENUES	$7,014.2	$6,849.6
OPERATING EXPENSES		
Employee costs, including benefits and taxes	2,094.9	2,076.7
Depreciation and amortization	1,349.4	1,297.7
Other	1,895.4	1,928.9
	5,339.7	5,303.3
OPERATING INCOME	1,674.5	1,546.3
Equity in Income of Affiliates	15.8	39.0
Other Income, Net	6.9	27.6
Interest Expense	286.6	283.8
INCOME BEFORE PROVISION FOR INCOME TAXES AND EXTRAORDINARY ITEM	1,410.6	1,329.1
Provision for Income Taxes	549.0	517.8
INCOME BEFORE EXTRAORDINARY ITEM	861.6	811.3
EXTRAORDINARY ITEM		
Early Extinguishment of Debt, Net of Tax	--	(6.7)
NET INCOME	$ 861.6	$ 804.6
PER COMMON SHARE		
INCOME BEFORE EXTRAORDINARY ITEM	$ 1.97	$ 1.86
EXTRAORDINARY ITEM	--	(.02)
NET INCOME	$ 1.97	$ 1.84
Cash Dividends Declared	$ 1.40	$ 1.38
Weighted Average Number of Common Shares and Equivalent Shares Outstanding (in millions)	437.6	437.2

See Notes to Condensed Consolidated Financial Statements

BELL ATLANTIC CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)
(Dollars in Millions)

ASSETS

	June 30, 1995	December 31, 1994
CURRENT ASSETS		
Cash and cash equivalents	$ 61.5	$ 142.9
Short-term investments	102.5	--
Accounts receivable, net of allowances of $192.8 and $188.9	2,308.3	2,328.1
Inventories	289.6	274.6
Prepaid expenses	605.1	545.5
Other	524.3	492.2
	3,891.3	3,783.3
PLANT, PROPERTY AND EQUIPMENT	34,851.9	33,745.8
Less accumulated depreciation	17,690.3	16,807.7
	17,161.6	16,938.1
INVESTMENTS IN AFFILIATES	1,882.6	1,576.8
OTHER ASSETS	1,884.4	1,973.6
TOTAL ASSETS	$ 24,819.9	$ 24,271.8

See Notes to Condensed Consolidated Financial Statements

BELL ATLANTIC CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)
(Dollars in Millions)

LIABILITIES AND SHAREOWNERS' INVESTMENT

	June 30, 1995	December 31, 1994
CURRENT LIABILITIES		
Debt maturing within one year	$ 2,746.1	$ 2,087.6
Accounts payable	1,860.0	2,220.2
Accrued expenses	355.9	388.7
Other	845.1	880.2
	5,807.1	5,576.7
LONG-TERM DEBT	6,743.2	6,805.7
EMPLOYEE BENEFIT OBLIGATIONS	3,890.9	3,773.8
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred income taxes	1,320.8	1,305.7
Unamortized investment tax credits	162.4	176.7
Other	497.2	466.9
	1,980.4	1,949.3
PREFERRED STOCK OF SUBSIDIARY	85.0	85.0
SHAREOWNERS' INVESTMENT		
Preferred and Preference stock ($1 par value, none issued)	--	--
Common stock ($1 par value, 436,587,078 shares and 436,405,646 shares issued)	436.6	436.4
Common stock issuable (92,899 shares)	.1	.1
Contributed capital	5,439.4	5,428.4
Reinvested earnings	1,398.7	1,144.4
Foreign currency translation adjustment	(406.3)	(330.8)
	6,868.5	6,678.5
Less common stock in treasury, at cost	3.1	11.0
Less deferred compensation-employee stock ownership plans	552.1	586.2
	6,313.3	6,081.3
TOTAL LIABILITIES AND SHAREOWNERS' INVESTMENT	$ 24,819.9	$ 24,271.8

See Notes To Condensed Consolidated Financial Statements

BELL ATLANTIC CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Dollars in Millions)

	Six months ended June 30,	
	1995	1994
CASH FLOWS FROM OPERATING AC VITIES		
Net income	$ 861.6	$ 804.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,349.4	1,297.7
Extraordinary item, net of tax	--	6.7
Other items, net	36.3	(76.0)
Changes in certain assets and liabilities, net of effects from acquisition/disposition of businesses	(409.6)	(505.3)
Net cash provided by operating activities	1,837.7	1,527.7
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in short-term investments	(102.5)	8.5
Additions to plant, property and equipment	(1,522.6)	(1,043.5)
Proceeds from sale of plant, property and equipment	2.1	24.1
Investment in finance lease and notes receivable	--	(735.8)
Proceeds from finance lease and notes receivable	16.7	687.8
Proceeds from notes receivable	114.1	--
Acquisition of businesses, less cash acquired	(40.5)	--
Proceeds from Telecom Corporation of New Zealand Limited capital reduction plan	--	67.4
Investment in joint ventures	(327.0)	(20.1)
Proceeds from disposition of businesses	--	903.5
Other, net	(4.0)	(20.5)
Net cash used in investing activities	(1,863.7)	(128.6)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	106.6	249.5
Principal repayments of borrowings and capital lease obligations	(220.3)	(472.2)
Early extinguishment of debt	--	(350.0)
Net change in short-term borrowings with original maturities of three months or less	682.3	(148.3)
Dividends paid	(606.4)	(593.2)
Proceeds from sale of common stock	20.7	5.0
Purchase of common stock for treasury	(5.6)	(8.7)
Net change in outstanding checks drawn on controlled disbursement accounts	(32.7)	(59.4)
Proceeds from sale of preferred stock by subsidiary	--	85.0
Net cash used in financing activities	(55.4)	(1,292.3)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(81.4)	106.8
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	142.9	146.1
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 61.5	$ 252.9

See Notes to Condensed Consolidated Financial Statements

BELL ATLANTIC CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

The accompanying financial statements are unaudited and have been prepared by Bell Atlantic Corporation (Bell Atlantic or the Company) pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The December 31, 1994 balance sheet was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. In the opinion of management, these financial statements include all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the results of operations, financial position and cash flows. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such SEC rules and regulations. The Company believes that the disclosures made are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1994. Effective August 1, 1994, the Company 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."

2. Shareowners' Investment

	(Dollars in Millions)						
	Common Stock	Common Stock Issuable	Contributed Capital	Reinvested Earnings	Foreign Currency Translation Adjustment	Treasury Stock	Deferred Compensation ESOPs
Balance, December 31, 1994	$ 436.4	$ .1	$ 5,428.4	$1,144.4	$ (330.8)	$11.0	$ 586.2
Net income				861.6			
Dividends declared on common stock				(611.0)			
Purchase of common stock for treasury						5.6	
Common stock issued:							
Employee plans	.2		9.6	(1.0)		(1.9)	
Shareowner plans	--		1.4			(11.6)	
Foreign currency translation adjustment, net					(75.5)		
Reduction of ESOP obligations							(34.1)
Tax benefit of dividends paid to ESOPs				4.7			
Balance, June 30, 1995	$ 436.6	$ .1	$ 5,439.4	$1,398.7	$ (406.3)	$ 3.1	$ 552.1

During the six months ended June 30, 1995, the Company distributed approximately 173,000 shares of common stock for employee plans and approximately 8,000 shares of common stock for shareowner plans. During the same period, the Company repurchased approximately 115,000 shares of its common stock for treasury, and distributed approximately 39,000 treasury shares for employee plans and approximately 234,000 treasury shares for shareowner plans.

3. Long-Term Debt - Bell Atlantic Financial Services, Inc.

Debt securities of Bell Atlantic Financial Services, Inc. (FSI) in the amount of $745.6 million at June 30, 1995 have the benefit of a Support Agreement dated October 1, 1992 between Bell Atlantic and FSI, under which Bell Atlantic has committed to make payments of interest, premium, if any, and principal on the FSI debt in the event of FSI's failure to pay. The Support Agreement provides that the holders of FSI debt shall not have recourse to the stock or assets of Bell Atlantic's telephone subsidiaries. However, in addition to dividends paid to Bell Atlantic by any of its consolidated subsidiaries, assets of Bell Atlantic that are not subject to such exclusion are available as recourse to holders of FSI debt. The carrying value of the available assets reflected in the condensed consolidated financial statements of Bell Atlantic was approximately $5 billion at June 30, 1995.

4. Subsequent Event - Formation of Wireless Partnership

Effective July 1, 1995, Bell Atlantic and NYNEX Corporation (NYNEX) completed the combination of substantially all of their domestic cellular businesses and the formation of a partnership, Bell Atlantic NYNEX Mobile, that will own and operate such businesses. The combination represents the consummation of a transaction that had been agreed to and announced in June 1994. Coincident with, and as a condition to, the completion of the combination, Bell Atlantic sold certain cellular properties in Massachusetts and Rhode Island to SNET Cellular, Inc. The Company will record a pretax gain of approximately $340 million (subject to post-closing adjustments) in the third quarter of 1995 on the sale of the cellular properties.

Bell Atlantic NYNEX Mobile operates as a general partnership and is controlled equally by Bell Atlantic and NYNEX. Bell Atlantic owns an approximate 63% equity interest and NYNEX owns an approximate 37% equity interest in Bell Atlantic NYNEX Mobile. The Company will account for its interest in the partnership under the equity method.

Bell Atlantic contributed certain assets and liabilities of its domestic cellular operating subsidiaries in exchange for an equity interest in Bell Atlantic NYNEX Mobile. Subject to post-closing adjustments, as of July 1, 1995, the Company contributed approximately $1.5 billion of assets and $.3 billion of liabilities to the partnership. No gain or loss was recognized on the contribution of the assets and liabilities.

Revenues and operating income related to Bell Atlantic's domestic cellular operations were as follows:

	(Dollars in Millions)	
For the Three Months Ended June 30	1995	1994
Revenues	$ 332.7	$ 255.7
Operating Income	63.3	34.6
For the Six Months Ended June 30		
Revenues	$ 620.0	$ 488.9
Operating Income	97.5	55.1

Revenues and operating income for the year ended December 31, 1994 were $1,044.9 million and $112.2 million, respectively.

5. Reclassifications

Certain reclassifications of prior year's data have been made to conform to 1995 classifications.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Net income for the three months ended June 30, 1995 increased $31.7 million or 7.6% from the corresponding period in 1994. Second quarter earnings per share were $1.02, representing a 7.4% increase over second quarter 1994.

Net income for the six months ended June 30, 1995 increased $57.0 million or 7.1% from the same period last year. Earnings per share were $1.97, representing a 7.1% increase over the first half of 1994.

Major items affecting the comparison of results are discussed in the following sections.

Operating Revenues

	(Dollars in Millions)			
	Three months		Six months	
For the Period Ended June 30	1995	1994	1995	1994
Transport Services				
Local service	$1,105.3	$1,081.9	$2,186.6	$2,144.2
Network access	872.4	783.7	1,693.3	1,587.6
Toll service	359.3	401.8	726.3	813.1
Ancillary Services				
Directory advertising	276.7	269.0	552.4	536.6
Other	119.4	104.9	244.8	198.9
Value-added Services	330.9	323.4	657.6	631.4
Wireless Services	336.5	259.1	628.0	495.8
Other Services	164.0	206.2	325.2	442.0
Total	$3,564.5	$3,430.0	$7,014.2	$6,849.6

Transport Services Operating Statistics

	1995	1994	Percentage Increase (Decrease)
At June 30			
Access Lines in Service *(In thousands)*			
Residence	12,445.7	12,186.9	2.1%
Business	6,740.7	6,408.4	5.2
Public	279.3	281.7	(.9)
	19,465.7	18,877.0	3.1

	Three months		Six months		Percentage Increase (Decrease)	
	1995	1994	1995	1994	Second Quarter	Year-to-Date
For the Period Ended June 30						
Access Minutes of Use *(In millions)*						
Interstate	15,016	14,038	29,632	27,806	7.0%	6.6%
Intrastate	3,954	3,424	7,710	6,865	15.5	12.3
	18,970	17,462	37,342	34,671	8.6	7.7
Toll Messages *(In millions)*						
Intrastate	832.5	844.6	1,626.0	1,704.1	(1.4)%	(4.6)%
Interstate	41.9	43.1	83.6	89.2	(2.8)	(6.3)
	874.4	887.7	1,709.6	1,793.3	(1.5)	(4.7)

Local Service Revenues

Dollars in Millions	Increase	
Second Quarter	$23.4	2.2%
Six Months	$42.4	2.0%

Local service revenues are earned by the telephone subsidiaries from the provision of local exchange, local private line and public telephone services.

Local service revenues increased in the three and six month periods ended June 30, 1995 due primarily to growth in network access lines and increased usage and data transport by business customers. Access lines in service at June 30, 1995 increased 3.1% from June 30, 1994.

Network Access Revenues

Dollars in Millions	Increase	
Second Quarter	$88.7	11.3%
Six Months	$105.7	6.7%

Network access revenues are received from interexchange carriers (IXCs) for their use of the Company's local exchange facilities in providing long-distance services to IXCs' customers and from end-user subscribers. Switched access service revenues are derived from usage-based charges paid by IXCs for access to the Company's network. Special access revenues arise from access charges paid by IXCs and end-users who have private networks. End-user access revenues are earned from local exchange carrier customers who pay for access to the network.

Network access revenues increased in both periods of 1995 due to higher customer demand for access services as reflected by growth in access minutes of use, as well as growth in end-user charges attributable to increasing access lines in service. Access minutes of use for the three and six month periods ended June 30, 1995 were higher than the corresponding periods of 1994 by 8.6% and 7.7%, respectively. Revenues in the second quarter of 1995 were also positively impacted by a temporary rate increase that was in effect from March 17, 1995 through July 31, 1995 to recover prior years "exogenous" postemployment benefit costs.

Revenue growth in both periods of 1995 was partially offset by price reductions in effect from July 1, 1994 through July 31, 1995. Further, reported growth in access minutes of use and revenues for the six month period of 1995 was negatively impacted by higher storm-related calling volumes experienced in the first quarter of 1994.

Effective August 1, 1995, the Company implemented price decreases of approximately $305 million on an annual basis, principally for interstate access services, in connection with the Federal Communications Commission's (FCC) Interim Price Cap Plan Order. These price decreases include the scheduled expiration of a temporary rate increase of approximately $98 million on an annualized basis that was in effect from March 17, 1995 through July 31, 1995 to recover prior years "exogenous" postemployment benefit costs. Approximately 80% of the remaining $207 million reduction results from compliance with the Interim Plan. The remaining 20% represents reductions that the Company was required to make under the prior Price Cap Plan. It is expected that these price decreases will be partially offset by volume increases. As a result of the Company's selection of a 5.3% Productivity Factor under the Interim Plan, the Company is no longer required to share a portion of its interstate earnings. See "Competitive and Regulatory Environment - Federal Regulation" for a further discussion of FCC interstate access revenue issues.

Toll Service Revenues

Dollars in Millions	Decrease	
Second Quarter	$(42.5)	(10.6)%
Six Months	$(86.8)	(10.7)%

Toll service revenues are earned from calls made outside a customer's local calling area, but within the same service area boundaries of the Company's telephone subsidiaries, commonly referred to as "LATAs." Other toll services include 800 services, Wide Area Telephone Service (WATS), and corridor services (between Northern New Jersey and New York City and between Southern New Jersey and Philadelphia.)

The decrease in toll service revenues was caused by a decline in toll message volumes and price reductions on certain toll services. Toll message volumes for the three and six month periods ended June 30, 1995 decreased 1.5% and 4.7%, respectively, over the comparable periods last year. The decrease in toll messages is due primarily to increased competition throughout the region for intraLATA toll and WATS services. The effect of storm-related usage experienced in the first quarter of 1994 further impacted volume growth for the six month period. The Company extended local calling areas in Virginia which also contributed to the reduction in toll service revenues. Since the commencement of intraLATA toll competition in Bell Atlantic - New Jersey in July 1994, the Company has experienced declines in toll message volumes and revenues. The Company expects that such competition will have less of a negative impact on toll service revenues for the remainder of 1995, relative to 1994 levels.

Directory Advertising Revenues

Dollars in Millions	Increase	
Second Quarter	$7.7	2.9%
Six Months	$15.8	2.9%

Directory advertising revenues are earned primarily from local advertising and marketing services provided to businesses in White and Yellow Pages directories published throughout the region. Other directory advertising services include database and foreign directory marketing.

Growth in directory advertising revenues in the second quarter and first half of 1995 was principally due to higher rates charged for these services. Volume growth continues to be impacted by competition from other directory companies, as well as other advertising media.

Other Ancillary Services Revenues

Dollars in Millions	Increase	
Second Quarter	$14.5	13.8%
Six Months	$45.9	23.1%

Other ancillary services include systems integration services, billing and collection services provided to IXCs, and facilities rental services.

Other ancillary services revenues increased in both periods of 1995 principally due to an increase in the number of contracts for systems integration services provided to the federal government and business customers.

Value-added Services Revenues

Dollars in Millions		Increase
Second Quarter	$7.5	2.3%
Six Months	$26.2	4.1%

Value-added services represent a family of enhanced services including Call Waiting, Return Call, Caller ID, Answer Call, and Voice Mail. These services also include customer premises services such as inside wire installation and maintenance and other central office services and features.

Continued growth in the network customer base (access lines) and higher demand by residence customers for certain value-added central office and voice messaging services offered by the telephone subsidiaries increased value-added services revenues in the second quarter and first half of 1995. These revenue increases were partially offset by the elimination of Touch-Tone service charges for Bell Atlantic - Virginia customers, effective January 1, 1995. The elimination of Touch-Tone service charges in Bell Atlantic - Virginia is expected to reduce value-added services revenues by approximately $25 million annually.

Wireless Services Revenues

Dollars in Millions		Increase
Second Quarter	$77.4	29.9%
Six Months	$132.2	26.7%

Wireless services include revenues generated by Bell Atlantic Mobile for domestic cellular and paging communications services.

Continued growth in the Company's cellular base in excess of 50% was the primary reason for the increase in wireless services revenues in the second quarter and first half of 1995. Volume-related revenue growth was negatively impacted in both periods by an approximate 12% decline in average monthly revenue per subscriber as a result of increased penetration of the lower-usage consumer market. Additionally, comparable periods in 1994 included cellular revenues associated with a reseller operation that, beginning in May 1994, are included in the operating results of a partnership and reported as equity in income of affiliates. See Subsequent Event - Formation of Wireless Partnership for information on the formation of the Bell Atlantic NYNEX Mobile partnership.

Other Services Revenues

Dollars in Millions		(Decrease)
Second Quarter	$(42.2)	(20.5)%
Six Months	$(116.8)	(26.4)%

Other services include revenues from the Company's computer maintenance, software development and support, telecommunications consulting, video services, real estate, diversified and computer leasing, and liquefied petroleum gas distribution businesses.

The second quarter and year-to-date decreases in other services revenues were due primarily to the sale of substantially all of the Company's lease financing business and a liquefied petroleum gas distribution business during 1994. These revenue decreases were partially offset by revenue growth from the Company's third-party computer maintenance business, principally due to higher volumes resulting from new contracts.

Operating Expenses

For the Period Ended June 30	Three months 1995	Three months 1994	Six months 1995	Six months 1994
	(Dollars in Millions)			
Employee costs, including benefits and taxes	$1,060.7	$1,028.8	$2,094.9	$2,076.7
Depreciation and amortization	681.7	649.1	1,349.4	1,297.7
Other operating expenses	979.1	954.6	1,895.4	1,928.9
Total	$2,721.5	$2,632.5	$5,339.7	$5,303.3

Employee Costs

Dollars in Millions	Increase	
Second Quarter	$31.9	3.1%
Six Months	$18.2	.9%

Employee costs consist of salaries, wages, and other employee compensation, employee benefits and payroll taxes.

Employee costs at the network services subsidiaries increased in the second quarter by $9.7 million or 1.1% and decreased in the first half of 1995 by $16.3 million or .9%, compared with the same periods in 1994. Employee costs at the Company's nonregulated subsidiaries increased by $22.2 million or 16.1% in the second quarter and $34.5 million or 12.5% in the first half of 1995 over the corresponding periods in 1994.

The year-to-date decline in employee costs at the network services subsidiaries was principally due to decreased overtime pay and repair and maintenance activity, both of which were higher in the first quarter of 1994 as a result of unusually severe weather conditions experienced throughout the region. The effect of lower workforce levels at the network services subsidiaries also contributed to the year-to-date reduction in employee costs. These reductions were partially offset by annual salary and wage increases for management and associate employees, effective April 1995 and August 1994, respectively, and the recognition of certain contract labor costs in the second quarter of 1995.

In the second quarter of 1995, employee costs at the network services subsidiaries were higher as a result of the recognition of costs associated with the ratification of a new five-year labor contract with one of its two unions. In June 1995, the Company's network services subsidiaries ratified a contract with the International Brotherhood of Electrical Workers (IBEW), representing approximately 9,500 associate employees. The IBEW contract, which was effective May 21, 1995, provides for a 14.5% wage increase over the five-year contract period; a ratification bonus; improved benefits and pensions; and certain employment security provisions. Other employee cost increases in the second quarter of 1995, principally in salary and wages, were substantially offset by the effect of lower workforce levels.

The contract with the Company's other union, the Communications Workers of America (CWA), expired on August 5, 1995. As of August 7, 1995, the CWA has not called a strike and the Company continues to make work available to associate employees represented by the CWA at the same wages and benefits as under the expired contract until further notice.

Higher employee costs at the nonregulated subsidiaries in both the three and six month periods were principally attributable to an increased workforce at the wireless, computer maintenance and systems integration companies due to growth at these business units. These expense increases were offset, in part, by the effect of the aforementioned disposition of certain non-strategic businesses during 1994.

Depreciation and Amortization

Dollars in Millions	Increase	
Second Quarter	$32.6	5.0%
Six Months	$51.7	4.0%

Depreciation and amortization expense at the network services subsidiaries for the second quarter and first half of 1995 increased $38.7 million or 6.6% and $70.3 million or 6.1%, respectively, compared with the same periods in 1994, principally due to growth in depreciable telephone plant. The network services subsidiaries composite depreciation rate was 7.9% for the first half of 1995. The Company expects the composite depreciation rate to remain substantially unchanged for the remainder of 1995.

Depreciation and amortization expense at the nonregulated subsidiaries decreased by $6.1 million or 9.4% and $18.6 million or 13.5%, over the corresponding second quarter and first half of the prior year, due primarily to the effect of the sale of substantially all of the assets of the Company's lease financing business during 1994. The expense decrease was partially offset in both periods by higher depreciation expense at the Company's wireless subsidiary resulting from growth in cellular plant.

Other Operating Expenses

Dollars in Millions	Increase (Decrease)	
Second Quarter	$24.5	2.6%
Six Months	$(33.5)	(1.7)%

Other operating expenses consist primarily of contracted services, rent, network software costs, the provision for uncollectible accounts receivable and other costs.

The year-to-date reduction in other operating expenses was largely due to the effect of the aforementioned disposition of several non-strategic businesses during 1994, as well as lower expenses at the network services subsidiaries attributable to the timing of telephone network software purchases. Second quarter 1995 other operating expenses were also impacted, but to a lesser extent, by these cost reductions.

These cost reductions were more than offset in the second quarter of 1995 and partially offset year-to-date by increased costs at the Company's computer maintenance and systems integration subsidiaries due to higher business volumes, and to additional costs incurred by the network services subsidiaries to enhance systems and consolidate work activities.

Equity in Income of Affiliates

Dollars in Millions	Increase (Decrease)
Second Quarter	$5.4
Six Months	$(23.2)

Equity in income of affiliates includes equity income and losses, goodwill amortization and financing costs related to the Company's investments in unconsolidated businesses.

Equity in income of affiliates decreased in the first half of 1995 due principally to the effects of goodwill amortization and equity losses associated with the Company's video services joint venture and its investment in Grupo Iusacell, S. A. de C.V. (Iusacell). These decreases were partially offset by improved operating results and the favorable effect of foreign exchange rates associated with the Company's investment in Telecom Corporation of New Zealand Limited (Telecom).

The year-to-date equity loss, including goodwill amortization, in Iusacell was $37.4 million, compared to an equity loss of $19.5 million for the same period in 1994. The higher equity loss in Iusacell in the first half of 1995 was largely attributable to a net charge of $14.3 million for the Company's estimated proportionate share of the impact of the Mexican peso devaluation on Iusacell's net liabilities, primarily debt, denominated in U.S. dollars. During the first quarter of 1995, the Company recognized a charge of $19.6 million as a result of the devaluation of the Mexican peso. Improvements in the Mexican peso exchange rate during the second quarter of 1995 resulted in the recognition of a $5.3 million gain. The Company's equity in income of Iusacell will continue to be impacted by changes in the Mexican peso exchange rate. The increase in the Company's economic interest in Iusacell from 23.2% in the first half of 1994 to 41.9% in August 1994 also impacted the equity loss in Iusacell in 1995.

The second quarter 1995 equity in income of affiliates was higher than the corresponding period in 1994, principally as a result of the favorable effect of the Mexican peso exchange rate associated with the Company's Iusacell investment. The second quarter equity loss, including goodwill amortization, in Iusacell was $6.5 million, compared to a $14.0 million equity loss for the second quarter of 1994. The three month period ended June 30, 1995 also included higher equity income from the Company's Telecom investment and additional equity losses from its video services joint venture.

Other Income, Net

Dollars in Millions	Decrease	
Second Quarter	$(29.9)	(83.8)%
Six Months	$(20.7)	(75.0)%

Other income, net, principally includes interest and dividend income, and gains and losses from the disposition of subsidiaries and non-operating assets and investments.

The decrease in other income, net, in both the three and six month periods ended June 30, 1995 is principally attributable to the effect of a $38.5 million pretax gain, recognized in the second quarter of 1994, related to the sale of substantially all of the Company's lease financing business. The decrease was partially offset in both periods by additional interest income of $8.2 million for the second quarter and $16.8 million for the first half of 1995 related to notes receivable held by the Company in connection with the sale of a lease financing subsidiary and the sale of real estate in 1994.

Interest Expense

Dollars in Millions	Increase	
Second Quarter	$7.4	5.3%
Six Months	$2.8	1.0%

Interest expense increased in both periods of 1995 due to higher short-term borrowings and higher interest rates. Interest expense was reduced by the recognition of capitalized interest costs at the telephone subsidiaries. Upon the discontinued application of regulatory accounting principles, effective August 1, 1994, the Company began recognizing capitalized interest costs as a reduction of interest expense. Previously, the Company recorded an allowance for funds used during construction as an item of other income.

Provision for Income Taxes

Dollars in Millions	Increase (Decrease)	
Second Quarter	$(18.1)	(6.1%)
Six Months	$31.2	6.0%

Effective Income Tax Rates

For the Three Months Ended June 30	
1995	38.2%
1994	41.5%

For the Six Months Ended June 30	
1995	38.9%
1994	39.0%

The lower effective income tax rates in 1995 resulted from the effect of recording, in the second quarter of 1994, an adjustment to the provision for deferred state income taxes on the Company's remaining leveraged lease portfolio. This adjustment increased the effective income tax rates in both the three and six month periods ended June 30, 1994.

The effective tax rates in 1995 were impacted by the reduction in the amortization of investment tax credits and the elimination of the benefit of the income tax rate differential applied to reversing timing differences at the telephone subsidiaries, both as a result of the discontinued application of regulatory accounting principles in August 1994.

Competitive and Regulatory Environment

The communications industry continues to undergo fundamental changes which may have a significant impact on future financial performance of telecommunications companies. These changes are being driven by a number of factors, including the accelerated pace of technological innovation, the convergence of the telecommunications, cable television, information services and entertainment businesses and a regulatory environment in which traditional barriers are being lowered or eliminated and competition permitted or encouraged.

The Company's telecommunications business is subject to competition from numerous sources. An increasing amount of this competition is from companies that have substantial capital, technological and marketing resources, many of which do not face the same regulatory constraints as the Company. The entry of well-financed competitors has the potential to adversely affect multiple revenue streams of the telephone subsidiaries, including toll, local exchange and network access services in the markets and geographical areas in which the competitors operate. The amount of revenue reductions will depend, in part, on the competitors' success in marketing these services and the conditions established by regulatory authorities. The potential impact is expected to be offset, to some extent, by revenues from interconnection charges to be paid to the telephone subsidiaries by these competitors.

The Company continues to respond to competitive challenges by intensely focusing on meeting customer requirements and by reducing its cost structure through efficiency and productivity initiatives. In addition, the Company continues to seek growth opportunities in businesses where it possesses core competencies. Several examples of the Company's recent initiatives to address competition are described below.

To expand its geographic presence in the wireless business, the Company combined substantially all of its domestic cellular operations with those of NYNEX Corporation, effective July 1, 1995, and formed a partnership, Bell Atlantic NYNEX Mobile, that will own and operate such businesses (also see Subsequent Event - Formation of Wireless Partnership section).

Bell Atlantic and NYNEX in 1994 also formed two partnerships with U S WEST, Inc. and AirTouch Communications to provide nationwide wireless communications services. The first partnership (PCS PrimeCo) participated in the FCC's auctions for personal communications services (PCS) licenses. In March 1995, PCS PrimeCo was a successful bidder for licenses for spectrum to provide PCS services in 11 major markets across the United States. The partnership paid approximately $1.1 billion for these licenses. The Company has invested approximately $268 million in the partnership through the first half of 1995, primarily to fund the purchase of these PCS licenses. The second partnership will develop a national branding and marketing strategy and wireless communications services standards.

To expedite its entry into the video services market, Bell Atlantic formed two new partnerships with NYNEX and Pacific Telesis Group. TELE-TV Media, L.P. will license, acquire, and develop entertainment and information services. TELE-TV Systems, L.P. will provide the systems necessary to deliver these services over the partners' networks. Over the 1995 to 1997 period, each of the partners will contribute approximately $100 million in cash or assets to the new joint ventures.

In March 1995, Bell Atlantic and NYNEX, through a jointly-owned partnership, signed an agreement to invest collectively up to $100 million in CAI Wireless Systems Inc., a wireless cable television company, which in turn has entered into several agreements to acquire the stock or assets of other wireless cable television companies. The investment will occur in two stages. In the first stage, which closed in May 1995, Bell Atlantic and NYNEX each invested $15.0 million in CAI Wireless. In exchange for this investment, the partnership holds senior debt bearing 12.5% interest maturing in the first quarter of 1996. In the second stage, which is expected to close later in 1995, Bell Atlantic and NYNEX would each invest $35.0 million in CAI Wireless. As part of this transaction, Bell Atlantic and NYNEX receive the right to acquire up to a total of 45% of CAI Wireless through the exercise of warrants. Bell Atlantic and NYNEX have also entered into an agreement with CAI Wireless which gives each of them the right (but not the obligation) to use, for specified charges, the distribution systems of CAI Wireless to begin offering digital video programming to customers.

Federal Regulation

On August 4, 1995, the U.S. House of Representatives passed a bill which includes provisions that would open the telephone subsidiaries' local exchange markets to competitors and would permit local exchange carriers, such as the Company, to provide interLATA services and engage in manufacturing upon meeting certain conditions. The Senate passed a similar bill in June of 1995. A conference committee is expected to work through the differences between the two bills in September and October of 1995. No definitive prediction can be made as to whether or when such legislation will be enacted, the provisions thereof, or the impact on the business or financial condition of the Company.

On April 28, 1995, the U.S. District Court, which administers the Modification of Final Judgment (MFJ), granted the Regional Bell Operating Companies' (RBOCs) joint motion for a waiver of the MFJ permitting them to provide interLATA wireless telecommunications services. The Court's decision contained a number of restrictions limiting the extent and manner in which the RBOCs may provide interLATA wireless services. While the Company plans to comply with the requirements of the Court's decision so that it may provide the services authorized therein, it has appealed the decision to the U.S. Court of Appeals for the District of Columbia Circuit.

In February 1995, the FCC issued an Order to Show Cause with respect to certain findings contained in an independent audit of the network services companies' 1988 and first quarter 1989 reported adjustments to the National Exchange Carrier Association (NECA) interstate common line pool. On May 2, 1995, the Company filed its response to the Show Cause Order, asserting that there is no legal basis for the FCC to institute enforcement proceedings with respect to these findings. Resolution of this matter is expected later in 1995.

FCC Interim Price Cap Orders

On March 30, 1995, the FCC adopted its Report and Order approving an Interim Price Cap Plan for interstate access charges. The Interim Plan, which was effective August 1, 1995, replaces the Price Cap Plan that the FCC adopted in 1990.

Under the Interim Plan, the Company's Price Cap Index must be adjusted by an inflation index (GDP-PI), less a fixed percentage, either 4.0%, 4.7% or 5.3%, which is intended to reflect increases in productivity ("Productivity Factor"). Companies selecting the 4.0% or 4.7% Productivity Factor are required to reduce future prices and share a portion of their interstate return in excess of 12.25%. Companies selecting the 5.3% Productivity Factor are also required to reduce prices but are not required to share. The Interim Plan also provides for a reduction in the Price Cap Index of 2.8% to adjust for what the FCC believes was an underestimate in its calculation of the Productivity Factor in prior years. The Interim Plan also eliminates the recovery of certain "exogenous" cost changes, including changes in accounting costs that the FCC believes have no economic consequences.

On March 30, 1995, the FCC also adopted an Order relating to the Price Cap Plan requiring local exchange carriers to include in their calculation of interstate earnings an adjustment to add back to revenues the amounts that were required to be shared with ratepayers in the prior year. This adjustment, which is effective for determination of sharing relating to earnings for 1994 and subsequent years, increased 1994 calculated interstate returns for the purpose of determining sharing amounts that were reflected in rate reductions that became effective August 1, 1995.

On May 9, 1995, the Company filed its Transmittal of Interstate Rates as required by the March 30, 1995 Orders. In the filing, the Company selected the 5.3% Productivity Factor for the August 1995 to June 1996 tariff period. The rates included in the May 9, 1995 filing resulted in price decreases totaling approximately $305 million on an annual basis. These price decreases include the scheduled expiration of a temporary rate increase of approximately $98 million on an annualized basis that was in effect from March 17, 1995 through July 31, 1995 to recover prior years "exogenous" postemployment benefit costs. Approximately 80% of the remaining $207 million reduction results from compliance with the Interim Plan. The remaining 20% represents reductions that the Company was required to make under the prior Price Cap Plan. It is expected that these price decreases will be partially offset by volume increases.

Bell Atlantic appealed the Orders to the Court of Appeals for the D.C. Circuit and petitioned the Court for a stay of certain aspects of the Orders pending the results of the appeals. On July 31, 1995, the Court of Appeals denied the Company's request for a stay.

State Regulation

The ability of IXCs to offer intrastate intraLATA toll services is subject to state regulation. Such competition is currently permitted in all of the Company's state jurisdictions that provide intraLATA toll services, except Virginia. In July 1995, the Virginia State Corporation Commission issued an order permitting intraLATA toll competition in Virginia, beginning October 1, 1995. Increased competition from IXCs has resulted in a continued decline in several components of the telephone subsidiaries' toll service revenues.

State regulatory commissions in Pennsylvania, New Jersey, West Virginia, and Delaware have initiated proceedings to determine whether, and under what conditions, to authorize presubscription for intraLATA toll services. Currently, intraLATA toll calls default to the network services companies unless the customer dials a five-digit access code to use an alternate carrier. Presubscription would enable customers to make intraLATA toll calls using the carrier of their choice without having to dial the five-digit access code. The telephone subsidiaries' ability to offset the impact of presubscription, if ordered, will depend, in part, upon the terms and conditions under which presubscription for intraLATA toll services may be authorized, as well as the telephone subsidiaries ability to offer interLATA services.

Other Matters

Environmental Issues

The Company is subject to a number of environmental proceedings as a result of the operations of its subsidiaries and shared liability provisions in the Plan of Reorganization related to the MFJ. Certain of these environmental matters relate to Superfund sites for which the Company's subsidiaries have been designated as potentially responsible parties by the U.S. Environmental Protection Agency or joined as third-party defendants in pending Superfund litigation. Such designation or joinder subjects the named company to potential liability for costs relating to cleanup of the affected sites. The Company is also responsible for the remediation of sites with underground fuel storage tanks and other expenses associated with environmental compliance.

The Company continually monitors its operations with respect to potential environmental issues, including changes in legally mandated standards and remediation technologies. The Company's recorded liabilities reflect those specific issues where remediation activities are currently deemed to be probable and where the cost of remediation is estimable. Management believes that the aggregate amount of any additional potential liability would not have a material effect on the Company's results of operations or financial condition.

Subsequent Event - Formation of Wireless Partnership

As a result of the formation of the Bell Atlantic NYNEX Mobile partnership, effective July 1, 1995, the Company will no longer include its domestic cellular operations in operating revenues and expenses. The partnership, which is controlled equally by Bell Atlantic and NYNEX, will be accounted for under the equity method. Revenues and operating income related to Bell Atlantic's domestic cellular operations were as follows:

	(Dollars in Millions)	
For the Three Months Ended June 30	1995	1994
Revenues	$ 332.7	$ 255.7
Operating Income	63.3	34.6
For the Six Months Ended June 30		
Revenues	$ 620.0	$ 488.9
Operating Income	97.5	55.1

Revenues and operating income for the year ended December 31, 1994 were $1,044.9 million and $112.2 million, respectively.

Coincident with, and as a condition to, the completion of the combination, Bell Atlantic sold certain cellular properties in Massachusetts and Rhode Island to SNET Cellular, Inc. The Company will record a pretax gain of approximately $340 million (subject to post-closing adjustments) in the third quarter of 1995 on the sale of the cellular properties. For additional information on the formation of the Bell Atlantic NYNEX Mobile partnership, see Note 4 to the Condensed Consolidated Financial Statements.

Financial Condition

For the Six Months Ended June 30	1995 (Dollars in Millions)	1994
Cash Flows From (Used In):		
Operating Activities	$1,837.7	$1,527.7
Investing Activities	(1,863.7)	(128.6)
Financing Activities	(55.4)	(1,292.3)

Management believes that the Company has adequate internal and external resources available to meet ongoing operating requirements, including network expansion and modernization and the payment of dividends. Management expects that presently foreseeable capital requirements will be financed primarily through internally generated funds. Additional long-term debt and equity financing may be needed to fund additional development activities and to maintain the Company's capital structure within management's guidelines. The Company determines the appropriateness of the level of its dividend payments on a periodic basis by considering such factors as long-term growth opportunities, internal requirements of the Company, and the expectations of shareowners.

The use of derivatives by the Company is limited to managing risk that could endanger the financing and operating flexibility of the Company, making cash flows more stable over the long run, and achieving savings over traditional means of financing. Derivative agreements are tied to a specific liability or asset and hedge the related economic exposures. The use of these hedging agreements has not had a material impact on the Company's financial condition or results of operations. The Company does not use derivatives for speculative purposes and has not hedged its accounting translation exposure to foreign currency fluctuations relative to its net investment position in foreign affiliates.

Cash Flows From Operating Activities

The Company's primary source of funds continued to be cash generated from operations. Improved cash flows from operating activities during the first half of 1995 resulted principally from strong operating income growth.

Cash Flows Used in Investing Activities

Capital expenditures continued to be the primary use of capital resources in 1995. During the six month period ended June 30, 1995, the Company invested $1,341.1 million in its telecommunications core business to facilitate the introduction of new products and services, enhance responsiveness to competitive challenges and increase the operating efficiency and productivity of the network. Further, capital spending in the cellular business during the first half of 1995 was $152.4 million to support the continued expansion of the wireless infrastructure. With the change in accounting for the Company's domestic cellular operations to the equity method, future funding provided by Bell Atlantic for the continued expansion of the domestic cellular network will not be classified as capital expenditures, but will appear in the Consolidated Statements of Cash Flows as investments in joint ventures and partnerships.

During the first half of 1995, the Company invested $367.5 million in joint ventures and acquisitions including a $254.3 million investment in PCS PrimeCo primarily to fund the purchase of PCS licenses, $40.5 million for the purchase of cellular properties, and $72.7 million invested in other domestic and international joint ventures.

During the first three months of 1995, the Company prefunded a trust with the purchase of $135.0 million in short-term investments for the purpose of compensating employees for vacation pay earned during 1994. Cash proceeds from the sale of these short-term investments amounted to $32.5 million at the end of June 1995.

Cash proceeds from investing activities in the first six months of 1995 also included approximately $85 million received in connection with a note receivable resulting from the sale of substantially all of the Company's lease financing business in 1994.

On July 1, 1995, the Company received $362.5 million in cash proceeds from the sale of certain of its cellular properties (see Subsequent Event - Formation of Wireless Partnership section). These cash proceeds were used principally to fund the Company's proportionate share of PCS license fees.

Cash Flows Used in Financing Activities

Dividend payments in the first half of 1995, as in prior years, were also a significant use of capital resources. The Company decreased its long-term debt by $62.5 million and increased its short-term borrowings by $658.5 million principally as a result of additional funding requirements for the vacation pay and retiree health trusts, increased construction expenditures at the network and wireless companies, and the financing of investments in joint ventures and acquisitions including the purchase of PCS licenses.

As of June 30, 1995, the Company and its subsidiaries had in excess of $2.1 billion of unused bank lines of credit and shelf registrations for the issuance of up to $1.9 billion of unsecured debt securities.

The Company's debt ratio was 60.0% at June 30, 1995 and 59.4% at December 31, 1994. The debt securities of Bell Atlantic's subsidiaries continue to be accorded high ratings by primary rating agencies.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

For background concerning the Company's contingent liabilities under the Plan of Reorganization governing the divestiture by AT&T Corp. (formerly American Telephone and Telegraph Company) of certain assets of the former Bell System Operating Companies with respect to private actions relating to pre-divestiture events, including pending antitrust cases, see Item 3 of the Company's Annual Report on Form 10-K for the year ended December 31, 1994.

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

The Company's 1995 Annual Meeting of Shareowners was held on April 28, 1995. At the meeting, the following items were submitted to a vote of Shareowners.

(a) The following nominees were elected to serve on the Board of Directors:

Name of Nominee	Votes Cast For	Votes Withheld
William W. Adams	340,224,797	7,888,246
William O. Albertini	340,281,745	7,831,298
Lawrence T. Babbio, Jr.	340,311,922	7,801,121
Thomas E. Bolger	340,254,611	7,858,432
Frank C. Carlucci	340,073,004	8,040,039
William G. Copeland	340,253,199	7,859,844
James G. Cullen	340,267,501	7,845,542
James H. Gilliam, Jr.	340,064,783	8,048,260
Thomas H. Kean	340,016,344	8,096,699
John C. Marous, Jr.	340,147,960	7,965,083
John F. Maypole	340,338,912	7,774,131
Joseph Neubauer	340,203,242	7,909,801
Thomas H. O'Brien	340,254,084	7,867,959
Rozanne L. Ridgway	340,114,232	7,998,811
Raymond W. Smith	339,378,689	8,734,354
Shirley Young	340,160,639	7,952,404

(b) The appointment of Coopers & Lybrand L.L.P. as independent accountants of the Company for 1995 was ratified with 340,864,162 votes for and 4,500,995 votes against.

(c) A management proposal to approve Amendments to the Bell Atlantic Stock Compensation Plan for Outside Directors was approved with 303,346,124 votes for, 34,792,384 votes against and 9,974,535 abstentions.

(d) A shareowner proposal regarding additional disclosure of executive officer compensation was defeated with 39,178,568 votes for, and 253,986,220 votes against.

(e) A shareowner proposal regarding the number of nominees for Director was defeated with 30,606,767 votes for, and 261,788,504 votes against.

(f) A shareowner proposal regarding Directors' other board affiliations was defeated with 44,289,973 votes for, and 2[illegible]5,419,314 votes against.

(g) A shareowner proposal regarding outside Directors' pensions was defeated with 76,589,431 votes for, and 215,379,475 votes against.

With respect to item (b) and items (d) through (g) above, abstentions and broker non-votes are not counted in the vote totals in accordance with the Company's by-laws and, therefore, have no effect on the vote. With respect to item (c) above, abstentions and broker non-votes are counted in the vote totals in accordance with Securities and Exchange Commission rules and have the same effect as a vote against.

The Company's 1996 Annual Meeting of Shareowners will be held on April 26, 1996 in Wilmington, Delaware. For information regarding requirements for the submission of shareowner proposals and director nominations, see the Company's Proxy Statement dated February 28, 1995 or contact the Vice President-Corporate Secretary and Counsel, Bell Atlantic Corporation, 1717 Arch Street, 32nd Floor, Philadelphia, PA 19103.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit Number

11 Computation of Per Common Share Earnings.
12 Computation of Ratio of Earnings to Fixed Charges.
27 Financial Data Schedule.

(b) Report on Form 8-K filed during the quarter ended June 30, 1995:

A Current Report on Form 8-K, dated April 21, 1995, was filed regarding the Company's first quarter 1995 financial results.

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.

BELL ATLANTIC CORPORATION

Date: August 10, 1995

By /s/ WILLIAM O. ALBERTINI
William O. Albertini
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

UNLESS OTHERWISE INDICATED, ALL INFORMATION IS AS OF AUGUST 7, 1995.

BELL ATLANTIC CORPORATION AND SUBSIDIARIES
Computation of Per Common Share Earnings
(Dollars in Millions, Except Per Share Amounts)

	Three months ended June 30,	
	1995	1994
Net income	$ 447.1	$ 415.4
Earnings Per Common Share		
Weighted average shares outstanding	436,512,006	436,247,170
Incremental shares from assumed exercise of stock options and payment of performance share awards	1,216,307	894,904
Total shares	437,728,313	437,142,074
Net income	$ 1.02	$ .95
Fully Diluted Earnings Per Common Share*		
Weighted average shares outstanding	436,512,006	436,247,170
Incremental shares from assumed exercise of stock options and payment of performance share awards	1,365,721	1,116,691
Total shares	437,877,727	437,363,861
Net income	$ 1.02	$ .95

* Fully diluted earnings per share calculation is presented in accordance with Regulation S-K item 601(b)(11) although not required by footnote 2 to paragraph 14 of Accounting Principles Board Opinion No. 15 because it results in dilution of less than 3%.

BELL ATLANTIC CORPORATION AND SUBSIDIARIES
Computation of Per Common Share Earnings
(Dollars in Millions, Except Per Share Amounts)

	Six months ended June 30, 1995	Six months ended June 30, 1994
Income before extraordinary item	$ 861.6	$ 811.3
Extraordinary item	--	(6.7)
Net income	$ 861.6	$ 804.6
Earnings Per Common Share		
Weighted average shares outstanding	436,446,888	436,273,254
Incremental shares from assumed exercise of stock options and payment of performance share awards	1,109,480	968,737
Total shares	437,556,368	437,241,991
Income before extraordinary item	$ 1.97	$ 1.86
Extraordinary item	--	(.02)
Net income	$ 1.97	$ 1.84
Fully Diluted Earnings Per Common Share*		
Weighted average shares outstanding	436,446,888	436,273,254
Incremental shares from assumed exercise of stock options and payment of performance share awards	1,198,521	1,078,744
Total shares	437,645,409	437,351,998
Income before extraordinary item	$ 1.97	$ 1.86
Extraordinary item	--	(.02)
Net income	$ 1.97	$ 1.84

* Fully diluted earnings per share calculation is presented in accordance with Regulation S-K item 601(b)(11) although not required by footnote 2 to paragraph 14 of Accounting Principles Board Opinion No. 15 because it results in dilution of less than 3%.

Exhibit 12

BELL ATLANTIC CORPORATION AND SUBSIDIARIES
Computation of Ratio of Earnings to Fixed Charges
(Dollars in Millions)

	Six months ended June 30, 1995
Income before provision for income taxes	$ 1,410.6
Equity in income of less than majority-owned subsidiaries	(15.8)
Dividends from less than majority-owned subsidiaries	5.8
Interest expense, including interest on capital lease obligations	296.3
Portion of rent expense representative of the interest factor	44.4
Income, as adjusted	$ 1,741.3
Fixed charges:	
Interest expense, including interest on capital lease obligations	$ 296.3
Portion of rent expense representative of the interest factor	44.4
Capitalized interest	30.3
Preferred stock dividend requirement	4.9
Fixed charges	$ 375.9
Ratio of Earnings to Fixed Charges	4.63

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(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, 1994

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 1-8606

Bell Atlantic Corporation
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**23-2259884** (I.R.S. Employer Identification No.)
1717 Arch Street **Philadelphia, Pennsylvania** (Address of principal executive offices)	**19103** (Zip Code)

Registrant's telephone number, including area code: (215) 963-6000

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

Title of each class	Name of each exchange on which registered
Common Stock, $1 par value	New York, Philadelphia, Boston, Chicago and Pacific Stock Exchanges
Preference Stock Purchase Rights	New York, Philadelphia, Boston, Chicago and Pacific Stock Exchanges

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

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

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

At February 28, 1995, the aggregate market value of the registrant's voting stock held by non-affiliates was approximately $23,393,000,000.

At February 28, 1995, 436,369,634 shares of the registrant's Common Stock were outstanding, after deducting ,615 shares held in treasury.

Documents incorporated by reference:

Portions of the registrant's Annual Report to Shareowners for the year ended December 31, 1994 (Part II).

Portions of the registrant's Proxy Statement dated February 28, 1995 prepared in connection with the Annual Meeting of Shareowners (Part III).

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UNLESS OTHERWISE INDICATED, ALL INFORMATION IS AS OF MARCH 27, 1995

PART I

Item 1. *Business*

GENERAL

Bell Atlantic Corporation (the "Company" or "Bell Atlantic") is one of the seven regional holding companies ("RHCs") formed in connection with the court-approved divestiture (the "Divestiture"), effective January 1, 1984, of those assets of American Telephone and Telegraph Company ("AT&T") related to exchange telecommunications, exchange access functions, printed directories and cellular mobile communications.

Pursuant to the Divestiture, AT&T transferred to the Company, among other assets, its 100% ownership interest in seven Bell System operating companies ("BOCs"): New Jersey Bell Telephone Company; The Bell Telephone Company of Pennsylvania; The Diamond State Telephone Company; The Chesapeake and Potomac Telephone Company; The Chesapeake and Potomac Telephone Company of Maryland; The Chesapeake and Potomac Telephone Company of Virginia; and The Chesapeake and Potomac Telephone Company of West Virginia (collectively, the "Network Services Companies"). In January 1994, to facilitate the creation of a uniform "Bell Atlantic" brand name across the territories served by these seven telephone subsidiaries, the names of the Network Services Companies were changed to Bell Atlantic - New Jersey, Inc. ("Bell Atlantic - New Jersey"), Bell Atlantic - Pennsylvania, Inc. ("Bell Atlantic - Pennsylvania"), Bell Atlantic - Delaware, Inc. ("Bell Atlantic - Delaware"), Bell Atlantic - Washington, D.C., Inc. ("Bell Atlantic - Washington, D.C."), Bell Atlantic - Maryland, Inc. ("Bell Atlantic - Maryland"), Bell Atlantic - Virginia, Inc. ("Bell Atlantic - Virginia") and Bell Atlantic - West Virginia, Inc. ("Bell Atlantic - West Virginia"), respectively.

The Company's business currently encompasses one principal segment -- Communications and Related Services -- which includes the Network Services Companies as well as subsidiaries which are engaged in the business of providing wireless communications products and services, including cellular mobile service; selling directory advertising and providing photocomposition services; and servicing and repairing computers. During 1993, Bell Atlantic reorganized certain functions performed by each of the Network Services Companies into lines of business ("LOBs") organized across the Network Services Companies around specific market segments. See "The Network Services Companies-Operations".

Prior to December 31, 1994, the Company reported segment information for Financial, Real Estate and Other Services, which was comprised of subsidiaries engaged in lease financing of commercial, industrial, medical and high-technology equipment, and other forms of financing; real estate investment and management; and the sale and distribution of liquefied petroleum gas. In 1994, the Company disposed of substantially all of its lease financing business and sold its liquefied petroleum gas business.

The Company was incorporated in 1983 under the laws of the State of Delaware and has its principal executive offices at 1717 Arch Street, Philadelphia, Pennsylvania 19103 (telephone number 215-963-6000).

LINE OF BUSINESS RESTRICTIONS

The consent decree entitled "Modification of Final Judgment" ("MFJ") approved by the United States District Court for the District of Columbia (the "D.C. District Court") which, together with the Plan of Reorganization ("Plan") approved by the D.C. District Court, set forth the terms of Divestiture also established certain restrictions on the post-Divestiture activities of the RHCs, including Bell Atlantic. Currently, the MFJ's principal restrictions on post-Divestiture RHC activities are prohibitions on (i) providing interexchange telecommunications, and (ii) engaging in the manufacture of telecommunications equipment and customer premises equipment ("CPE"). Since Divestiture, the D.C. District Court has retained jurisdiction over the construction, modification, implementation and enforcement of the MFJ.

Legislation has been introduced in the current session of Congress pursuant to which the line of business restrictions established by the MFJ could be eliminated or modified. No definitive prediction can be made as to whether or when any such legislation will be enacted, the provisions thereof or the impact on the business or financial condition of the Company.

THE NETWORK SERVICES COMPANIES

General

The Network Services Companies presently serve a territory ("Territory") consisting of 19 Local Access and Transport Areas ("LATAs"). These LATAs are generally centered on a city or based on some other identifiable common geography and, with certain limited exceptions, each LATA marks the boundary within which a Network Services Company may provide telephone service.

The Network Services Companies provide two basic types of telecommunications services. First, they transport telecommunications traffic between subscribers located within the same LATA ("intraLATA service"), including both local and toll services. Local service includes the provision of local exchange ("dial tone"), local private line and public telephone services (including dial tone service for pay telephones owned by the Company and other pay telephone providers). Among other local services provided are Centrex (telephone company central office-based switched telephone service enabling the subscriber to make both intercom and outside calls) and a variety of special and custom calling services. Toll service includes message toll service (calling service beyond the local calling area) within LATA boundaries, and intraLATA Wide Area Toll Service (WATS)/800 services (volume discount offerings for customers with highly concentrated demand). As permitted by the Plan, Bell Atlantic - New Jersey and Bell Atlantic - Pennsylvania also earn toll revenue from the provision of telecommunications service between LATAs ("interLATA service") in corridors between the cities (and certain surrounding counties) of (i) New York, New York and Newark, New Jersey and (ii) Philadelphia, Pennsylvania and Camden, New Jersey. Second, the Network Services Companies provide exchange access service, which links a subscriber's telephone or other equipment to the transmission facilities of interexchange carriers which, in turn, provide interLATA service to their customers. Bell Atlantic - Pennsylvania, Bell Atlantic - Delaware, Bell Atlantic - Maryland, Bell Atlantic - West Virginia and Bell Atlantic - New Jersey also provide exchange access service to interexchange carriers which provide intrastate intraLATA long distance telecommunications service.

Operations

Although the Network Services Companies remain responsible within their respective service areas for the provision of telephone services, financial performance and regulatory matters, during 1993 Bell Atlantic reorganized certain functions formerly performed by each of these companies into LOBs organized across the Network Services Companies around specific market segments. These LOBs are:

The *Consumer Services* LOB markets communications services to residential customers within the Territory (11 million households and 29 million people) and plans to market information services and entertainment programming. 1994 revenues generated by the Consumer Services LOB were approximately $4 billion, representing approximately 34% of the Network Services Companies' aggregate revenues. These revenues were derived primarily from the provision of telephone services to residential users.

The *Carrier Services* LOB markets (i) switched and special access to the Network Services Companies' local exchange networks, and (ii) billing and collection services, including recording, rating, bill processing and bill rendering. 1994 revenues generated by the Carrier Services market were approximately $2.5 billion, representing approximately 21% of the Network Services Companies' aggregate revenues. Approximately 93% of total Carrier Services revenues were derived from interexchange carriers; AT&T is the largest single customer. Most of the remaining revenues came from business customers and government agencies with their own special access network connections, wireless companies and other local exchange carriers ("LECs") which resell network connections to their own customers.

The *Small Business Services* LOB markets communications and information services to small businesses (customers having up to 20 access lines or 100 Centrex lines). The Small Business Services LOB has approximately 1.2 million small business customers in the Territory which in 1994 generated approximately $1.8 billion in revenues, representing approximately 15% of the Network Services Companies' aggregate revenues.

The *Large Business Services* LOB markets communications and information services to large businesses (customers having more than 20 access lines or more than 100 Centrex lines). These services include voice switching/processing services (*e.g.*, dedicated private lines, custom Centrex, call management and voice messaging), end-user networking (*e.g.*, credit and debit card transactions, and personal computer-based conferencing, including data and video), internetworking (establishing links between the geographically disparate networks of two or more companies or within the same company), network integration (integrating multiple geographically disparate networks into one system), network optimization (disaster avoidance, 911, intelligent vehicle highway systems), video services (distance learning, telemedicine, surveillance, videoconferencing) and integrated multi-media applications services. 1994 revenues from the Large Business Services LOB were approximately $1.5 billion, representing approximately 13% of the Network Services Companies' aggregate revenues.

The *Directory Services* LOB manages the provision of (i) advertising and marketing services to advertisers, and (ii) listing information (*e.g.*, White Pages and Yellow Pages). These services are currently provided primarily through print media, but the Company expects that use of electronic formats will increase in the future. In addition, the Directory Services LOB manages the provision of photocomposition, database management and other related products and services to publishers. 1994 revenues from the Directory Services LOB were approximately $1 billion, representing approximately 9% of the Network Services Companies' aggregate revenues.

The *Public and Operator Services* LOB markets pay telephone and operator services in the Territory to meet consumer needs for accessing public networks, locating and identifying network subscribers, providing calling assistance and arranging billing alternatives (*e.g.*, calling card, collect and third party calls). 1994 revenues from the Public and Operator Services LOB were approximately $700 million, representing approximately 6% of the Network Services Companies' aggregate revenues.

The *Federal Systems* LOB markets communications and information technology and services to departments, agencies and offices of the executive, judicial and legislative branches of the federal government. 1994 revenues from the Federal Systems LOB were approximately $300 million, representing approximately 2% of the Network Services Companies' aggregate revenues.

The *Network* LOB manages the technologies, services and systems platforms required by the other LOBs and the Network Services Companies to meet the needs of their respective customers, including switching, feature development and on-premises installation and maintenance services.

The Network Services Companies have been making and expect to continue to make significant capital expenditures to meet the demand for communications services and to further improve such services. Capital expenditures of the Network Services Companies were approximately $2.2 billion in 1992, $2.1 billion in 1993, and $2.2 billion in 1994. The total investment in plant, property and equipment was approximately $29.6 billion at December 31, 1992, $30.6 billion at December 31, 1993, and $33.7 billion at December 31, 1994, in each case after giving effect to retirements, but before deducting accumulated depreciation at such date.

The Network Services Companies as a whole are projecting construction expenditures for 1995 at approximately the same level as in the past several years. However, subject to regulatory approvals, the Network Services Companies plan to allocate a greater portion of capital resources to the deployment of broadband network platforms (technologies ultimately capable of providing a switched facility for access to and transport of high-speed data services, video-on-demand, and image and interactive multimedia applications). Most of the funds for these expenditures are expected to be generated internally. Some additional external financing may be necessary or desirable for some of the Network Services Companies.

FCC Regulation and Interstate Rates

The Network Services Companies are subject to the jurisdiction of the Federal Communications Commission ("FCC") with respect to interstate services and certain related matters. The FCC prescribes a uniform system of accounts for telephone companies, interstate depreciation rates and the principles and standard procedures used to separate plant investment, expenses, taxes and reserves between those applicable to interstate services under the jurisdiction of the FCC and those applicable to intrastate services under the jurisdiction of the respective state regulatory authorities ("separations procedures"). The FCC also prescribes procedures for allocating costs and revenues between regulated and unregulated activities.

Interstate Access Charges

The Network Services Companies provide intraLATA service and, with certain limited exceptions, do not participate in the provision of interLATA service except through offerings of exchange access service. See "The Network Services Companies-General". The FCC has prescribed structures for exchange access tariffs to specify the charges ("Access Charges") for use and availability of the Network Services Companies' facilities for the origination and termination of interstate interLATA service.

In general, the tariff structures prescribed by the FCC provide that interstate costs of the Network Services Companies which do not vary based on usage ("non-traffic sensitive costs") are recovered from subscribers through flat monthly charges ("Subscriber Line Charges"), and from interexchange carriers through usage-sensitive Carrier Common Line ("CCL") charges. Traffic-sensitive interstate costs are recovered from carriers through variable access charges based on several factors, primarily usage.

In May 1984, the FCC authorized the implementation of Access Charge tariffs for "switched access service" (access to the local exchange network) and of Subscriber Line Charges for multiple line business customers (up to $6.00 per month per line). In 1985, the FCC authorized Subscriber Line Charges for residential and single-line business customers at the rate of $1.00 per month per line, which increased in installments to $3.50, effective April 1, 1989.

FCC Access Charge Pooling Arrangements

The FCC previously required that all LECs, including the Network Services Companies, pool revenues from CCL and Subscriber Line Charges that cover the non-traffic sensitive costs of the local exchange network, that is, the interstate costs associated with the lines from subscribers' premises to telephone company central offices. To administer such pooling arrangements, the FCC mandated the formation of the National Exchange Carrier Association, Inc. ("NECA"). All but one of the Network Services Companies received substantially less from the pool than the amount billed to their interexchange carrier customers.

The FCC changed its mandatory pooling requirements, effective April 1, 1989. As a result, the Network Services Companies as a group withdrew from the pool and were permitted to charge CCL rates which more closely reflected their non-traffic sensitive costs. The Network Services Companies are still obligated to make contributions of CCL revenues to companies who choose to continue to pool non-traffic sensitive costs so that the pooling companies can charge a CCL rate no greater than the nationwide average CCL rate of price cap companies. In addition to this continuing obligation, the Network Services Companies had a transitional support obligation to high cost companies who left the pool in 1989 and 1990. This transitional support obligation ended in July 1994.

In February 1995, the FCC issued an Order to Show Cause with respect to certain findings contained in an independent audit concluded in December 1991 with respect to certain filings by the Network Services Companies with NECA. Resolution of these issues is expected in the second half of 1995.

Price Caps

The price cap system, which has been in effect since 1991, places a cap on overall LEC prices for interstate access services which is modified annually, in inflation-adjusted terms, by a fixed percentage which is intended to reflect increases in productivity. The price cap level can also be adjusted to reflect "exogenous" changes, such as changes in FCC separations procedures or accounting rules. LECs subject to price caps have somewhat increased flexibility to change the prices of existing services within certain groupings of interstate services, known as "baskets".

FCC regulations applicable to the Network Services Companies provide for an authorized rate of return of 11.25% for the years 1991 and beyond. To the extent that a company is able to earn a higher rate of return through improved efficiency, the FCC's price cap rules permit them to retain the full amount of this higher return up to 100 basis points above the authorized rate of return (currently, up to a 12.25% rate of return). If a company's rate of return is between 100 and 500 basis points above the authorized rate of return (that is, currently, between 12.25% and 16.25%), the company must share 50% of the earnings above the 100-basis-point level with customers by reducing rates prospectively. All earnings above the 500-basis-point level must be returned to customers in the form of prospective rate decreases. If, on the other hand, a company's rate of return is more than 100 basis points below the authorized rate of return (that is, currently, below 10.25%), the company is permitted to increase rates prospectively to make up the deficiency.

Under FCC-approved tariffs, the Network Services Companies are charging uniform rates for interstate access services (with the exception of Subscriber Line Charges) throughout the Territory and are regarded as a single unit by the FCC for rate of return measurement.

In February 1994, the FCC initiated a rulemaking proceeding to determine the effectiveness of LEC price cap rules and to decide what changes, if any, should be made to those rules. This rulemaking is expected to be concluded in the first half of 1995.

Enhanced Services

In 1985, the FCC initiated an examination of its regulations requiring that "enhanced services" (e.g. voice messaging services, electronic mail, videotext gateway, protocol conversion) be offered only through a structurally separated subsidiary. In 1986, the FCC eliminated this requirement, permitting the Network Services Companies to offer enhanced services, subject to compliance with a series of non-structural safeguards. These safeguards include detailed cost accounting, protection of customer information, public disclosure of technical interfaces and certain reporting requirements. In 1990, the U.S. Court of Appeals for the Ninth Circuit (Court of Appeals) vacated and remanded the matter to the FCC. In 1991, the FCC adopted an order which reinstated relief from the separate subsidiary requirement upon a company's compliance with the FCC's Open Network Architecture requirements and strengthened some of the non-structural safeguards. In 1992, the Network Services Companies certified to the FCC that they had complied with applicable requirements, and the FCC granted them structural relief.

In October 1994, the Court of Appeals vacated the 1991 order and remanded the matter to the FCC for further proceedings. As a result, the FCC has initiated a broad examination of the state of competition in the enhanced services business and the adequacy of existing non-structural safeguards. The Network Services Companies are permitted to continue to offer existing enhanced services pending further action.

FCC Cost Allocation and Affiliate Transaction Rules

FCC rules govern: (i) the allocation of costs between the regulated and unregulated activities of a communications common carrier and (ii) transactions between the regulated and unregulated affiliates of a communications common carrier.

The cost allocation rules apply to certain unregulated activities: activities that have never been regulated as communications common carrier offerings and activities that have been preemptively deregulated by the FCC. The costs of these activities are removed prior to the separations procedures process and are assigned to unregulated activities in the aggregate, not to specific services, for pricing purposes. Other activities must be accounted for as regulated activities, and their costs are subject to separations procedures.

The affiliate transaction rules govern the pricing of assets transferred to and services provided by affiliates. These rules generally require that assets be transferred between affiliates at "market price", if such price can be established through a tariff or a prevailing price actually charged to third parties. In the absence of a tariff or prevailing price, "market price" cannot be established, in which case (i) asset transfers from a regulated to an unregulated affiliate must be valued at the higher of cost or fair market value, and (ii) asset transfers from an unregulated to a regulated affiliate must be valued at the lower of cost or fair market value.

The FCC has not attempted to make its cost allocation or affiliate transaction rules preemptive. State regulatory authorities are free to use different cost allocation methods and affiliate transaction rules for intrastate ratemaking and to require carriers to keep separate allocation records.

Telephone Company Provision of Video Dial Tone and Video Programming

In August 1992, the FCC issued an order permitting telephone companies such as the Network Services Companies to provide "video dial tone" service. Video dial tone permits telephone companies to provide video transport to multiple programmers on a non-discriminatory common carrier basis. In November 1994, the FCC issued an order which stated that jurisdiction for video dial tone service will be divided between the FCC and the states. Over the air services and services transported across state lines will be deemed interstate services subject to regulation by the FCC. Services delivered entirely within a single state will be deemed intrastate services subject to state regulation. The order also generally prohibits telephone companies from acquiring in-region cable television facilities or entering into a joint venture with an in-region cable television company or other video programmer to jointly construct or operate a video dial tone platform.

In December 1992, Bell Atlantic - Virginia and Bell Atlantic Video Services Company filed a lawsuit against the federal government in the United States District Court for the Eastern District of Virginia seeking to overturn the prohibition in the Cable Communications Policy Act of 1984 against LECs providing video programming in their respective telephone service areas. In 1993, the court struck down this prohibition as a violation of the First Amendment's freedom of speech protections and enjoined its enforcement against the Company, the Network Services Companies and Bell Atlantic Video Services Company. This decision was affirmed by the United States Court of Appeals for the Fourth Circuit in 1994. The federal government is expected to petition the United States Supreme Court to review the decision.

In 1992, Bell Atlantic - New Jersey entered into an agreement with Future Vision of America Corporation ("Future Vision") pursuant to which Bell Atlantic - New Jersey will deploy fiber optic technology in the Dover Township, New Jersey telephone network to establish a video dial tone platform that will allow Future Vision and other video information providers to deliver video programming services. The FCC approved the deployment of this system in late 1994. Service is expected to commence later in 1995.

In 1993, the FCC granted the Company authority to test a new technology known as Asynchronous Digital Subscriber Line ("ADSL") for use in delivering video entertainment and information over existing copper telephone lines. Beginning in March 1993, the Company began a one-year technical trial of ADSL serving up to 400 Bell Atlantic employees in northern Virginia. In the Fall of 1993, Bell Atlantic petitioned the FCC for authorization to expand and convert this technical trial, upon its completion, into a six month market trial serving up to 2,000 customers. The FCC approved this application in early 1995. Bell Atlantic has also requested authority to offer a commercial video dial tone service to customers served by 25 central offices in parts of northern Virginia and southern Maryland upon completion of the six month market trial. This application remains pending at the FCC.

Interconnection and Collocation

In order to encourage greater competition in the provision of interstate special access services, the FCC issued an order in 1992 allowing third parties to collocate their equipment in telephone company offices to provide special access (private line) services to the public. The order permits collocating parties to pay LECs an interconnection charge that is lower than the existing tariffed rates for similar non-collocated services and it allows LECs limited additional pricing flexibility for their own special access services when collocated interconnection is operational. In 1993, the FCC extended collocation to switched access services under terms and conditions similar to those for special access collocation. In June 1994, the U.S. Court of Appeals for the District of Columbia vacated the FCC's special access collocation order insofar as it required physical collocation. In July 1994, the FCC voted to require LECs to offer virtual collocation, with the LECs having the option to offer physical collocation.

State Regulation and Competitive Environment

The communications services of the Network Services Companies are subject to regulation by the public utility commissions in the jurisdictions in which they operate with respect to intrastate rates and services and other matters. In 1994, there were a number of proceedings dealing with such issues as the adoption of flexible regulation procedures and competition for local exchange and toll services.

Bell Atlantic - New Jersey Inc.

The New Jersey Telecommunications Act of 1992 authorized the Board of Public Utilities ("BPU") to adopt alternative regulatory frameworks to address changes in technology and the structure of the telecommunications industry and to promote economic development. It also deregulated services which the BPU found to be competitive. Pursuant to that legislation, Bell Atlantic - New Jersey filed a Plan for Alternative Form of Regulation (the "NJPAR"), which became effective in May 1993.

The NJPAR replaced the Rate Stability Plan, which was approved by the BPU in 1987. In general, the Rate Stability Plan separated intrastate services into two categories: Group I (more competitive) and Group II (less competitive). Only Group II services were subject to financial performance monitoring by the BPU.

The NJPAR divides Bell Atlantic - New Jersey's services into Rate-Regulated Services (formerly Group II services) and Competitive Services (formerly Group I services and services which have never been regulated by the BPU). Rate-Regulated Services are grouped in two categories:

-"Protected Services": Basic residence and business service, Touch-Tone, access services, message toll services and the ordering, installation and restoration of these services. Rates for Protected Services, other than basic residence service, may be increased beginning January 1996 in an amount limited to the prior year's increase in the Gross National Product-Price Index ("GNP-PI") less a 2% productivity offset, as long as the return on equity for Rate-Regulated Services does not exceed 11.7%. Basic residence service rates are frozen through December 1999.

-"Other Services": Custom Calling, Custom Local Area Signaling Services ("CLASS" services which utilize Signaling System 7), operator services and 911 enhanced service. Rates for Other Services may be increased beginning January 1996 in an amount limited to the prior year's increase in the GNP-PI less a 2% productivity offset, as long as the return on equity for Rate-Regulated Services does not exceed 12.7%.

All earnings above a return on equity of 13.7% for Rate-Regulated Services will be shared equally with customers. There is no point at which the earnings are capped. Competitive Services are deregulated under the New Jersey Telecommunications Act. An appeal of the NJPAR is pending.

In May 1994, the BPU approved a settlement of a proceeding addressing intraLATA toll competition. The settlement permitted IXCs to compete for the provision of intraLATA toll services on an access code basis (e.g., customers must dial 10XXX to use an IXC), beginning July 1, 1994, and granted Bell Atlantic - New Jersey substantial flexibility in the pricing and marketing of the services it offers to enable it to compete with the IXCs. In January 1995, the BPU commenced a further proceeding to examine issues of intraLATA toll competition including whether presubscription should be authorized, and if so, under what terms and conditions. Currently, intraLATA toll calls default to the Network Services Companies unless the customer dials a five-digit access code to use an alternate carrier. Presubscription would enable customers to make intraLATA toll calls using the carrier of their choice without having to dial the five-digit access code. The BPU will also address the issue of subsidies embodied in Bell Atlantic - New Jersey's rates. A decision is expected by the end of 1995.

In January 1995, MFS - Intelenet filed a petition with the BPU requesting authority to provide local exchange services in areas served by Bell Atlantic - New Jersey.

Bell Atlantic - Pennsylvania, Inc.

In July 1993, legislation was enacted in Pennsylvania which enabled Bell Atlantic - Pennsylvania to petition the Pennsylvania Public Utility Commission ("PPUC") to regulate Bell Atlantic - Pennsylvania under an alternative form of regulation. In October 1993, Bell Atlantic - Pennsylvania filed its petition and plan with the PPUC. In June 1994, the PPUC approved, with modifications, Bell Atlantic - Pennsylvania's Alternative Regulation Plan, ("PAPAR") which was accepted by Bell Atlantic - Pennsylvania in July 1994.

The PAPAR provides for a pure price cap plan with no sharing and replaces rate base rate of return regulation. The PPUC's order confirmed that current rates are just and reasonable, and therefore, required no change to current rates. The PAPAR removed from price and earnings regulation six competitive services, including directory advertising, billing service, Centrex service, paging, speed calling and repeat calling. All remaining noncompetitive services will be price regulated.

Under price regulation, annual price increases up to, but not exceeding, the inflation rate (GDP-PI) minus 2.93% will be permitted. Annual price decreases are required when the GDP-PI falls below 2.93%. Protected services in the noncompetitive category, which include residential and business basic exchange services, special access and switched access, are capped through December 31, 1999. However, revenue neutral rate restructuring for non-competitive services is permitted.

The PAPAR requires Bell Atlantic - Pennsylvania to propose a Lifeline service for residential customers on a revenue neutral basis The Plan also requires deployment of a universal broadband network, which must be completed in phases: 20% by 1998; 50% by 2004; and 100% by 2015. Deployment must be reasonably balanced among urban, suburban and rural areas. An appeal of the PAPAR is pending.

Several large competitors have requested authority from the PPUC to provide local exchange service in areas served by Bell Atlantic - Pennsylvania. Applications are currently pending from MFS - Intelenet, MCI Metro ATS and Teleport Communications Group. Decisions on these applications are expected later in 1995.

The PPUC is currently conducting a proceeding to examine issues regarding intraLATA toll competition, including whether to authorize presubscription and, if so, under what terms and conditions. A decision is expected later in 1995.

Bell Atlantic - Delaware, Inc.

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

-that the prices of "Basic Telephone Services" (*e.g.*, dial tone and local usage) will remain regulated and cannot change in any one year by more than the rate of inflation (GDP-PI), less 3%;

-that the prices of "Discretionary Services" (*e.g.*, Identa Ring℠ and Call Waiting) cannot increase more than 15% per year per service, after an initial one-year cap;

-that the prices of "Competitive Services" (e.g., directory advertising and message toll service) will not be subject to tariff; and

-that Bell Atlantic - Delaware will develop a technology deployment plan with a commitment to invest a minimum of $250 million in Delaware's telecommunications network during the first five years of the plan.

The Delaware Telecommunications Act also provides protections to ensure that competitors will not be unfairly disadvantaged, including a prohibition on cross-subsidization, imputation rules, service unbundling and resale service availability requirements, and a review by the Delaware Public Service Commission (DPSC) during the fifth year of the plan.

The DPSC has initiated a rulemaking docket to develop regulations for the implementation of the Delaware Telecommunications Act. Public hearings were held in March 1995, with a DPSC decision expected during the second quarter of 1995.

The DPSC has also initiated a proceeding to examine issues regarding intraLATA toll competition, including whether to authorize presubscription and dialing parity ("1+ dialing") for intrastate toll competitors and, if so, under what terms and conditions. A decision is expected in the second quarter of 1995.

Bell Atlantic - Washington, D.C., Inc.

In January 1993, the District of Columbia Public Service Commission (DCPSC) adopted a regulatory reform plan ("D.C. Reform Plan") for the intra-Washington, D.C. services of Bell Atlantic - Washington, D.C., for a three year trial period. The D.C. Reform Plan provides a banded rate of return of 100 basis points over or under the authorized return on equity (which was set at 11.45% in December 1993). Bell Atlantic - Washington, D.C. is permitted to seek a rate increase if its return on equity falls below 10.45% and is required to share, through refunds, 50% of any earnings in excess of a return on equity of 12.45%. The D.C. Reform Plan also provides for pricing flexibility, including custom contracting and 14-day tariffing, for certain competitive services, including Centrex, High Speed Private Line Services, Digital Data Services, Paging Services, Speed Calling, Repeat Call, Home Intercom and Home Intercom Extra.

In December 1993, the DCPSC approved a $15,800,000 rate increase, effective January 1, 1994.

In May 1994, the DCPSC issued an order requiring Bell Atlantic - Washington, D.C. to show cause why it should not refund to its customers $2,?00,000, plus interest, related to certain surcharge revenues in 1993. Bell Atlantic - Washington, D.C. has responded to the order.

In January 1995, Bell Atlantic - Washington, D.C. filed a petition with the DCPSC seeking approval of a proposed price cap plan to become effective upon the expiration of the D.C. Reform Plan in 1996. The price cap plan would: i) divide services into three categories: basic, discretionary and competitive; (ii) cap basic residential prices through January 1, 2000 and then allow basic prices to be increased annually at one half the rate of inflation (GNP - PI); (iii) permit annual increases of up to 25% for discretionary services; (iv) eliminate price regulation for all competitive services; and (v) classify services among the three categories and establish a process for moving services between categories going forward. Hearings on the proposed price cap plan are expected to commence later in 1995.

MFS - Intelenet of Washington, D.C., a subsidiary of MFS Communications Company, Inc., has filed an application with the DCPSC for authority to provide local exchange services.

Bell Atlantic - Maryland, Inc.

In 1990, the Public Service Commission of Maryland ("MPSC") instituted a regulatory reform plan (the "Reform Plan") for regulation of intrastate services provided by Bell Atlantic - Maryland. The Reform Plan provides for sharing of earnings on other-than-competitive services (e.g., basic business and residential dial tone line and usage, pay telephone services and intraLATA toll services) within a prescribed range (13.6% to 15.6% return on equity), for the direct refund to ratepayers of all earnings above that range and for no sharing of earnings if earnings fall below that range. Earnings on competitive services (e.g., Centrex intercom and high capacity, special access and private line services) are not subject to a rate of return limitation. In connection with its approval of the Reform Plan, the MPSC required Bell Atlantic - Maryland to initiate a rate proceeding to examine Bell Atlantic - Maryland's financial and operating results under the Reform Plan and to serve as a rate case for determining rates and rate structure on a going-forward basis for services that the MPSC has determined are other-than-competitive.

In January 1993, the MPSC issued an order directing Bell Atlantic - Maryland to reduce rates prospectively in the aggregate amount of $28.6 million annually. Tariffs reducing rates by that amount became effective on January 23, 1993.

The Reform Plan was extended through 1995 and the sharing range was changed to 12.7% to 14.7%. This range was expanded on reconsideration to 12.7% to 16.5%.

Legislation was passed by both houses of the Maryland General Assembly that would enable the MPSC to regulate Bell Atlantic - Maryland by a method other than rate base rate of return regulation. If signed into law, the legislation would become effective in June 1995.

In April 1994, the MPSC approved an application from MFS-Intelenet of Maryland, Inc. (MFS-I), a subsidiary of MFS Communications Company, Inc.(MFS), to provide and resell local exchange and interexchange telecommunications services to business customers in areas served by Bell Atlantic - Maryland. MFS-I is authorized to be a co-carrier in Maryland and has been assigned its own central office codes for use with its customers, and Bell Atlantic - Maryland is required to provide intrastate switched access collocation. The rates that MFS-I will pay to interconnect with Bell Atlantic - Maryland must include MFS-I's fair share of the joint and common costs that support universal service. On an interim basis, MFS-I will pay 6.1 cents per call to terminate a call on Bell Atlantic - Maryland's network. The MPSC established a schedule, which extends into 1995, for Phase II of this case. Final interconnection rates will be decided in Phase II. In late 1994, MCI Metro ATS and Teleport Communications Group received approval for the same waivers and interconnection rates established in the MFS-I proceeding. An application by SBC Media Ventures (SBC) to provide residential service in Montgomery County was suspended at SBC's request pending completion of Phase II of the MFS-I proceeding.

Bell Atlantic - Virginia, Inc.

From January 1989 through December 1993, Bell Atlantic - Virginia participated in the Experimental Plan for Alternative Regulation of Virginia telephone companies (the "Experimental Plan"), adopted by the Virginia State Corporation Commission ("VSCC") in December 1988. The Experimental Plan marked a departure from traditional regulation, segregating telephone services into four categories and capping earnings on Bell Atlantic - Virginia's non-competitive services at a 14% return on equity. Refunds of excess earnings are required to be made.

In December 1993, following an evaluation of the Experimental Plan, the VSCC adopted a Modified Plan for Alternative Regulation, effective January 1, 1994 (the "Modified Plan"). Under the Modified Plan, Bell Atlantic - Virginia's telephone services remained categorized, but earnings on non-competitive services were capped at a 12.55% return on equity. Additionally, in assessing whether earnings exceeded the permitted cap, the Modified Plan required an imputation to regulated earnings of an amount equal to 25% of the net profits of Yellow Page advertising.

Bell Atlantic - Virginia's financial results under the Experimental Plan for the years 1989 through 1993 have been filed with the VSCC. The VSCC issued orders making Bell Atlantic - Virginia's rates final for 1989, 1990 and 1991. Therefore, rates for these years are no longer subject to refunds. Bell Atlantic - Virginia's financial results for 1992 and 1993, which as filed with the VSCC indicate that no refunds are due, are still subject to VSCC audit.

Under legislation passed in the 1993 session of the Virginia General Assembly, the VSCC is no longer statutorily required to regulate telephone companies on the basis of rate of return regulation; for example, the VSCC is free to adopt a price cap form of regulation. In February 1994, Bell Atlantic - Virginia filed a proposal to have its non-competitive services regulated on a price cap basis; competitive services would not be regulated.

Following public hearings, the VSCC approved a new optional regulatory plan, effective January 1, 1995, which allows Bell Atlantic - Virginia to replace traditional cost-based regulation with a plan that relies on price constraints. The new plan, which eliminates regulation of profits, includes a temporary moratorium on rate increases for basic local telephone service until 2001, eliminates the monthly charge for Touch-Tone service and expands universal telephone service to the poor. In November 1994, Bell Atlantic - Virginia notified the VSCC of its election to participate in the new regulatory plan. An appeal of this plan is pending.

During the 1995 session of the Virginia General Assembly, legislation was passed that will allow the VSCC to authorize other telephone companies, beginning January 1, 1996, to compete with Bell Atlantic - Virginia in the provision of local exchange services. These telephone companies will come under the jurisdiction of the VSCC and will be required to comply with rules and regulations which will be determined by the VSCC during 1995. The VSCC is also investigating whether to allow competition in the provision of intraLATA toll services.

Bell Atlantic - West Virginia, Inc.

In 1988, the Public Service Commission of West Virginia ("WVPSC") approved a plan ("Flexible Regulation Plan") which gave Bell Atlantic - West Virginia flexibility in the pricing of competitive services (e.g., intraLATA toll service, intraLATA "800" service, intraLATA WATS service, billing and collection services and directory advertising) and provided for a freeze on rates for basic local exchange services through December 31, 1990, and a lifting on January 1, 1989 of the moratorium on intraLATA toll competition. The Flexible Regulation Plan was subsequently extended through 1991.

In March 1990, the West Virginia legislature enacted legislation, which became effective on January 1, 1991, requiring the WVPSC to cease its regulation of the rates charged by a telephone utility for any service that the WVPSC finds to be subject to "workable competition", unless the WVPSC finds that to do so would adversely affect the continued availability of adequate, economical and reliable local telephone service.

In December 1991, the WVPSC approved a new "Incentive Regulation Plan". The Incentive Regulation Plan continued the major provisions of the Flexible Regulation Plan, including pricing flexibility for competitive services and a freeze on rates for basic local exchange service. It also committed Bell Atlantic - West Virginia to invest $450 million from 1991 through 1995 in West Virginia's telecommunications infrastructure.

In December 1994, the WVPSC issued an order extending the Incentive Regulation Plan for three years, with certain modifications. Basic rates remain frozen through January 15, 1998 and Touch-Tone charges will be eliminated over a three year period. Bell Atlantic - West Virginia is committed to invest at least $375 million in its network over the next five years.

The WVPSC set aside for separate proceedings issues regarding intraLATA presubscription and local service competition.

Competition - General

Regulatory proceedings, as well as new technology, are continuing to expand the types of available communications services and equipment and the number of competitors offering such services. An increasing amount of this competition is from large companies which have substantial capital, technological and marketing resources, many of which do not face the same regulatory constraints as the Company.

Alternative Access

A substantial portion of the Network Services Companies' revenues from business and government customers is derived from a relatively small number of large, multiple-line subscribers.

The Network Services Companies face competition from alternative communications systems, constructed by large end users, interexchange carriers and alternative access vendors, which are capable of originating and/or terminating calls without the use of the local telephone company's plant. MFS has an optical fiber netwcrk which currently competes with Bell Atlantic - Pennsylvania and Bell Atlai .ic - Maryland in the Philadelphia, Pittsburgh and Baltimore metropolitan areas. In the Washington, D.C. metropolitan area, Institutional Communications Company, in which MFS has acquired a controlling interest, has deployed an optical fiber network to compete with Bell Atlantic - Washington, D.C., Bell Atlantic - Maryland and Bell Atlantic - Virginia in the provision of switched and special access services and local services. Eastern TeleLogic Corporation is currently providing service in the Philadelphia area over an optical fiber network, and Digital Direct of Pittsburgh, Inc. (dba Penn Access) has multiple fiber rings in service in the Pittsburgh metropolitan area, with additional fiber rings under construction. In July 1993, Virginia Metrotel Inc. was granted authority by the VSCC to compete against Bell Atlantic - Virginia in the provision of access services in the Richmond metropolitan area. Teleport Communications Group and MFS provide competitive access service in the Princeton-Trenton corridor and northern New Jersey. The ability of such alternative access providers to compete with the Network Services Companies has been enhanced by the FCC's orders requiring the Network Services Companies to offer virtual collocated interconnection for special and switched access services.

Other potential sources of competition are cable television systems, shared tenant services and other non-carrier systems which are capable of bypassing the Network Services Companies' local plant, either partially or completely, through substitution of special access for switched access or through concentration of telecommunications traffic on fewer of the Network Services Companies' lines.

IntraLATA Toll Competition

The ability of interexchange carriers to engage in the provision of intrastate intraLATA toll service in competition with the Network Services Companies is subject to state regulation. Such competition is permitted in New Jersey, Pennsylvania, Delaware, Maryland and West Virginia The issue is inapplicable to Washington, D.C. since intraLATA toll service is not offered within the District of Columbia. The VSCC has instituted a proceeding to consider whether, and on what terms, to permit intraLATA toll competition in Virginia. See "The Network Services Companies -- State Regulation and Competitive Environment".

Personal Communications Services

Radio-based personal communications services ("PCS") also constitute potential sources of competition to the Network Services Companies and to Bell Atlantic's cellular communications companies. PCS consists of wireless portable telephone services .ich would allow customers to make and receive telephone calls from any location using small handsets, and which could also be used for data transmission. The FCC has authorized trials of such services, using a variety of technologies, by numerous companies, including the Company's cellular telecommunications subsidiaries (collectively, "Bell Atlantic Mobile").

In September 1993, the FCC issued an order allocating radio spectrum to be licensed for use in providing PCS. Under the order, seven separate bandwidths of spectrum, ranging in size from 10 MHz to 30 MHz, would be auctioned to potential PCS providers in each geographic area of the United States; five of the spectrum blocks would be auctioned by "basic trading area" and the remaining two would be auctioned by larger "major trading area" (as such trading areas are defined by Rand McNally). LECs and companies with LEC subsidiaries, such as the Company, are eligible to bid for PCS licenses, except that cellular carriers such as the Company are limited to obtaining only 10 MHz of PCS bandwidth in areas where they provide cellular service. Bidders other than cellular providers may obtain multiple licenses aggregating up to 40 MHz of bandwidth in any area.

In October 1994, the Company, NYNEX, AirTouch Communications and U S WEST, Inc., formed a partnership to bid jointly in the FCC's auctions for PCS licenses. In March 1995, this partnership was a successful bidder for licenses for spectrum to provide PCS services in the following markets: Chicago; Dallas; Tampa; Houston; Miami; New Orleans; Milwaukee; Richmond; San Antonio; Jacksonville; and Honolulu. The partnership will pay $1.1 billion for these licenses.

Centrex

The Network Services Companies offer Centrex service, which is a telephone company central office-based communications system for business, government and other institutional customers consisting of a variety of integrated software-based features located in a centralized switch or switches and extended to the customer's premises primarily via local distribution facilities. In the provision of Centrex, the Network Services Companies are subject to significant competition from the providers of CPE systems, such as private branch exchanges ("PBXs"), which perform similar functions with less use of the Network Services Companies' switching facilities.

Users of Centrex systems generally require more subscriber lines than users of PBX systems of similar capacity. The FCC increased the maximum Subscriber Line Charge on embedded Centrex lines to $6.00 per month per line, effective April 1, 1989. Increases in Subscriber Line Charges result in Centrex users incurring higher charges than users of comparable PBX systems. Some of the state regulatory commissions having jurisdiction over the Network Services Companies have approved Centrex tariff revisions designed to offset the effects of such higher Subscriber Line Charges and to provide for stability of Centrex rates.

Directories

The Network Services Companies continue to face significant competition from other providers of directories, as well as competition from other advertising media. In particular, the former sales representative of the Network Services Companies (other than Bell Atlantic - New Jersey) publishes directories in competition with those published by the Network Services Companies in New Jersey, Pennsylvania, Delaware and the Washington, D.C. and Baltimore metropolitan areas.

Public Telephone Services

The Company faces increasing competition in the provision of pay telephone services from other pay telephone service providers. In addition, the growth of wireless communications negatively impacts usage of public telephones.

Operator Services

Alternative operator services providers have entered into competition with the Network Services Companies' operator services product line.

New Products and Services

Bell Atlantic® IQ℠ Services

The Network Services Companies have introduced the Bell Atlantic® IQ℠ Services family of calling features (although not all features are available in all states). These features include *Identa Ring℠*, which allows a single line to have multiple telephone numbers, each with a distinctive ring; *Repeat Call*, which allows customers automatically to redial busy phone numbers; *Return Call*, which allows customers automatically to return the last incoming call, even without knowing the number; *Ultra Forward℠*, which customers can use to program call-forwarding instructions; *Home Intercom*, which allows for phone-to-phone dialing within the home; *Caller ID*, which displays the number of the calling party; and *Caller ID Deluxe*, which displays the name and number of the calling party.

Data Services

The Network Services Companies have introduced several high speed data transmission services (although not all services are available in all states). *Switched Multi-Megabit Data Service* ("SMDS", a high-speed, public, packet-switched data transmission service); *Fiber Distributed Data Interface Network Service; and Frame Relay Service* (which allows high-speed interconnection of a customer's multiple locations).

Integrated Services Digital Network

Integrated Services Digital Network ("ISDN") is an all digital switched network architecture that allows voice, data and video services to be integrated on one telephone line. The Network Services Companies had approximately 90,000 ISDN lines in service at the end of 1994. All of the Network Services Companies introduced *ISDN Anywhere* in 1994. This service allows customers in non-equipped ISDN offices to be offered service from a designated host switch until such time as their home office becomes equipped with ISDN.

Information Services

The Network Services Companies offer various types of information services, such as message sto--ge services, voice mail, electronic mail and *Answer Call*, a telephone answering service aimed at residential and small business customers.

DOMESTIC WIRELESS COMMUNICATIONS

Bell Atlantic Mobile provides cellular telecommunications service in certain portions of the Network Services Companies' Territory and in other parts of the United States. These entities market cellular telecommunications service and related equipment directly to consumers, wholesale such service to businesses which resell the service to consumers, and authorize agents to sell such service to consumers. They also resell paging service in some locations. In 1992, the Company acquired Metro Mobile CTS, Inc., then the second-largest independent provider of cellular telecommunications service in the United States.

Cellular telecommunications service is subject to FCC regulation and licensing requirements. Some states also regulate the service. To assure competition, the FCC awarded two competitive licenses in each market. Many such competing cellular providers are substantial businesses with experience in broadcasting, telecommunications, cable television and radio common carrier services. Competition is based on the price of cellular service, the quality of the service and the size of the geographic area served.

Bell Atlantic Mobile has established cellular telecommunications service in the standard metropolitan statistical areas ("SMSAs") for Washington, D.C.; Wilmington, Delaware; Baltimore, Maryland; Allentown, Philadelphia, Pittsburgh and Reading, Pennsylvania; Trenton, Vineland and Atlantic City, New Jersey; Phoenix and Tucson, Arizona; Bridgeport, Hartford, New Haven, and New London, Connecticut; New Bedford, Pittsfield and Springfield, Massachusetts; Albuquerque and Las Cruces, New Mexico; Charlotte and Hickory, North Carolina; Providence, Rhode Island; Anderson, Columbia and Greenville, South Carolina; and El Paso, Texas.

Bell Atlantic Mobile also has established service in the rural service areas of Kent (Dover), Delaware; Kent (Eastern Shore) and Frederick, Maryland; Ocean, Sussex and Hunterdon, New Jersey; Greene, Jefferson, Huntingdon, Lawrence and McKean, Pennsylvania; Madison, Caroline, Frederick (Fauquier) and Lee, Virginia; Wetzel and Mason, West Virginia; Windham, Connecticut; Cabarrus and Anson, North Carolina; Newport, Rhode Island; Cherokee, Lancaster and Oconee, South Carolina; and Gila, Arizona.

Bell Atlantic Mobile also owns a significant minority interest in a partnership providing cellular telecommunications service in the New York City metropolitan area and the adjoining SMSAs of New Brunswick and Long Branch, New Jersey. Under reciprocal agreements between Bell Atlantic Mobile and certain other providers of cellular telecommunications service, the customers of Bell Atlantic Mobile may use the services of those other providers in areas where Bell Atlantic Mobile is not licensed to provide service.

In June 1994, Bell Atlantic and NYNEX Corporation executed a Joint Venture Formation Agreement which sets forth the terms and conditions under which the parties intend to combine their domestic cellular properties. This transaction, which is subject to regulatory approvals and various other conditions to closing, is expected to close in mid-1995. Upon completion of the merger, Bell Atlantic Mobile will dispose of certain competing properties in Massachusetts and Rhode Island.

In October 1994, Bell Atlantic, NYNEX, AirTouch Communications and U S WEST, Inc. formed two partnerships to provide nationwide wireless communications services. The first partnership participated in the FCC auctions for PCS licenses. See "Competition-Personal Communications Services". The second partnership will develop a national brand and provide coordination and centralization of various functions for the companies' cellular and PCS businesses.

Bell Atlantic Paging, Inc. markets paging services in portions of the Network Services Companies' Territory.

INTERNATIONAL

Bell Atlantic International, Inc. and its subsidiaries ("International") serve as the Company's principal vehicle for new business development outside the United States. International provides telecommunications consulting and software systems integration services to telecommunications authorities in several countries, and has entered into business development agreements with various governmental authorities.

In 1990, wholly-owned New Zealand subsidiaries of International and Ameritech Corporation ("Ameritech") each purchased approximately 49% of the common shares of Telecom Corporation of New Zealand Limited ("TCNZ") for a purchase price of approximately $2.4 billion. Under the terms of the acquisition and subsequent agreements with the New Zealand government, International and Ameritech were required to sell equity interests in TCNZ such that their combined ownership would, within four years of the acquisition, be reduced to 49.9%. In furtherance of that requirement, International and Ameritech in 1991 sold a portion of their equity shares in TCNZ in a worldwide public offering, thereby reducing their combined ownership in TCNZ to approximately 68%. In 1993, International privately sold an aggregate of 9.8% of TCNZ, reducing its ownership interest in TCNZ to 24.8%, and, together with private sales by Ameritech, completing its sell-down obligations.

International is also a shareholder in joint ventures, begun in November 1990, with a subsidiary of U S WEST, Inc. and the telecommunications administrations of The Czech Republic and The Slovak Republic, to build and operate cellular and packet data networks in these republics.

In 1993, International acquired for $1.04 billion an interest of approximately 42% in Grupo Iusacell, S.A. de C.V., the second largest telecommunications company in Mexico and the primary business of which is the provision of cellular telephone service.

In March 1994, a consortium in which International has the second largest interest (approximately 11.5%) was awarded the second cellular license for Italy.

BUSINESS SYSTEMS COMPANIES

Bell Atlantic Business Systems Services, Inc. ("Business Systems Services"), which was formerly known as Sorbus Inc., is a computer services company which provides hardware and software maintenance, network support, disaster recovery and other services on over 10,000 hardware and software products. Business Systems Services provides service to more than 80,000 customer sites worldwide. Business Systems Services' major competitors are computer equipment manufacturers which offer to service the equipment they sell as well as other vendors of computer maintenance and service. In some cases, Business Systems Services is dependent on computer manufacturers and distributors for spare parts necessary for the products it services.

The Bell Atlantic Computer Technology Services Division of Business Systems Services provides parts repair and sales and refurbishment services for International Business Machines Corporation, Digital Equipment Corporation, Sun Microsystems, Inc. and other computer manufacturers' equipment to end users, manufacturers and service companies throughout the world.

VIDEO SERVICES

In October 1994, the Company, NYNEX and Pacific Telesis Group formed two companies to deliver nationally branded home entertainment, information and interactive services. A media company will license, acquire and develop entertainment and information services. Creative Artists Agency, Inc. has entered into a consulting arrangement with the media company to develop a branding and marketing strategy and to provide assistance in acquiring programming. A technology and integration company will provide the systems necessary to deliver these services over the companies' networks.

CERTAIN CONTRACTS AND RELATIONSHIPS

Certain planning, marketing, procurement, financial, legal, accounting, technical support and other management services are provided on behalf of the Network Services Companies on a centralized basis by Bell Atlantic's wholly-owned subsidiary, Bell Atlantic Network Services, Inc. ("NSI"). Bell Atlantic Network Funding Corporation provides short-term financing and cash management services to the Network Services Companies.

Certain corporate services also are provided to other subsidiaries on a centralized basis by NSI. Bell Atlantic Financial Services, Inc. provides short-, medium- and long-term financing services and cash management services to subsidiaries of the Company other than the Network Services Companies.

The seven RHCs each own (directly or through subsidiaries) a one-seventh interest in Bell Communications Research, Inc. ("Bellcore"). Pursuant to the Plan, Bellcore furnishes the RHCs and their BOC subsidiaries with technical assistance such as network planning, engineering and software development, as well as various other consulting services that can be provided more effectively on a centralized basis. Bellcore is the central point of contact for coordinating the efforts of the RHCs in meeting the national security and emergency preparedness requirements of the federal government. It also helps to mobilize the combined resources of the RHCs in times of natural disasters.

EMPLOYEE RELATIONS

As of December 31, 1994, the Company and its subsidiaries had approximately 72,300 employees, which represents approximately a 1.8% decrease from the number of employees at December 31, 1993.

Approximately 65% of the employees of the Company and its subsidiaries are represented by unions. Of those so represented, approximately 80% are represented by the Communications Workers of America, and approximately 20% are represented by the International Brotherhood of Electrical Workers, which are both affiliated with the American Federation of Labor-Congress of Industrial Organizations.

The terms of the contracts ratified in October 1992 by unions representing associate employees of the Network Services Companies and NSI expire in August 1995.

Item 2. *Properties*

The principal properties of the Company do not lend themselves to simple description by character and location. The Company's investment in plant, property and equipment, 94% of which was held by the Network Services Companies in 1994 (92% in 1993), consisted of the following at December 31:

	1994	1993
Central office equipment	36%	36%
Cable, wiring, and conduit	36	35
Land and buildings	9	9
Other equipment	15	16
Other	4	4
	100%	100%

"Central office equipment" consists of switching equipment, transmission equipment and related facilities. "Cable, wiring, and conduit" consists primarily of aerial cable, underground cable, conduit and wiring. "Land and buildings" consists of land owned in fee and improvements thereto, principally central office buildings. "Other equipment" consists of public telephone instruments and telephone equipment (including PBXs) used by the Network Services Companies in their operations, poles, furniture, office equipment, vehicles and other work equipment, and cellular plant. "Other" property consists primarily of plant under construction, capital leases and leasehold improvements.

The customers of the Network Services Companies are served by electronic switching systems that provide a wide variety of services. The Network Services Companies' network is in a transition from an analog to a digital network, which provides the capabilities to furnish advanced data transmission and information management services. At December 31, 1994, approximately 75% of the access lines were served by digital capability.

Item 3. *Legal Proceedings*

Pre-Divestiture Contingent Liabilities and Litigation

The Plan provides for the recognition and payment by AT&T and the former BOCs (including the Network Services Companies) of liabilities that are attributable to pre-Divestiture events but do not become certain until after Divestiture. These contingent liabilities relate principally to litigation and other claims with respect to the former Bell System's rates, taxes, contracts and torts (including business torts, such as alleged violations of the antitrust laws). Except to the extent that affected parties otherwise agree, contingent liabilities that are attributable to pre-Divestiture events are shared by AT&T and the BOCs in accordance with formulas prescribed by the Plan, whether or not an entity was a party to the proceeding and regardless of whether an entity was dismissed from the proceeding by virtue of settlement or otherwise. Each company's allocable share of liability under these formulas depends on several factors, including the type of contingent liability involved and each company's relative net investment as of the effective date of Divestiture. Under the formula generally applicable to most of the categories of these contingent liabilities, the Network Services Companies' aggregate allocable share of liability is approximately 10.2%.

AT&T and various of its subsidiaries and the BOCs (including in some cases one or more of the Network Services Companies) have been and are parties to various types of litigation relating to pre-Divestiture events, including actions and proceedings involving environmental claims and allegations of violations of equal employment laws. Damages, if any, ultimately awarded in the remaining actions relating to pre-Divestiture events could have a financial impact on the Company whether or not the Company is a defendant since such damages will be treated as contingent liabilities and allocated in accordance with the allocation rules established by the Plan.

While complete assurance cannot be given as to the outcome of any contingent liabilities or litigation, in the opinion of the Company's management, any monetary liability or financial impact to which the Company would be subject after final adjudication of all of the remaining potential or actual pre-Divestiture claims would not be material in amount to the financial position of the Company.

Other Pending Cases

In January 1991, the Company, its Chief Executive Officer and its former Chief Financial Officer were named as defendants in several identical class action complaints. These complaints, which have been consolidated in a single proceeding in the United States District Court for the Eastern District of Pennsylvania and have subsequently been amended, allege that, during a class period from June 14, 1990 through January 22, 1991, the plaintiffs purchased shares of Bell Atlantic stock at inflated prices as a result of the defendants' alleged failure to disclose material information regarding certain aspects of the Company's financial performance and prospects. The trial court's earlier decision granting defendants' motion to dismiss this action was reversed by the United States Court of Appeals for the Third Circuit upon appeal by the plaintiffs. Discovery in this action is in progress.

While complete assurance cannot be given as to the outcome of any litigation, in the opinion of the Company's management, any monetary liability or financial impact to which the Company would be subject after final adjudication of the foregoing actions would not be material in amount to the financial position of the Company.

Prior Cases

On April 12, 1990, a letter was submitted to the Company's Board of Directors by a law firm, purportedly on behalf of a shareowner of the Company, requesting that the Company commence action against any present or former director, officer or employee of the Company or any of its subsidiaries who might be found to have violated any duty to the Company in connection with (i) certain litigation involving Bell Atlantic - Pennsylvania and (ii) a temporary suspension of the Company and Bell Atlantic - Washington, D. C. from eligibility for future federal government contracts (the "Treasury suspension"). As previously reported by the Company in its Quarterly Reports on Form 10-Q for the quarters ended March 31 and September 30, 1990 and its Annual Reports on Form 10-K for the years ended December 31, 1990 and 1991, the Bell Atlantic - Pennsylvania litigation involved allegations that this subsidiary had engaged in improper practices while selling certain optional services, and resulted in a settlement pursuant to which Bell Atlantic - Pennsylvania made payments and refunds aggregating approximately $42 million; the Treasury suspension involved allegations that the Company and Bell Atlantic - Washington, D.C. had misrepresented certain facts in connection with a bid for a particular government contract, and was terminated approximately one month later after the Company agreed to re-emphasize to employees the need to verify information provided to the government, including information supplied to the Company by sub-contractors.

In response to the demand letter (a similar letter, purportedly on behalf of a different shareowner, was received shortly thereafter), the Board of Directors of the Company (the "Board") on April 24, 1990 appointed a committee of three outside directors (James H. Gilliam, Jr. (Chairman), William G. Copeland and John F. Maypole) to investigate these matters and present its recommendation to the Board (the "Special Committee").

On May 11, 1990, the Company was served with a complaint filed in the Court of Common Pleas of Philadelphia County, Pennsylvania, naming certain then-current directors and officers as defendants in a shareholder derivative suit. The complaint alleged that the defendants had breached their fiduciary duties to the Company and its shareowners by failing to implement and enforce adequate safeguards to prevent the activities which resulted in the Bell Atlantic - Pennsylvania litigation and the Treasury suspension referred to above. The Company was not a defendant in this litigation.

The Special Committee retained independent outside counsel and conducted a five-month investigation. After completion of its investigation, the Special Committee concluded that it would not be in the best interest of the Company and its shareowners to assert claims or take any other action against any director or officer of the Company or any of its subsidiaries with respect to either the Bell Atlantic - Pennsylvania litigation or the Treasury suspension. Accordingly, the Special Committee recommended that the Board reject the demands expressed in the shareowner letters, and the Board on October 23, 1990 adopted this recommendation. Counsel for each of the demanding shareowners was advised of the Board's determination.

On June 19, 1991, the Company was served with a complaint filed in the United States District Court for the Eastern District of Pennsylvania naming all of the then-current directors of the Company and one former officer as defendants in a shareowner class action and derivative suit. This lawsuit made allegations very similar to the Court of Common Pleas suit referenced above with respect to the Bell Atlantic - Pennsylvania litigation and Treasury suspension matters and, in addition, alleged that the Company violated federal proxy rules and regulations and its duty of candor under state law by failing to disclose, in its 1987-1991 proxy materials, information about the Bell Atlantic - Pennsylvania litigation, the Treasury suspension, the appointment of the Special Committee and the Court of Common Pleas litigation referenced above.

On March 25, 1992, the parties to the federal court action reached an agreement to settle that action, subject to court approval after notice to the Company's shareowners, without the payment of any damages but subject to payment of the plaintiffs' attorneys fees up to $450,000. In June 1992, this settlement agreement was approved by the United States District Court for the Eastern District of Pennsylvania. A single shareowner, who is also the plaintiff in the related Court of Common Pleas litigation, filed an appeal with the United States Court of Appeals for the Third Circuit challenging the approval of the settlement agreement by the lower court. On August 18, 1993, the Third Circuit affirmed the lower court approval of the settlement agreement. After expiration of the time in which to file an appeal of the Third Circuit affirmation, the Company paid the plaintiffs' attorneys fees stipulated by the settlement agreement and the federal court action was dismissed.

In March 1995, the parties in the Court of Common Pleas action filed a Consent Order to Settle, Discontinue and End.

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

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below is certain information with respect to the Company's executive officers.

Name	Age	Office	Held Since
Raymond W. Smith.........	57	Chairman of the Board and Chief Executive Officer	1989
Lawrence T. Babbio, Jr. .	50	Vice Chairman	1995
James G. Cullen..........	52	Vice Chairman	1995
William O. Albertini.....	51	Executive Vice President and Chief Financial Officer	1995
Joseph T. Ambrozy........	55	Vice President - Strategic Planning	1992
P. Alan Bulliner.........	51	Vice President - Corporate Secretary and Counsel	1992
Barbara L. Connor........	44	Vice President - Finance, Controller and Treasurer	1993
Charles W. Crist, Jr. ...	51	Vice President - Corporate Cost Reduction	1995
John F. Gamba............	56	Senior Vice President - Corporate Resources and Performance Assurance	1995
Bruce S. Gordon..........	49	Group President - Consumer and Small Business Services, Bell Atlantic Network Services, Inc.	1993
Stuart C. Johnson........	52	Group President - Large Business and Information Services, Bell Atlantic Network Services, Inc.	1993
Thomas R. McKeough.......	48	Vice President - Mergers and Acquisitions and Associate General Counsel	1994
Brian D. Oliver..........	39	Vice President - Corporate Development	1994
James R. Young...........	43	Vice President - General Counsel	1992

Prior to serving as an executive officer of the Company, each of the above officers, with the exception of Mr. Johnson, has held high level managerial positions with the Company or one of its subsidiaries for at least five years. From 1987 until joining the Company in 1992, Mr. Johnson served as President, GTE-Contel Federal Sector for GTE Corporation.

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

PART II

Item 5. *Market for Registrant's Common Equity and Related Stockholder Matters*

The principal market for trading in the common stock of Bell Atlantic Corporation is the New York Stock Exchange. The common stock is also listed in the United States on the Boston, Chicago, Pacific, and Philadelphia stock exchanges. As of December 31, 1994, there were 990,652 shareowners of record.

High and low stock prices, as reported on the New York Stock Exchange composite tape of transactions, and dividend data are as follows:

	Market Price High	Market Price Low	Cash Dividend Declared
1994: First Quarter....................	$59 5/8	$51	$.69
Second Quarter....................	56 3/4	49	.69
Third Quarter....................	58 3/8	52 1/4	.69
Fourth Quarter....................	53 1/4	48 3/8	.69
1993: First Quarter....................	$56 3/4	$49 5/8	$.67
Second Quarter....................	59 3/8	50 3/4	.67
Third Quarter....................	64 7/8	55 5/8	.67
Fourth Quarter....................	69 1/8	57	.67

Item 6. *Selected Financial Data*

The Selected Financial and Operating Data on page 2 of the Company's 1994 Annual Report to shareowners is incorporated herein by reference.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

The Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 6 through 15 of the Company's 1994 Annual Report to shareowners is incorporated herein by reference.

Item 8. *Financial Statements and Supplementary Data*

The Report of Independent Accountants, Consolidated Statements of Operations, Consolidated Balance Sheets, Consolidated Statements of Cash Flows, and Notes to Consolidated Financial Statements on pages 17 through 41 of the Company's 1994 Annual Report to shareowners are incorporated herein by reference.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

dated March [illegible]

10b Bell Atlantic Senior Management Long-Term Disability and Survivor Protection Plan, as amended. (Exhibit 10h to Form SE filed on March 27, 1986, File No. 1-8606.)*

10b (i) Resolutions amending the Plan, effective as of January 1, 1989 (Exhibit 10d to Form SE dated March 29, 1989, File No. 1-8606.)*

10c Bell Atlantic Personal Financial Services Program for Senior and Executive Managers and Key Employees, effective as of July 1, 1990, as amended. (Exhibit 10f to Form SE dated March 28, 1991, File No. 1-8606.)*

10d Bell Atlantic Deferred Compensation Plan for Outside Directors, as amended and restated as of February 1, 1995.*

10e Bell Atlantic Insurance Plan for Directors. (Exhibit 10hh to Registration Statement on Form S-1 No. 2-87842, File No. 1-8606.)*

10f Description of Bell Atlantic Plan for Non-Employee Directors' Travel Accident Insurance. (Exhibit 10ii to Registration Statement on Form S-1 No. 2-87842, File No. 1-8606.)*

10g Article V from Bell Atlantic Management Pension Plan regarding limitations on payment of pension amounts which exceed the limitations contained in the Employee Retirement Income Security Act of 1974. (Exhibit 10j to Form SE dated March 26, 1992, File No. 1-8606.)*

10h Bell Atlantic Senior Management Retirement Income Plan, as amended and restated effective as of January 1, 1993. (Exhibit 10k to Form SE dated March 29, 1993, File No. 1-8606.)*

10h (i) Resolutions amending the Bell Atlantic Senior Management Retirement Income Plan effective as of December 31, 1993. (Exhibit 10k(i) to Form 10-K for the year ended December 31, 1993, File No. 1-8606.)*

10i Bell Atlantic Deferred Compensation Plan (formerly the Bell Atlantic Senior Management Incentive Award Deferral Plan), as amended and restated effective as of January 1, 1993. (Exhibit 10l to Form SE dated March 29, 1993, File No. 1-8606.)*

10i (i) Resolutions amending the Bell Atlantic Deferred Compensation Plan, effective October 25, 1993. (Exhibit 10l(i) to Form 10-K for the year ended December 31, 1993, File No. 1-8606.)*

10i (ii) Resolution amending the Bell Atlantic Deferred Compensation Plan, effective November 21, 1994.*

10j Bell Atlantic Stock Incentive Plan, consisting of (1) The Bell Atlantic 1985 Performance Share Plan as amended and restated effective as of January 1, 1993 and (2) The Bell Atlantic 1985 Incentive Stock Option Plan as amended and restated effective as of January 1, 1993. (Exhibit 10m to Form SE dated March 29, 1993, File No. 1-8606.)*

10j (i) Resolutions amending The Bell Atlantic 1985 Incentive Stock Option Plan, (Exhibit 10m(i) to Form 10-K for the year ended December 31, 1993, File No. 1-8606.)*

10k Bell Atlantic Retirement Plan for Outside Directors, as amended and restated as of February 1, 1995.*

10l Bell Atlantic Stock Compensation Plan for Outside Directors, as amended and restated as of October 25, 1994.*

10m Bell Atlantic Corporation Directors' Charitable Giving Program. (Exhibit 10p to Form SE dated March 29, 1990, File No. 1-8606.)*

10m (i) Resolutions amending and partially terminating the Program. (Exhibit 10p to Form SE dated March 29, 1993, File No. 1-8606.)*

10n Employment Agreement dated January 24, 1994 between the Company and William O. Albertini. (Exhibit 10q to Form 10-K for the year ended December 31, 1993, File No. 1-8606.)*

10o Employment Agreement dated January 24, 1994 among the Company, Bell Atlantic Enterprises International, Inc. and Lawrence T. Babbio, Jr. (Exhibit 10n to Form 10-K for the year ended December 31, 1993, File No. 1-8606.)*

10p Resolution dated January 24, 1994 granting Lawrence T. Babbio, Jr. certain nonqualified stock options to purchase American Depository Receipts representing Series L shares of the capital stock of Grupo Iusacell, S.A. de C.V. (Exhibit 10s to Form 10-K for the year ended December 31, 1993, File No. 1-8606.)*

10q Employment Agreement dated January 24, 1994 between the Company and James G. Cullen. (Exhibit 10t to Form 10-K for the year ended December 31, 1993, File No. 1-8606.)*

10r Non-Compete and Proprietary Information Agreement dated August 10, 1993 between the Company and James G. Cullen. (Exhibit 10u to Form 10-K for the year ended December 31, 1993, File No. 1-8606.)*

10s Employment Agreement dated January 24, 1994 among the Company, Bell Atlantic Network Services, Inc. and Stuart C. Johnson. (Exhibit 10v to Form 10-K for the year ended December 31, 1993, File No. 1-8606.)*

10t Non-Compete and Proprietary Information Agreement dated August 9, 1993 among the Company, Bell Atlantic Network Services, Inc. and Stuart C. Johnson. (Exhibit 10w to Form 10-K for the year ended December 31, 1993, File No. 1-8606.)*

10u Employment Agreement dated January 24, 1994 between the Company and James R. Young. (Exhibit 10x to Form 10-K for the year ended December 31, 1993, File No. 1-8606.)*

11 Computation of Earnings Per Common Share.

12 Computation of Ratio of Earnings to Fixed Charges.

13 Portions of the Company's Annual Report to shareowners for the year ended December 31, 1994.

21 List of subsidiaries of Bell Atlantic.

23 Consent of Independent Accountants.

24 Powers of Attorney.

27 Financial Data Schedule.

99a Annual Report on Form 11-K for the Bell Atlantic Savings Plan for Salaried Employees for the year ended December 31, 1994. (To be filed by amendment.)

99b Annual report on Form 11-K for the Bell Atlantic Savings and Security Plan (Non-Salaried Employees) for the year ended December 31, 1994. (To be filed by amendment.)

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*Indicates management contract or compensatory plan or arrangement.

Shareowners may request a copy of the exhibits to this Annual Report on Form 10-K by writing to the Corporate Secretary, Bell Atlantic Corporation, 1717 Arch Street, Philadelphia, Pennsylvania 19103.

(b) Current Reports on Form 8-K filed during the quarter ended December 31, 1994:

A Current Report on Form 8-K, dated October 20, 1994, was filed regarding the Company's third quarter 1994 financial results. This report contained unaudited condensed consolidated statements of income for the three- and nine-month periods ended September 30, 1994 and 1993.

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.

BELL ATLANTIC CORPORATION

By /s/ William O. Albertini
William O. Albertini
Executive Vice President and Chief Financial Officer

March 29, 1995

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: Raymond W. Smith	Chairman of the Board and Chief Executive Officer	
Principal Financial Officer: William O. Albertini	Executive Vice President and Chief Financial Officer	
Principal Accounting Officer: Barbara L. Connor	Vice President - Finance, Controller and Treasurer	By /s/ William O. Albertini William O. Albertini *(individually and as attorney-in-fact)* March 29, 1995
Directors: William W. Adams William O. Albertini Lawrence T. Babbio, Jr. Thomas E. Bolger Frank C. Carlucci William G. Copeland James G. Cullen James H. Gilliam, Jr. Thomas H. Kean John C. Marous, Jr. John F. Maypole Joseph Neubauer Thomas H. O'Brien Rozanne L. Ridgway Raymond W. Smith Shirley Young		

BELL ATLANTIC CORPORATION

Index to Financial Statements and Financial Statement Schedule

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

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareowners of
Bell Atlantic Corporation

Our report on the consolidated financial statements of Bell Atlantic Corporation and subsidiaries has been incorporated by reference in this Form 10-K from page 17 of the 1994 Annual Report to shareowners of Bell Atlantic Corporation and subsidiaries. In connection with our audits of such financial statements, we have also audited the related financial statement schedule listed in the index on page F-1 of this Form 10-K.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

Coopers & Lybrand L.L.P.

2400 Eleven Penn Center
Philadelphia, Pennsylvania
February 6, 1995

BELL ATLANTIC CORPORATION AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 1994, 1993, and 1992
(Dollars in Millions)

Description	Balance at Beginning of Period	Additions: Charged to Expenses	Additions: Charged to Other Accounts --Note (a)	Deductions --Note (b)	Balance at End of Period
Allowance for Uncollectible Accounts Receivable:					
Year 1994..................	$192.6	$176.8	$197.8	$378.3	$188.9
Year 1993..................	$170.4	$176.2	$163.7	$317.7	$192.6
Year 1992..................	$166.0	$132.1	$170.5	$298.2	$170.4
Allowance for Uncollectible Finance Lease Receivables:					
Year 1994..................	$ 48.9	$ .2	$ .7	$ 49.8	$ --
Year 1993..................	$ 52.2	$ 25.1	$ 9.5	$ 37.9	$ 48.9
Year 1992..................	$ 46.3	$ 32.8	$ 6.4	$ 33.3	$ 52.2
Allowance for Obsolete Inventory:					
Year 1994..................	$ 18.3	$ 5.0	$ --	$ 5.0	$ 18.3
Year 1993..................	$ 10.4	$ 3.5	$ 11.8	$ 7.4	$ 18.3
Year 1992..................	$ 31.9	$ 5.0	$ --	$ 26.5	$ 10.4
Valuation Allowance for Deferred Tax Assets:					
Year 1994..................	$ 74.8	$ 5.6	$ --	$ 58.0	$ 22.4
Year 1993..................	$ 39.7(c)	$ 35.1	$ --	$ --	$ 74.8
Other Allowances (d):					
Year 1994..................	$ 10.7	$ 4.9	$ --	$ 4.8	$ 10.8
Year 1993..................	$ 21.7	$ 4.7	$ .6	$ 16.3	$ 10.7
Year 1992..................	$ 45.4	$ 11.8	$ .3	$ 35.8	$ 21.7

(a) Amounts include beginning balances for businesses acquired during the year. Allowance for Uncollectible Accounts Receivable includes (1) amounts previously written off which were credited directly to this account when recovered, and (2) accruals charged to accounts payable for anticipated uncollectible charges on purchases of accounts receivable from others which were billed by the Company.

(b) Amounts written off as uncollectible or obsolete or transferred to other accounts (except for the valuation allowance for deferred tax assets). In 1994, amounts include ending balances for businesses sold during the year.

(c) Represents the valuation allowance at implementation of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," effective January 1, 1993.

(d) Other allowances include allowances for obsolete equipment and allowances for probable losses incurred in the directory businesses arising in the normal course of operations.

Exhibit 11
File No. 1-8606

BELL ATLANTIC CORPORATION AND SUBSIDIARIES
Computation of Per Common Share Earnings
(Dollars in Millions, Except Per Share Amounts)

	Years Ended December 31,		
	1994	1993	1992
Income before extraordinary items and cumulative effect of changes in accounting principles	$1,401.9	$1,481.6	$1,382.2
Tax benefit of dividends paid on shares held by employee stock ownership plans	--	--	14.8
Income before extraordinary items and cumulative effect of changes in accounting principles applicable to common shareowners.	1,401.9	1,481.6	1,397.0
Extraordinary items	(2,156.7)	(58.4)	(41.6)
Cumulative effect of changes in accounting principles	--	(19.8)	--
Net income (loss) applicable to common shareowners	$ (754.8)	$1,403.4	$1,355.4
Earnings (Loss) Per Common Share			
Weighted average shares outstanding	436,283,155	435,136,371	432,167,257
Incremental shares from assumed exercise of stock options and payment of performance share awards	952,652	1,170,838	876,819
Total shares	437,235,807	436,307,209	433,044,076
Income before extraordinary items and cumulative effect of changes in accounting principles	$ 3.21	$ 3.39	$ 3.23
Extraordinary items	(4.94)	(.13)	(.10)
Cumulative effect of changes in accounting principles	--	(.04)	--
Net income (loss)	$ (1.73)	$ 3.22	$ 3.13
Fully Diluted Earnings (Loss) Per Common Share*			
Weighted average shares outstanding	436,283,155	435,136,371	432,167,257
Incremental shares from assumed exercise of stock options and payment of performance share awards	1,007,218	1,298,288	1,027,069
Total shares	437,290,373	436,434,659	433,194,326
Income before extraordinary items and cumulative effect of changes in accounting principles	$ 3.21	$ 3.39	$ 3.23
Extraordinary items	(4.94)	(.13)	(.10)
Cumulative effect of changes in accounting principles	--	(.04)	--
Net income (loss)	$ (1.73)	$ 3.22	$ 3.13

*Fully diluted earnings per share calculation is presented in accordance with Regulation S-K item 601(b)(11) although not required by footnote 2 to paragraph 14 of Accounting Principles Board Opinion No. 15 because it results in dilution of less than 3%.

Exhibit 12
File No. 1-8606

BELL ATLANTIC CORPORATION AND SUBSIDIARIES
Computation of Ratio of Earnings to Fixed Charges
(Dollars in Millions)

	Years Ended December 31,				
	1994	1993	1992	1991	1990
Income before provision for income taxes, extraordinary items, and cumulative effect of changes in accounting principles...............	$2,286.8	$2,273.6	$2,025.7	$1,894.7	$1,900.1
Equity in income of less than majority-owned subsidiaries.........	(41.1)	(48.3)	(52.4)	(79.5)	(52.5)
Dividends from less than majority-owned subsidiaries.........	101.0	73.4	48.3	64.6	41.2
Interest expense, including interest on capital lease obligations........	624.6	719.6	828.7	1,000.8	960.8
Portion of rent expense representative of the interest factor.....................	95.2	102.6	98.6	99.4	100.8
Income, as adjusted..................	$3,066.5	$3,120.9	$2,948.9	$2,980.0	$2,950.4
Fixed charges:					
Interest expense, including interest on capital lease obligations........	$ 624.6	$ 719.6	$ 828.7	$1,000.8	$ 960.8
Portion of rent expense representative of the interest factor.....................	95.2	102.6	98.6	99.4	100.8
Interest capitalized on construction..	19.1	1.1	3.2	6.4	14.2
Preferred stock dividend requirement..	5.7	--	--	--	--
Fixed charges........................	$ 744.6	$ 823.3	$ 930.5	$1,106.6	$1,075.8
Ratio of Earnings to Fixed Charges....	4.12	3.79	3.17	2.69	2.74

Bell Atlantic

Annual Report

1994

"Our actions today create the platform for tomorrow's growth"

Selected Financial and Operating Data

(Dollars in Millions, Except Per Share Amounts)

	1994[b]	1993[c]	1992	1991[d]	1990
For the Year					
Operating Revenues[a]	$ 13,791.4	$ 13,145.6	$ 12,836.0	$ 12,659.7	$ 12,649.8
Operating Income	$ 2,804.6	$ 2,797.6	$ 2,506.2	$ 2,525.3	$ 2,614.3
Income Before Extraordinary Items and Cumulative Effect of Changes in Accounting Principles	$ 1,401.9	$ 1,481.6	$ 1,382.2	$ 1,229.9	$ 1,230.5
Net Income (Loss)	$ (754.8)	$ 1,403.4	$ 1,340.6	$ (324.4)	$ 1,230.5
Per Common Share					
Income Before Extraordinary Items and Cumulative Effect of Changes in Accounting Principles	$ 3.21	$ 3.39	$ 3.23	$ 2.91	$ 2.92
Net Income (Loss)	$ (1.73)	$ 3.22	$ 3.13	$ (.72)	$ 2.92
Cash Dividends Declared	$ 2.76	$ 2.68	$ 2.60	$ 2.52	$ 2.36
At Year-End					
Total Assets	$ 24,271.8	$ 29,544.2	$ 28,099.5	$ 28,305.8	$ 28,391.8
Long-Term Debt	$ 6,806.7	$ 7,206.2	$ 7,348.2	$ 7,984.0	$ 8,928.5
Employee Benefit Obligations	$ 3,773.8	$ 3,396.0	$ 3,058.7	$ 2,985.1	$ 216.0
Preferred Stock of Subsidiary	$ 85.0	–	–	–	–
Shareowners' Investment	$ 6,081.3	$ 8,224.4	$ 7,816.3	$ 7,367.6	$ 8,531.5
Debt Ratio	59.4%	54.6%	56.3%	59.5%	57.5%
Book Value Per Common Share	$ 13.94	$ 18.85	$ 18.00	$ 17.12	$ 19.96
Network Access Lines (in thousands)	19,168	18,645	18,181	17,750	17,484
Number of Employees	72,300	73,600	71,400	76,900	82,700
Other Data					
Return on Average Common Equity	(9.8)%	17.3%	17.4%	(4.4)%	14.4%
Additions to Plant, Property and Equipment	$ 2,699.0	$ 2,519.0	$ 2,546.8	$ 2,644.1	$ 2,692.1

[a] Certain amounts have been reclassified to conform to 1994 classifications.
[b] 1994 includes an extraordinary charge for the discontinuation of regulatory accounting principles at the telephone subsidiaries.
[c] 1993 includes the adoption of changes in accounting for income taxes and postemployment benefits.
[d] 1991 includes the adoption of a change in accounting for postretirement benefits other than pensions.

About Bell Atlantic

Bell Atlantic Corporation, headquartered in Philadelphia, Pennsylvania, is a diversified telecommunications company founded in 1984, providing advanced voice and data services in the mid-Atlantic region, and wireless communications throughout East Coast markets and parts of the Southeast and Southwest. Bell Atlantic continues to pursue growth opportunities in wireless, and video and entertainment markets, both domestically and internationally.

To Our Shareowners

In 1994 we initiated several strategic actions to enhance the competitiveness of our network business, to better position us for leadership in high-growth communications markets, and to increase the longer-term growth potential of our business. The financial effects of these actions masked an otherwise solid financial year in which we experienced strong revenue and cash flow growth, supported by solid business volumes in our telephone network and superb customer and revenue growth in our wireless operations.

Financial Highlights

Bell Atlantic took a number of special charges in 1994, resulting in a loss of $1.73 per share. Excluding these special charges, 1994 earnings amounted to $3.53 per share, versus comparable adjusted earnings of $3.24 per share in 1993, an increase of 9 percent. The special charges included noncash items of $5.20 per share associated with competitive initiatives, including the discontinuation of regulatory accounting and the revaluation of telephone plant, a workforce reduction program and the disposition of certain non-strategic investments. 1994 earnings were also reduced by $.04 per share from the devaluation of the Mexican peso and $.02 per share for debt refinancing.

Total operating revenues in 1994 were $13.8 billion, compared with $13.1 billion in 1993. Excluding our financial services business, which was substantially disposed of in 1994, revenues increased by 6.5 percent. Network revenues increased by 4.3 percent, reflecting strong demand for value-added services such as Answer Call and Caller ID. Revenues in our wireless business increased 43.5 percent, driven by record customer growth of 57.9 percent.

Strategies for Leadership

In anticipation of increased competition in our local markets and short distance toll business, we made excellent strides in strengthening our core network business through aggressive price reductions on highly competitive services, a renewed focus on new product development, and a plan to separate 5,600 employees by the end of 1997.

Several key events in 1994 improved our position for leadership in the emerging markets for wireless communications, and video and entertainment services, both domestically and internationally. In wireless, we announced our intention to merge our domestic cellular properties with those of NYNEX. Together, we have joined with AirTouch and U S WEST to bid in the FCC auctions for Personal Communications Services licenses. We think this alliance will emerge as one of the two or three national market leaders in this high-growth business. In video, we formed a partnership with NYNEX and Pacific Telesis to develop the programming, operating systems, and technical standards that will drive the growth of interactive multimedia services. Early in 1995, the FCC approved our application for a market trial of video-on-demand in northern Virginia, which will begin in April of this year.

On the Horizon

Our indicators point to continued strong performance and growth in network and wireless. Our challenge in 1995 will be to accelerate cash flow growth and create increased value for shareowners.

Our priorities include driving revenue growth and dramatically reducing costs in our telephone business, building the broadband full-service network, and further enhancing our national wireless business. We are working with the new Congress to pursue legislation that will permit us not only to compete fairly and equitably with new entrants in our current markets, but also to enter video and long distance, which offer significant new market opportunities.

Smart Communications

Our actions today create the platform for tomorrow's growth. That's why, more than ever, we must assist shareowners in understanding our actions during this industry transformation. On the following two pages you will find our vision and strategies for growth in the emerging markets of this rapidly changing industry.

We are supplementing our traditional annual report with more detailed information about Bell Atlantic that will be accessible through electronic media. In 1994, we upgraded access to corporate information on the Internet by establishing an address on the World Wide Web (http://www.bel-atl.com). Additional detailed investor and shareowner information also will be available at that site during the second quarter. I look forward to the day when interactive electronic communication becomes the norm, rather than the exception.

Following our strong performance this year, Bell Atlantic is on course to become one of the first companies in the industry to translate the promise of the Information Age into value for customers and shareowners.

Raymond W. Smith
Chairman of the Board
and Chief Executive Officer
February 17, 1995

Pursuing Emerging Markets... Seizing Growth

In 1994 we moved aggressively to place Bell Atlantic in leadership positions in four emerging markets that complement our strengths and increase our growth opportunities, creating value for shareowners. Our actions in 1995 will focus on:

- *Accelerating revenue growth and becoming the low-cost provider in our network business*
- *Expanding our business opportunities by building the broadband full-service network*
- *Establishing a national footprint for our wireless business, including launching our Personal Communications Services (PCS) business*
- *Delivering video and other services over the full-service network*
- *Carefully pursuing global investment opportunities which leverage our core competencies*

The Intelligent Network

Strategy: Create growth and revenue opportunities within our core business by deploying a full-service network capable of transporting voice, data, and video.

As the leading provider of communications services in the demographically rich mid-Atlantic region, we continue to transform our core network business into a leaner enterprise with the ability to introduce state-of-the-art products and services quickly. Bell Atlantic enters this new competitive environment from a position of strength, ranking at the top in customers' perceptions of quality, dependability, and competitive pricing. We intend to build on that leadership by becoming the low-cost provider through vigorous cost reduction, while further improving our already excellent customer service levels.

Our commitment to build the information highway – the intelligent network capable of transporting voice, data, and video – will extend broadband capabilities to selected markets in 1995, hitting full stride in larger markets in 1996, without increasing capital spending. Our advanced network technology – with its digital capabilities, distributed intelligence and extensive fiber deployment – is already serving customers well in the business market. By extending these capabilities to the residential market, we will increase the revenue potential of our core business and provide the consumer with a new level of choice, convenience and control.

With faster introductions of high-margin value-added consumer services such as Answer Call and Caller ID Deluxe, we will improve our opportunity to generate incremental revenues with little additional network cost. We expect to achieve annual growth rates in excess of 20 percent for these services as we expand offerings which may include Internet access and voice-activated services for consumers, and data services and videoconferencing to small businesses. We also anticipate significant revenue opportunities from the transport of video dial-tone over our network to both the consumer and business markets.

Wireless Communications

Strategy: Become a national leader in wireless to enable customers to communicate by voice and data from anywhere at any time.

As the domestic wireless market evolves, Bell Atlantic will become one of the few truly national players. Already the largest cellular carrier on the East Coast and among the largest in the country, Bell Atlantic Mobile currently covers a population (POPs) of over 35 million and serves 1.64 million customers, growing at a rate of nearly 60 percent annually. With revenues currently increasing at more than 40 percent a year and operating cash flow margins in excess of 30 percent, wireless will continue to be a strong contributor to Bell Atlantic earnings growth.

We believe the critical success factors in the wireless business to be national branding, convenient, low-cost distribution channels, seamless roaming capabilities, increased functionality and the ability to package and mass-market services, all of which we are developing through our recently announced alliances. Our proposed merger with NYNEX to combine domestic cellular properties, which we expect to finalize in mid-1995, strengthens our competitive position in the critical East Coast corridor.

We expect to achieve a true national presence through the Bell Atlantic/NYNEX alliance with the AirTouch and U S WEST consortium, giving us the best market coverage and operations expertise in the industry. Our com-

Opportunities

bined market presence – covering more than 100 million POPs in 15 of the top 20 markets, serving over five million customers concentrated on both coasts – puts us in an excellent position to take maximum advantage of the auctions for PCS licenses while minimizing earnings dilution. The combined expertise of the partners will enable us to enter this market rapidly and cost-effectively. Our partnership will act as a single wireless company in all of our markets. Longer-term, customers will see a nationally branded, low-cost, easy-to-use service that operates seamlessly across all cellular and PCS networks.

Video and Entertainment

Strategy: Lead the market in bringing enhanced video, entertainment and interactive multimedia services to customers over video dial tone platforms.

The video and entertainment market is rich with potential for Bell Atlantic to generate several new revenue streams: as a Video Information Provider (VIP) competing directly with cable television, as an access provider to other VIPs via the broadband network, and as a developer of interactive content.

Targeting an estimated $4 billion cable and video market in our region alone, Bell Atlantic Video Services (BVS) will be a value-added supplier of video services, offering customers a real alternative to today's cable television service with expanded programming choices and easy-to-use Interactive Multimedia TV (IMTV) services. Our partnership with NYNEX and Pacific Telesis, announced in October 1994, will help ensure that BVS has access to high-quality content at reasonable prices, and that the technology and user interfaces make these products easy and fun to use.

Our market entry is distinguished by an advisory relationship with Creative Artists Agency (CAA) for the development of content for this new generation of video entertainment. CAA is widely known for its broad experience in entertainment marketing and branding, as well as access to the industry's best creative talent.

Today, at our Digital Production Center in Reston, Virginia, video, entertainment and information services, including IMTV, are being created and packaged. These services will be delivered commercially beginning in April 1995 to customers in our northern Virginia market trial and to additional locations during 1995 and 1996.

We believe we can achieve significant market penetration in our region with a high-value package of video services. By establishing a national programming and technology partnership, we will continue to play a leading role in the development of this exciting new market opportunity.

International

Strategy: Leverage our core competencies in network, wireless, and enhanced entertainment through selected investment in high-growth, high-return opportunities worldwide.

As global telecommunications move more toward open competition, Bell Atlantic continues to export expertise in landline, wireless and interactive video communications to selected high-growth areas worldwide, pursuing only those investments that have the potential to generate high incremental returns.

One of our earliest international investments – today a 24.8 percent interest in Telecom Corporation of New Zealand, the country's principal telephone company – demonstrates the superb potential of international investment. We already have recovered our original investment of $1.2 billion while retaining ownership, currently valued at over $1.5 billion, in this vibrant and growing company.

More recently, we acquired a 41.9 percent interest in Grupo Iusacell, Mexico's second largest telecommunications company and largest independent cellular provider. With cellular licenses covering two-thirds of the country and more than 60 million POPs, Iusacell is well-positioned to take advantage of Mexico's commitment to develop a modern communications infrastructure. Despite recent sharp declines in the valuation of the peso, we continue to believe that our investment in Iusacell has significant long-term growth and value potential.

Omnitel-Pronto Italia, a consortium formed in 1994 in which Bell Atlantic is the second largest shareholder, acquired the second cellular license in Italy. One of the fastest growing European markets, Italy has 57 million POPs and the world's sixth largest economy. Our participation in this wireless venture also has excellent potential for long-term growth.

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

Results of Operations

(Dollars in Millions, Except Per Share Amounts)

For the Years Ended December 31	1994	1993	1992
Income Before Extraordinary Items and Cumulative Effect of Changes in Accounting Principles	$ 1,401.9	$ 1,481.6	$ 1,382.2
Extraordinary Items			
Discontinuation of regulatory accounting principles, net of tax	(2,150.0)	–	–
Early extinguishment of debt, net of tax	(6.7)	(58.4)	(41.6)
Cumulative Effect of Changes in Accounting Principles			
Income taxes	–	65.2	–
Postemployment benefits, net of tax	–	(85.0)	–
Net Income (Loss)	$ (754.8)	$ 1,403.4	$ 1,340.6
Per Common Share:			
Income Before Extraordinary Items and Cumulative Effect of Changes in Accounting Principles	$ 3.21	$ 3.39	$ 3.23
Extraordinary Items	(4.94)	(.13)	(.10)
Cumulative Effect of Changes in Accounting Principles	–	(.04)	–
Net Income (Loss)	$ (1.73)	$ 3.22	$ 3.13

The Company reported a loss in 1994 of $754.8 million or $1.73 per share, compared to net income of $1,403.4 million or $3.22 per share in 1993 and net income of $1,340.6 million or $3.13 per share in 1992.

Results for 1994 included a noncash, after-tax extraordinary charge of $2,150.0 million, or $4.92 per share, in connection with the Company's decision to discontinue application of regulatory accounting principles required by Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" (Statement No. 71).

The discontinued application of Statement No. 71 required the Company, for financial reporting purposes, to eliminate its regulatory assets and liabilities, resulting in an after-tax charge of $157.3 million. In addition, the Company recorded an after-tax charge of $1,992.7 million, net of related investment tax credits of $136.2 million, to adjust the carrying amount of its telephone plant and equipment. On August 1, 1994, the Company began using shorter asset lives to depreciate its telephone plant and equipment. The shorter asset lives resulted in additional depreciation expense of approximately $37 million over the amount that would have been recorded using asset lives prescribed by regulators at the time of the discontinued application of Statement No. 71. See Notes 1, 2 and 3 to the Consolidated Financial Statements for additional information on the discontinuation of regulatory accounting principles.

Results for each of the three years included extraordinary charges for the early extinguishment of debt, net of tax, of $6.7 million, $58.4 million, and $41.6 million in 1994, 1993, and 1992, respectively. Results for 1993 included the cumulative effects of adopting Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (Statement No. 112) and Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

In the third quarter of 1994, the Company recorded a pretax charge of $161.9 million ($99.5 million after-tax), or $.23 per share, in accordance with Statement No. 112, to recognize benefit costs for the separation of employees who are entitled to benefits under preexisting separation pay plans. The charge, which was actuarially determined, represents benefits earned through July 1, 1994 for employees who are expected to receive separation payments in the future. The Company separated approximately 400 management and associate employees in 1994 and expects to separate an additional 5,200 employees through 1997, pursuant to initiatives announced in August 1994. The separation benefit costs associated with this workforce reduction are included in the charge. These workforce reductions will be made possible by changes in provisioning systems and customer service processes, increased spans of control, and consolidation and centralization of administrative and staff groups. Costs to enhance systems and consolidate work activities will be charged to expense as incurred. The Company will continue to evaluate ways to streamline and restructure its operations and reduce its workforce to improve its future cost structure.

The results for 1994 also included pretax charges aggregating $38.9 million ($25.8 million after-tax) in connection with the disposition of a subsidiary that sells and distributes liquefied petroleum gas and a foreign cellular operation. The effect of these dispositions will not have a significant impact on results of operations in the future. In 1994, the Company sold the assets of Bell Atlantic TriCon Leasing Corporation (TriCon), except for the leveraged lease and project finance portfolios, resulting in a pretax gain of $42.0 million ($22.7 million after-tax). Revenues and expenses related to the portion of the portfolio that was sold were $245.3 million and $191.6 million, respectively, for the year ended December 31, 1993, and $71.6 million and $60.7 million, respectively, for the four-month period ended April 30, 1994.

The Company's investment in Grupo Iusacell, S.A. de C.V. (Iusacell) reduced earnings by $.19 per share in 1994 and $.01 per share in 1993. The loss resulted from the recognition of carrying costs, goodwill amortization, and equity losses.

These and other items affecting the comparison of operating results are discussed in the following sections.

Operating Revenues

(Dollars in Millions)

For the Years Ended December 31	1994	1993	1992
Transport Services			
Local service	$ 4,312.4	$ 4,187.4	$ 4,046.4
Network access	3,237.6	3,070.9	2,953.1
Toll service	1,555.5	1,558.0	1,556.2
Ancillary Services			
Directory advertising	1,082.0	1,049.0	1,021.8
Other	441.9	363.3	361.5
Value-added Services	1,284.4	1,193.6	1,127.9
Wireless Services	1,059.8	785.5	602.6
Other Services	817.8	937.9	1,166.5
Total	$ 13,791.4	$ 13,145.6	$ 12,836.0

Transport Services Operating Statistics

	1994	1993*	1992	Percentage Increase (Decrease) 1994 vs 1993	1993 vs 1992
Access Lines in Service *(In thousands, at year-end)*					
Residence	12,324	12,072	11,856	2.1%	1.8%
Business	6,565	6,293	6,042	4.3	4.2
Public	279	280	283	(.4)	(1.1)
	19,168	18,645	18,181	2.8	2.6
Access Minutes of Use *(In millions)*					
Interstate	56,555	52,541	49,982	7.6	5.1
Intrastate	14,309	12,539	10,916	14.1	14.9
	70,864	65,080	60,898	8.9	6.9
Toll Messages *(In millions)*					
Intrastate	3,333	3,275	3,189	1.8	2.7
Interstate	175	170	160	2.9	6.3
	3,508	3,445	3,349	1.8	2.9

* 1993 reflects the restatement of access minutes of use.

Local Service Revenues

Dollars in Millions	Increase	
1994 - 1993	$ 125.0	3.0%
1993 - 1992	$ 141.0	3.5%

Local service revenues are earned by the telephone subsidiaries from the provision of local exchange, local private line and public telephone services.

Local service revenues increased in 1994 and 1993 due primarily to growth in the number of access lines in service of 2.8% and 2.6%, respectively, as well as higher usage of basic calling services by both business and residence customers.

Network Access Revenues

Dollars in Millions	Increase	
1994 - 1993	$ 166.7	5.4%
1993 - 1992	$ 117.8	4.0%

Network access revenues are received from interexchange carriers (IXCs) for their use of the Company's local exchange facilities in providing long-distance services to IXCs' customers and from end-user subscribers. Switched access service revenues are derived from usage-based charges paid by IXCs for access to the Company's network. Special access revenues arise from access charges paid by customers who have private lines, and end-user access revenues are earned from local exchange carrier customers who pay for access to the network.

Network access revenues increased in 1994 and 1993 principally due to higher customer demand for access services as reflected by growth in access minutes of use of 8.9% and 6.9%, respectively, as well as growth in revenues from end-user charges attributable to increasing access lines in service. Volume-related increases in both years were partially offset by the effect of price reductions.

Toll Service Revenues

Dollars in Millions	Increase (Decrease)	
1994 - 1993	$ (2.5)	(.2)%
1993 - 1992	$ 1.8	.1%

Toll service revenues are earned from calls made outside a customer's local calling area, but within the same service area boundaries of the Company's telephone subsidiaries, commonly referred to as "LATAs." Other toll services include 800 services, Wide Area Telephone Service (WATS), and corridor services (between Northern New Jersey and New York City [illegible] between Southern New Jersey and Philadelphia.)

Toll service revenues grew in the first half of 1994 by $37.0 million, but declined by $39.5 million during the second half of 1994 over comparable periods in 1993. Growth in the first half of the year was primarily the result of the recovering economy and harsh weather conditions. The decline in revenues in the second half of the year reflects increased competition throughout the region, including the July 1, 1994 commencement of intraLATA toll competition in New Jersey. The Company also implemented price reductions on certain toll services as part of its competitive response and extended local calling service areas in Virginia, both of which contributed to the decline in revenues in the second half of 1994. Price reductions and competition for WATS, private line and interstate toll services resulted in a revenue decline for the year of $20.9 million. The Company expects that competition for toll services will continue to intensify in 1995 (see State Regulation section).

Toll service revenues increased slightly in 1993 due to growth in toll message volumes of 2.9%. Volume-related revenue increases were partially offset by declines in revenues from WATS and private line services, principally due to competitive pressures. Revenue growth was further offset by the effects of rate reductions at one of the telephone subsidiaries.

Directory Advertising Revenues

Dollars in Millions	Increase	
1994 - 1993	$ 33.0	3.1%
1993 - 1992	$ 27.2	2.7%

Directory advertising revenues are earned primarily from local advertising and marketing services provided to businesses in White and Yellow Page directories published throughout the region. Other directory advertising services include database and foreign directory marketing.

Growth in directory advertising revenues in 1994 and 1993 was principally due to higher rates charged for these services. Volume growth continues to be impacted by competition from other directory companies, as well as other advertising media.

Other Ancillary Services Revenues

Dollars in Millions	Increase	
1994 - 1993	$ 78.6	21.6%
1993 - 1992	$ 1.8	.5%

Other ancillary services include systems integration services, billing and collection services provided to IXCs, and facilities rental services.

Other ancillary services revenues increased in 1994 principally due to an increase in the number of contracts for systems integration services provided to the federal government and business customers.

The increase in other ancillary services revenues in 1993 resulted from higher volumes of systems integration services. This revenue increase was substantially offset by a decrease in billing and collection revenues as a result of reductions in services provided under long-term contracts with certain IXCs and the effect of favorable claims adjustments recorded in 1992, which reduced year-over-year growth in reported revenues.

Value-added Services Revenues

Dollars in Millions	Increase	
1994 - 1993	$ 90.8	7.6%
1993 - 1992	$ 65.7	5.8%

Value-added services represent a family of enhanced services including Call Waiting, Return Call, Caller ID, Answer Call, and Voice Mail. These services also include customer premises services such as inside wire installation and maintenance and other central office services and features.

Continued growth in the network customer base (access lines) and higher demand by residence customers for value-added central office and voice messaging services offered by the telephone subsidiaries increased value-added services revenues in 1994 and 1993. Value-added services revenues in both years were positively impacted by increased demand and higher rates for inside wire installation and maintenance services. These revenue increases were offset, in part, by lower revenues generated from certain maturing central office services and features. The Virginia State Corporation Commission approved a new regulatory plan for Bell Atlantic - Virginia, effective January 1, 1995 (see State Regulation section). This plan includes the elimination of touch-tone service charges, which is expected to reduce revenues by approximately $25 million annually.

Wireless Services Revenues

Dollars in Millions	Increase	
1994 - 1993	$ 274.3	34.9%
1993 - 1992	$ 182.9	30.4%

Wireless services include revenues generated from Bell Atlantic Mobile (BAM) and its affiliates that provide domestic cellular and paging communications services.

The continued growth in the Company's cellular customer base of 57.9% in 1994 and 48.8% in 1993 was the primary reason for the increase in wireless revenues in both years.

On May 1, 1994, the New York SMSA Limited Partnership agreement between BAM and NYNEX Mobile Communications Company was restructured. Beginning in May 1994, wireless revenues no longer include cellular revenues associated with BAM's reseller operation in the northern New Jersey area. These reseller revenues for the four- and twelve-month periods ended April 30, 1994 and December 31, 1993 were $30.0 million and $66.1 million, respectively. Cellular revenues, excluding these reseller amounts, were $1,014.9 million in 1994 and $707.3 million in 1993, an increase of $307.6 million or 43.5%.

See Wireless Joint Venture section for a discussion of the proposed merger of the domestic cellular properties of Bell Atlantic and NYNEX Corporation.

Other Services Revenues

Dollars in Millions	(Decrease)	
1994 - 1993	$ (120.1)	(12.8)%
1993 - 1992	$ (228.6)	(19.6)%

Other services include revenues from the Company's computer maintenance, software development and support, telecommunications consulting, video services, real estate, diversified and computer leasing, and liquefied petroleum gas distribution businesses.

The decrease in other services revenues in 1994 is due primarily to the April 1994 sale of a majority of the leasing portfolio owned by TriCon and the disposition of Bell Atlantic Systems Leasing International, Inc. in November of 1994 (see Note 5 to the Consolidated Financial Statements). The Company is no longer providing new leasing services and expects the decreasing revenue trend to continue. The reduction in revenues in 1994 also reflects the impact of the disposition of the Company's software development and liquefied petroleum gas distribution businesses at the end of 1993 and during 1994. These revenue decreases were partially offset by growth in revenues of approximately 21% from the Company's third-party computer maintenance business, principally due to higher volumes resulting from new contracts.

Other services revenues decreased in 1993 due primarily to the effect of the transfer, effective December 31, 1992, of the Bell Atlanticom Systems, Inc. (Atlanticom) business to a partnership in which the Company owns a minority interest. The Company's decreased emphasis on computer leasing and real estate operations further contributed to the decrease in other services revenues. Volume-related increases in the Company's third-party computer maintenance business partially offset these revenue decreases.

Operating Expenses

(Dollars in Millions)

For the Years Ended December 31	1994	1993	1992
Employee costs, including benefits and taxes	$ 4,333.1	$ 4,027.6	$ 3,941.5
Depreciation and amortization	2,652.1	2,545.1	2,417.4
Other operating expenses	4,001.6	3,775.3	3,970.9
Total	$ 10,986.8	$ 10,348.0	$ 10,329.8

Employee Costs

Dollars in Millions	Increase	
1994 - 1993	$ 305.5	7.6%
1993 - 1992	$ 86.1	2.2%

Employee costs consist of salaries, wages, and other employee compensation, employee benefits and payroll taxes.

The increase in employee costs in 1994 is largely attributable to the aforementioned charge of $161.9 million to recognize benefit costs for the separation of employees. The third and fourth quarters of 1994 also included approximately $11 million representing the ongoing recognition of costs under separation pay plans. In addition, employee costs increased due to salary and wage increases, increased overtime pay, and an increase in the number of employees at the wireless, computer maintenance, and video services subsidiaries. Higher repair and maintenance activity caused by unusually severe weather conditions experienced during the year contributed to the overall increase in employee costs. These expense increases were offset, in part, by lower workforce levels at the network services subsidiaries and the effect of the disposition of several nonregulated subsidiaries at the end of 1993 and during 1994.

In 1993, higher costs from salary and wage increases and overtime at the telephone subsidiaries were offset, in part, by savings of approximately $160 million resulting from workforce reduction programs implemented in 1992 at the network services subsidiaries. Workforce increases at certain nonregulated subsidiaries also contributed to higher employee costs. The effect of these workforce increases were offset, in part, by a reduction in workforce resulting from the transfer of the Atlanticom business to a partnership.

Depreciation and Amortization

Dollars in Millions	Increase	
1994 - 1993	$ 107.0	4.2%
1993 - 1992	$ 127.7	5.3%

Depreciation and amortization expense increased in 1994 due principally to growth in telephone and cellular plant and increased rates of depreciation at the telephone subsidiaries, including depreciation increases resulting from the Company's aforementioned discontinued application of Statement No. 71. On August 1, 1994, the Company began using shorter asset lives for certain categories of telephone plant and equipment which reflect the Company's expectations as to the revenue-producing lives of the assets. The use of the shorter asset lives increased depreciation in 1994 by approximately $37 million, for financial reporting purposes, over the amount that would have been recorded using asset lives prescribed by regulators at the time of the discontinued application of Statement No. 71. Future depreciation represcriptions by regulators will not affect depreciation expense recognized for financial reporting purposes. These expense increases were partially offset by a reduction in depreciation and amortization expense at the Company's leasing subsidiaries as a result of the partial disposition of these businesses during 1994.

Depreciation and amortization expense increased in 1993 due primarily to approximately $135 million of additional expense resulting from represcribed depreciation rates at three of the telephone subsidiaries. Also contributing to the increase was growth in the level of depreciable plant at the telephone and cellular subsidiaries in 1993. Partially offsetting these increases was a reduction in depreciation and amortization expense at the leasing and real estate subsidiaries due to the decreased emphasis of these operations.

Other Operating Expenses

Dollars in Millions	Increase (Decrease)	
1994 - 1993	$ 226.3	6.0%
1993 - 1992	$ (195.6)	(4.9)%

Other operating expenses consist primarily of contracted services, rent, network software costs, provision for uncollectible accounts receivable and other costs.

Other operating expenses increased in 1994 principally from higher volumes of business at the Company's network services, wireless, computer maintenance, and systems integration subsidiaries. In addition, the Company incurred higher expenses for video services development. The total effect of these increases was partially offset by the effect of the disposition of several nonregulated subsidiaries at the end of 1993 and during 1994, and reimbursements of approximately $50 million of previously recognized costs as a result of the decision by other Bell Communications Research, Inc. (Bellcore) owners to participate in the Advanced Intelligent Network (AIN) project. This project previously had been supported entirely by the Company.

The decrease in other operating expenses in 1993 is largely attributable to a decrease of approximately $184 million resulting from the transfer of the Atlanticom business to a partnership. The decrease also included the effect of the recognition in 1992 of approximately $47 million of one-time costs associated with the Company's merger with Metro Mobile CTS, Inc. (Metro Mobile).

Equity in Income of Affiliates

Dollars in Millions	(Decrease)	
1994 - 1993	$ (7.2)	(14.9)%
1993 - 1992	$ (4.1)	(7.8)%

Equity in income of affiliates includes equity income and losses and goodwill amortization related to the Company's investments in unconsolidated businesses.

Equity in income of affiliates decreased in 1994 due principally to the effects of goodwill amortization and equity losses of approximately $62 million associated with the Company's investment in Iusacell. The equity loss in Iusacell includes a fourth quarter 1994 charge of approximately $19 million for the Company's estimated proportionate share of the impact of the Mexican peso devaluation on Iusacell's net liabilities, primarily debt, denominated in U.S. dollars. The Iusacell equity loss was substantially offset by improved operating results from the Company's investment in Telecom Corporation of New Zealand Limited (Telecom) and the effect of non-recurring charges recorded by Telecom in 1993. The Company's equity in income of Iusacell will continue to be impacted by changes in the Mexican peso exchange rate.

In 1993, improved operating results from the Company's unconsolidated investments in wireless partnerships and Telecom were more than offset by a pretax charge of approximately $42 million, representing the Company's share of non-recurring charges taken by Telecom.

Other Income and Expense, Net

For the Years Ended December 31	Dollars in Millions
1994	$ 23.2
1993	$ 39.8
1992	$ 162.0

Other income and expense, net principally includes interest and dividend income, and gains and losses from the disposition of subsidiaries and non-operating assets and investments.

Other income and expense, net in 1994 included pretax gains and losses related to the dispositions of TriCon, a liquefied petroleum gas distribution business, and a foreign cellular operation. In addition, the Company recorded approximately $33 million of interest income related to notes receivable held by the Company in connection with the TriCon sale (see Note 5 to the Consolidated Financial Statements). The discontinued recognition of an allowance for funds used during construction resulting from the discontinued application of Statement No. 71 reduced other income by approximately $12 million in 1994.

Other income and expense, net in 1993 included a pretax gain of approximately $65 million related to the private sale of a portion of the Company's investment in Telecom, and a pretax charge of approximately $26 million associated with the planned disposition of the Company's software development businesses.

Other income and expense, net in 1992 included gains on the sales of shares of HCA-Hospital Corporation of America and real estate, and interest income recognized in connection with the favorable settlement of various federal income tax matters related to prior periods.

Interest Expense

Dollars in Millions	(Decrease)	
1994 - 1993	$ (30.0)	(4.9)%
1993 - 1992	$ (82.8)	(11.9)%

Interest expense decreased in 1994 due to the effects of long-term debt refinancings and lower levels of debt. Interest expense was further reduced by the recognition of $15.3 million in capitalized interest costs at the telephone subsidiaries, subsequent to the discontinued application of Statement No. 71. Partially offsetting these decreases were the effect of rising interest rates during the year and the recognition of $27.0 million of interest expense related to retained TriCon debt instruments. The principal and interest payments on the retained debt match the principal and interest received on a note receivable from the purchaser (see Note 5 to the Consolidated Financial Statements). Additionally, 1994 included interest expense of approximately $19 million related to the debt incurred to purchase the Company's investment in Iusacell.

Interest expense decreased in 1993 principally due to the effects of long-term debt refinancings and lower short-term interest rates. Decreases also resulted from lower interest costs associated with the Telecom investment, as proceeds from the sale of Telecom shares in 1993 were used to reduce a portion of the acquisition-related debt.

Provision for Income Taxes

Dollars in Millions	Increase	
1994 - 1993	$ 92.9	11.7%
1993 - 1992	$ 148.5	23.1%

Effective Income Tax Rates

For the Years Ended December 31	
1994	38.7%
1993	34.8%
1992	31.8%

The Company's effective income tax rate was higher in 1994 due principally to the reduction in the amortization of investment tax credits and the elimination of the benefit of the rate differential applied to reversing timing differences at the telephone subsidiaries as a result of the discontinued application of Statement No. 71.

The 1993 effective income tax rate reflects the effect of federal tax legislation enacted in 1993, which increased the federal corporate tax rate from 34% to 35%. The lower effective income tax rate in 1992 resulted from certain adjustments to deferred taxes.

A reconciliation of the statutory federal income tax rate to the effective income tax rate for each period is provided in Note 14 to the Consolidated Financial Statements.

Competitive and Regulatory Environment

The communications industry continues to undergo fundamental changes which may have a significant impact on future financial performance of telecommunications companies. These changes are being driven by a number of factors, including the accelerated pace of technological innovation, the convergence of the telecommunications, cable television, information services and entertainment businesses and a regulatory environment in which traditional barriers are being lowered or eliminated and competition permitted or encouraged.

The Company's telecommunications business is subject to competition from numerous sources. An increasing amount of this competition is from companies that have substantial capital, technological and marketing resources, many of which do not face the same regulatory constraints as the Company. The entry of well-financed competitors has the potential to adversely affect multiple revenue streams of the telephone subsidiaries, including toll, local exchange and network access services in the market segments and geographical areas in which the competitors operate. The amount of revenue reductions will depend, in part, on the competitors' success in marketing these services, and the conditions established by regulatory authorities. The potential impact is expected to be offset, to some extent, by revenues from interconnection charges to be paid to the telephone subsidiaries by these competitors.

The Company continues to respond to competitive challenges by intensely focusing on meeting customer requirements and by reducing its cost structure through efficiency and productivity initiatives. In addition, the Company continues to seek growth opportunities in businesses where it possesses core competencies. Several examples of the Company's recent initiatives to address competition are described below.

In the network services business, the Company announced plans in August 1994 to separate approximately 5,600 employees by the end of 1997.

To expand its presence in the wireless business, the Company agreed to merge its domestic cellular operations with those of NYNEX Corporation. This merger is expected to be completed in mid-1995. Bell Atlantic and NYNEX also formed partnerships with U S WEST, Inc. and AirTouch Communications to bid jointly in the FCC's auctions of licenses to provide personal communications services and to develop a national branding and marketing strategy and wireless communications services standards.

To expedite its entry into the video services market and reduce business risks, Bell Atlantic formed two new jointly-owned partnerships with NYNEX and Pacific Telesis Group. A media company will license, acquire, and develop entertainment and information services, and a technology and integration company will provide the systems necessary to deliver these services over the partnerships' networks. Over the next three years, each of the partners will contribute approximately $100 million in cash or assets to the new joint ventures.

Federal Regulation

Legislation is expected to be introduced in the current session of the United States Congress that would remove barriers to entry in the local exchange markets and would permit local exchange carriers, such as the Company, to provide interLATA services. The impact of the enactment of such legislation on the Company's future financial performance will depend on a number of factors, including the degree of parity under which competition is permitted in the local and long-distance markets.

In February 1994, the FCC initiated a rulemaking proceeding to determine the effectiveness of the price cap rules affecting local exchange carriers, including the Company, and to decide what changes, if any, should be made to those rules. This rulemaking is expected to be concluded in the first half of 1995.

Recent FCC rulings have sought to expand competition for special and switched access services. The FCC ordered local exchange carriers, including the Company, to provide virtual collocation in the telephone subsidiaries' central offices to competitors, with the option of offering physical collocation, for the purpose of providing special and switched access transport services. The Company does not expect the net revenue impact of collocation to be material.

State Regulation

The ability of IXCs to offer intrastate intraLATA toll services is subject to state regulation. Such competition is permitted in all of the Company's state jurisdictions, except Virginia. The Virginia State Corporation Commission is considering whether, and under what terms, to permit such competition. Increased competition from IXCs in 1994 resulted in a continued decline in several components of the telephone subsidiaries' toll service revenues. State regulatory commissions in Pennsylvania, New Jersey, West Virginia, and Delaware have initiated proceedings to determine whether, and under what conditions, to authorize presubscription for intraLATA toll services. The Company expects the level of intraLATA toll service competition to increase in 1995. The telephone subsidiaries' ability to offset such competition will depend, in part, upon the terms and conditions under which presubscription for intraLATA toll services may be authorized.

In 1994, several competitors sought authority from state regulatory commissions to provide and resell local exchange telecommunications services in areas served by the Company's telephone subsidiaries. The Maryland Public Service Commission has approved applications from MFS-Intelenet of Maryland, Inc., a subsidiary of MFS Communications Company, Inc., and from MCI Metro ATS, a subsidiary of MCI, to provide and resell local exchange services to business customers in Maryland. Similar applications are pending from competitors in Maryland, New Jersey, and Pennsylvania.

The Company's telephone subsidiaries continue to seek the most favorable regulatory plans from their state commissions to keep pace with the rapid changes occurring in the telecommunications industry. The following is a summary of significant state regulatory developments in 1994.

Bell Atlantic - Pennsylvania received approval in June of 1994 to implement an alternative regulation plan, which replaces rate base rate of return regulation and allows Bell Atlantic - Pennsylvania to operate under a pure price cap plan with no sharing provisions. In March 1994, Bell Atlantic - Delaware elected to be regulated under a new law pursuant to which the prices of competitive services will not be regulated, rate increases for discretionary services will be limited to 15% annually, basic local service rate increases will be limited to inflation minus 3%, and profits will not be regulated. In December 1994, the West Virginia Public Service Commission extended the incentive regulation plan applicable to West Virginia, which phases out the touch-tone rate and lowers other basic local service rates. The Virginia State Corporation Commission approved a new regulation plan for Bell Atlantic - Virginia, effective January 1, 1995, which eliminates regulation of profits, with provisions that cap basic local service rates until the year 2001, eliminate monthly touch-tone charges, and expand eligibility for lifeline telephone service.

Other Matters

Environmental Issues

The Company is subject to a number of environmental proceedings as a result of the operations of its subsidiaries and shared liability provisions in the Plan of Reorganization related to the Modification of Final Judgment. Certain of these environmental matters relate to Superfund sites for which the Company's subsidiaries have been designated as potentially responsible parties by the U.S. Environmental Protection Agency or joined as third-party defendants in pending Superfund litigation. Such designation or joinder subjects the named company to potential liability for costs relating to cleanup of the affected sites. The Company is also responsible for the remediation of sites with underground fuel storage tanks and other expenses associated with environmental compliance.

The Company continually monitors its operations with respect to potential environmental issues, including changes in legally mandated standards and remediation technologies. The Company's recorded liabilities reflect those specific issues where remediation activities are currently deemed to be probable and where the cost of remediation is estimable. Management believes that the aggregate amount of any additional potential liability would not have a material effect on the Company's results of operations or financial condition.

Wireless Joint Venture

Following completion of the proposed merger of the domestic cellular properties of Bell Atlantic and NYNEX Corporation, which is expected to close in mid-1995 (see Note 16 to the Consolidated Financial Statements), the cellular operations of the Company will no longer be included in operating revenues and expenses. The joint venture will be controlled equally by both parties and, therefore, will be accounted for by the Company under the equity method. Revenues and operating income related to the Company's cellular operations were $1,044.9 million and $112.2 million in 1994, and $773.4 million and $43.9 million in 1993, respectively.

Financial Condition

(Dollars in Millions)

For the Years Ended December 31	1994	1993	1992
Cash Flows From (Used In):			
Operating Activities	$ 3,752.6	$ 4,154.8	$ 3,924.5
Investing Activities	(1,669.8)	(2,953.5)	(2,004.5)
Financing Activities	(2,086.0)	(1,351.2)	(1,755.7)

Management believes that the Company has adequate internal and external resources available to meet ongoing operating requirements, including network expansion and modernization, business development, and the payment of dividends. Management expects that presently foreseeable capital requirements will be financed primarily through internally generated funds. Additional long-term debt and equity financing may be needed to fund development activities and to maintain the Company's capital structure within management's guidelines. The Company determines the appropriateness of the level of its dividend payments on a periodic basis by considering such factors as long-term growth opportunities, internal requirements of the Company, and the expectations of shareowners.

The use of derivatives by the Company is limited to managing risk that could endanger the financing and operating flexibility of the Company, making cash flows more stable over the long run, and achieving savings over traditional means of financing. Derivative agreements are tied to a specific liability or asset and hedge the related economic exposures. The use of these hedging agreements has not had a material impact on the Company's financial condition or results of operations. The Company does not use derivatives for speculative purposes and has not hedged its accounting translation exposure to foreign currency fluctuations relative to its net position in foreign subsidiaries. Additional information with respect to hedging agreements is provided in Note 9 to the Consolidated Financial Statements.

As of December 31, 1994, the Company and its subsidiaries had in excess of $1.9 billion of unused bank lines of credit and shelf registrations for the issuance of up to $2.0 billion of unsecured debt securities. The Company and its subsidiaries had $666.9 million in borrowings outstanding under bank lines of credit at December 31, 1994.

During 1994, as in prior years, the Company's primary source of funds continued to be cash generated from operations. Cash provided from operations in 1994 decreased versus 1993 due principally to higher income tax payments in 1994.

Cash proceeds from investing activities in 1994 included $1,323.8 million from the April 1994 sale of TriCon and $123.0 million from the disposition of certain nonregulated subsidiaries. Additionally, the Company received $67.4 million under a special capital reduction plan implemented by Telecom in which 20% of Telecom's outstanding shares were canceled and shareowners received one New Zealand Dollar for each share canceled. Telecom's capital reduction did not change the Company's percentage ownership of Telecom. In 1993, the sale of a portion of the Company's interest in Telecom provided cash proceeds from investing activities of $253.7 million. In 1992, sales of shares of HCA-Hospital Corporation of America and real estate, and the disposition of businesses provided net cash proceeds from investing activities of approximately $393 million.

The primary use of capital resources continued to be capital expenditures and the payment of dividends. The Company invested approximately $2.2 billion in 1994, $2.1 billion in 1993, and $2.2 billion in 1992 in the telephone subsidiaries' network.

During 1994, Bell Atlantic purchased additional Iusacell shares for $524.0 million, thereby increasing the Company's total investment in Iusacell to $1,044.0 million, and used $37.5 million for the acquisition of a cellular property and a minority interest in a directory business. The Company also invested approximately $31 million in 1994 as a member of the Omnitel-Pronto Italia consortium that was awarded the second cellular license in Italy in March 1994. In 1993, the Company used $710.0 million of cash in connection with the initial investment in Iusacell, and the acquisition of two directory sales companies and certain other investments.

On June 2, 1994, Bell Atlantic New Zealand Holdings, Inc., a subsidiary of the Company, issued 850,000 shares of Series A Preferred Stock at a price per share of $100, with a dividend rate of $7.08 per share per annum, pursuant to a private placement resulting in a cash inflow from financing activities of $85.0 million. The preferred stock is subject to mandatory redemption on May 1, 2004 at a redemption price per share of $100.

The Company reduced long-term debt (including capital leases) and short-term debt by $990.2 million in 1994, $169.2 million in 1993, and $764.4 million in 1992. Approximately $250 million, $1.7 billion, and $1.8 billion of debt in 1994, 1993, and 1992, respectively, was refinanced at more favorable interest rates. The Company's debt ratio was 59.4% as of December 31, 1994, compared to 54.6% as of December 31, 1993 and 56.3% as of December 31, 1992. The 1994 debt ratio was impacted significantly by the equity reduction associated with the discontinued application of Statement No. 71. Excluding this effect, the debt ratio would have been 51.9% at December 31, 1994. The debt securities of the Bell Atlantic telephone subsidiaries continue to be accorded high ratings by primary rating agencies.

As a result of the discontinued application of Statement No. 71, the Consolidated Balance Sheet at December 31, 1994 reflects significant changes due to the elimination of regulatory assets and liabilities, the revaluation of plant and equipment, and the accelerated amortization of investment tax credits (see Note 2 to the Consolidated Financial Statements). The Company's investment in Iusacell at December 31, 1994 has been reduced by approximately $330 million for foreign currency translation losses which are reported as foreign currency translation adjustments in Shareowners' Investment.

Report of Management

The management of Bell Atlantic Corporation is responsible for the consolidated financial statements and the information and representations contained in this report. Management believes that the financial statements have been prepared in conformity with generally accepted accounting principles and that the information in this report is consistent with those statements. Management is required to include in the financial statements amounts, primarily related to matters not concluded by year-end, that are based on management's best estimates and judgments.

In meeting its responsibility for the financial statements of the Company, management maintains a strong internal control structure, including the appropriate control environment, accounting systems, and control procedures. The internal control structure is designed to provide reasonable assurance that assets are safeguarded from unauthorized use or disposition, that transactions are properly recorded and executed in accordance with management's authorizations, and that the financial records permit the preparation of reliable financial statements. There are, however, inherent limitations that should be recognized in considering the assurances provided by the internal control structure. The concept of reasonable assurance recognizes that the costs of the internal control structure should not exceed the benefits to be derived. The internal control structure is reviewed and evaluated on a regular basis. Compliance is monitored by the internal auditors through an annual plan of internal audits.

The Board of Directors pursues its review and oversight role for the financial statements through an Audit Committee composed of four outside directors. The duties of the Audit Committee include recommending to the Board of Directors the appointment of an independent accounting firm to audit the financial statements of the Company and its subsidiaries. The Audit Committee meets periodically with management and the Board of Directors. It also meets with representatives of the internal auditors and independent accountants and reviews the work of each to ensure that their respective responsibilities are being carried out and to discuss related matters. Both the internal auditors and independent accountants have direct access to the Audit Committee.

The financial statements of the Company have been audited by Coopers & Lybrand L.L.P., independent accountants, whose report is included on page 17.

Raymond W. Smith
Chairman of the Board
and Chief Executive Officer

William O. Albertini
Executive Vice President
and Chief Financial Officer

Report of Independent Accountants

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

We have audited the accompanying consolidated balance sheets of Bell Atlantic Corporation and subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of operations and cash flows for each of the three years in the period ended December 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bell Atlantic Corporation and subsidiaries as of December 31, 1994 and 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1994 in conformity with generally accepted accounting principles.

As discussed in Notes 1 and 2 to the consolidated financial statements, the Company 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," effective August 1, 1994. Also, as discussed in Notes 1, 13 and 14 to the consolidated financial statements, the Company changed its method of accounting for income taxes and postemployment benefits in 1993.

Coopers & Lybrand L.L.P.

2400 Eleven Penn Center
Philadelphia, Pennsylvania
February 6, 1995

Consolidated Statements of Operations

(Dollars in Millions, Except Per Share Amounts)

For the Years Ended December 31	1994	1993	1992
Operating Revenues	$ 13,791.4	$ 13,145.6	$ 12,836.0
Operating Expenses			
Employee costs, including benefits and taxes	4,333.1	4,027.6	3,941.5
Depreciation and amortization	2,652.1	2,545.1	2,417.4
Other	4,001.6	3,775.3	3,970.9
	10,986.8	10,348.0	10,329.8
Operating Income	2,804.6	2,797.6	2,506.2
Equity in Income of Affiliates	41.1	48.3	52.4
Other Income and Expense, Net	23.2	39.8	162.0
Interest Expense	582.1	612.1	694.9
Income Before Provision for Income Taxes, Extraordinary Items, and Cumulative Effect of Changes in Accounting Principles	2,286.8	2,273.6	2,025.7
Provision for Income Taxes	884.9	792.0	643.5
Income Before Extraordinary Items and Cumulative Effect of Changes in Accounting Principles	1,401.9	1,481.6	1,382.2
Extraordinary Items			
Discontinuation of regulatory accounting principles, net of tax	(2,150.0)	–	–
Early extinguishment of debt, net of tax	(6.7)	(58.4)	(41.6)
	(2,156.7)	(58.4)	(41.6)
Cumulative Effect of Changes in Accounting Principles			
Income taxes	–	65.2	–
Postemployment benefits, net of tax	–	(85.0)	–
	–	(19.8)	–
Net Income (Loss)	$ (754.8)	$ 1,403.4	$ 1,340.6
Per Common Share:			
Income Before Extraordinary Items and Cumulative Effect of Changes in Accounting Principles	$ 3.21	$ 3.39	$ 3.23
Extraordinary Items	(4.94)	(.13)	(.10)
Cumulative Effect of Changes in Accounting Principles	–	(.04)	–
Net Income (Loss)	$ (1.73)	$ 3.22	$ 3.13
Weighted Average Number of Common Shares and Equivalent Shares Outstanding (in millions)	437.2	436.3	433.0

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

(Dollars in Millions, Except Per Share Amounts)

December 31,	1994	1993
Assets		
Current Assets		
Cash and cash equivalents	$ 142.9	$ 146.1
Short-term investments	-	8.5
Accounts receivable, net of allowances of $188.9 and $192.6	2,328.1	2,135.7
Inventories	274.6	250.9
Prepaid expenses	545.5	452.4
Other	492.2	877.2
	3,783.3	3,870.8
Plant, Property and Equipment	33,745.8	33,181.6
Less accumulated depreciation	16,807.7	12,616.4
	16,938.1	20,565.2
Investments in Affiliates	1,576.8	1,394.7
Other Assets	1,973.6	3,713.5
Total Assets	$ 24,271.8	$ 29,544.2
Liabilities and Shareowners' Investment		
Current Liabilities		
Debt maturing within one year	$ 2,087.6	$ 2,677.3
Accounts payable	2,220.2	2,134.9
Accrued taxes	137.2	190.9
Advance billings and customer deposits	450.7	443.0
Accrued vacation pay	251.5	244.0
Dividend payable	301.0	292.2
Other	128.5	141.6
	5,576.7	6,123.9
Long-Term Debt	6,805.7	7,206.2
Employee Benefit Obligations	3,773.8	3,396.0
Deferred Credits and Other Liabilities		
Deferred income taxes	1,305.7	2,913.5
Unamortized investment tax credits	176.7	447.2
Other	466.9	1,233.0
	1,949.3	4,593.7
Preferred Stock of Subsidiary	85.0	-
Commitments (Notes 7, 11 and 16)		
Shareowners' Investment		
Preferred and Preference stock ($1 par value, none issued)	-	-
Common stock ($1 par value, 436,405,646 shares and 436,130,185 shares issued)	436.4	436.1
Common stock issuable (92,899 shares and 142,068 shares)	.1	.1
Contributed capital	5,428.4	5,415.2
Reinvested earnings	1,144.4	3,093.6
Foreign currency translation adjustment	(330.8)	(83.9)
	6,678.5	8,861.1
Less common stock in treasury, at cost	11.0	2.4
Less deferred compensation-employee stock ownership plans	586.2	634.3
	6,081.3	8,224.4
Total Liabilities and Shareowners' Investment	$ 24,271.8	$ 29,544.2

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

(Dollars in Millions)

For the Years Ended December 31	1994	1993	1992
Cash Flows From Operating Activities			
Net income (loss)	$ (754.8)	$ 1,403.4	$ 1,340.6
Adjustments to reconcile net income (loss)			
to net cash provided by operating activities			
Depreciation and amortization	2,652.1	2,545.1	2,417.4
Extraordinary items, net of tax	2,156.7	58.4	41.6
Cumulative effect of changes in accounting			
principles, net of tax	-	19.8	-
Other items, net	1.2	(96.2)	(56.5)
Changes in certain assets and liabilities, net of effects			
from acquisition/disposition of businesses			
Accounts receivable	(208.3)	(87.8)	(13.8)
Inventories	(80.8)	(21.7)	(35.0)
Other assets	(235.3)	3.8	157.0
Accounts payable and accrued taxes	53.9	328.2	(56.3)
Deferred income taxes, net	(270.5)	(105.8)	(26.1)
Unamortized investment tax credits	(49.4)	(66.2)	(80.0)
Employee benefit obligations	382.8	193.3	63.6
Other liabilities	105.0	(9.5)	172.0
Net cash provided by operating activities	3,752.6	4,154.8	3,924.5
Cash Flows From Investing Activities			
Purchases of short-term investments	(10.0)	(8.5)	(159.3)
Proceeds from sale of short-term investments	18.5	34.0	241.3
Additions to plant, property and equipment	(2,648.3)	(2,517.4)	(2,560.4)
Proceeds from sale of plant, property and equipment	102.1	47.4	426.9
Investment in finance lease and notes receivable	(741.6)	(1,862.5)	(1,467.0)
Proceeds from finance lease and notes receivable	721.8	1,801.2	1,474.7
Acquisition of businesses, less cash acquired	(37.5)	(146.9)	(.3)
Investment in Grupo Iusacell, S.A. de C.V.	(524.0)	(520.0)	-
Proceeds from sale of ownership interest in			
Telecom Corporation of New Zealand Limited	-	253.7	-
Proceeds from Telecom Corporation of			
New Zealand Limited capital reduction plan	67.4	-	-
Investment in joint ventures	(46.0)	(43.1)	(17.0)
Proceeds from disposition of businesses	1,446.8	-	26.5
Proceeds from sale of investment	-	-	58.9
Other, net	(19.0)	8.6	(28.8)
Net cash used in investing activities	(1,669.8)	(2,953.5)	(2,004.5)
Cash Flows From Financing Activities			
Proceeds from borrowings	249.6	2,148.1	1,340.7
Principal repayments of borrowings and			
capital lease obligations	(621.1)	(949.0)	(1,875.5)
Early extinguishment of debt	(350.0)	(1,575.0)	(987.5)
Net change in short-term borrowings with			
original maturities of three months or less	(287.6)	186.7	700.4
Dividends paid	(1,195.1)	(1,156.5)	(1,069.7)
Proceeds from sale of common stock	6.9	33.7	122.1
Purchase of common stock for treasury	(8.7)	-	(.1)
Net change in outstanding checks drawn			
on controlled disbursement accounts	35.0	(39.2)	13.9
Proceeds from sale of preferred stock by subsidiary	85.0	-	-
Net cash used in financing activities	(2,086.0)	(1,351.2)	(1,755.7)
Increase (decrease) in cash and cash equivalents	(3.2)	(149.9)	164.3
Cash and cash equivalents, beginning of year	146.1	296.0	131.7
Cash and cash equivalents, end of year	$ 142.9	$ 146.1	$ 296.0

See Notes to Consolidated Financial Statements

The Corodically enters into interest rate hedge agreeich involve the exchange of fixed and variable ie payments over the life of the agreement wihange of the underlying principal amounts. The al to be paid or received under these agreemensed as interest rates change and is recognized as tment to interest expense over the life of the agr

Employee I

Pension Plans

Substantially oyees of the Company are covered under noncoy defined benefit pension plans.

Amounts con to the Company's pension plans are actuarially ded, principally under the aggregate cost actuarial metd are subject to applicable federal income tax regi

Postretirement B Other Than Pensions

Substantially ployees of the Company are covered under postrent health and life insurance benefit plans.

Amounts cond to 501(c)(9) trusts and 401(h) accounts under app federal income tax regulations to pay certain postreant benefits are actuarially determined, principally the aggregate cost actuarial method.

Postemployment Be

The Company pes employees with postemployment benefits such sability benefits, workers' compensation, and severpay.

Effective Janua. 1993, the Company adopted Statement of Finan Accounting Standards No. 112, "Employers' Accoun for Postemployment Benefits," which requires accraccounting for the estimated cost of benefits provider former or inactive employees after employment but be retirement. Prior to 1993, the cost of these benefits v primarily charged to expense as the benefits were paid.

Savings Plans arEmployee Stock Ownership Plans

The Compa maintains savings plans which cover substantially all its employees. A substantial portion of the Company's atching contribution is provided through employee stockwnership plans (ESOPs). The Company recognizes expse based on accounting rules applicable to companies ith ESOP trusts that held securities prior to December 1! 1989. Under this method, the Company recognizes 80 ercent of the cumulative expense that would have ben recognized under the shares allocated method.

The obligaions of the ESOP trusts, which are guaranteed by the Company, are recorded as long-term debt and the offsetting deferre compensation is classified as a reduction of Shareowners' Investment. As the ESOP trusts make principal payments, the Company reduces the long-term debt balance. The deferred compensation balance is reduced by the amount of employee compensation recognized as the ESOP shares are allocated to participan's.

Income Taxes

Bell Atlantic Corporation and its domestic subsidiaries file a consolidated federal income tax return.

Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (Statement No. 109), which requires the determination of deferred taxes using the asset and liability method. Under the asset and liability method, deferred taxes are provided on book and tax basis differences and deferred tax balances are adjusted to reflect enacted changes in income tax rates.

Prior to 1993, the Company accounted for income taxes based on the provisions of Accounting Principles Board Opinion No. 11, "Accounting for Income Taxes" (APB No. 11). Under APB No. 11, deferred taxes were generally provided to reflect the effect of timing differences on the recognition of revenue and expense determined for financial and income tax reporting purposes.

The Tax Reform Act of 1986 repealed the investment tax credit (ITC) as of January 1, 1986, subject to certain transitional rules. ITCs of the telephone subsidiaries were deferred and are being amortized as a reduction to income tax expense over the estimated service lives of the related assets.

Earnings Per Common Share

Earnings per common share calculations are based on the weighted average number of shares and equivalent shares outstanding during the year.

Prior to January 1, 1993, for purposes of computing earnings per common share, net income attributable to common shares included the income tax benefit resulting from dividends paid on shares held by the Company's ESOPs. As a result of implementing Statement No. 109, the Company no longer includes the income tax benefit resulting from dividends paid on unallocated shares held by ESOPs in net income attributable to common shares for purposes of computing earnings per share. Pursuant to the provisions of Statement No. 109, the income tax benefit resulting from dividends paid on allocated shares is included in net income.

Reclassifications

Certain reclassifications of prior years' data have been made to conform to 1994 classifications.

2 Discontinuation of Regulatory Accounting Principles

In the third quarter of 1994, the Company determined that it was no longer eligible for continued application of the accounting required by Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" (Statement No. 71). In connection with the decision to discontinue regulatory accounting principles under Statement No. 71, the Company recorded a noncash, after-tax extraordinary charge of $2,150.0 million, which is net of an income tax benefit of $1,498.4 million.

The Company's determination that it was no longer eligible for continued application of the accounting required by Statement No. 71 was based on the belief that the convergence of competition, technological change (including the Company's technology deployment plans), actual and potential regulatory, legislative and judicial actions, and other factors are creating fully open and competitive markets. In such markets, the Company does not believe it can be assured that prices can be maintained at levels that will recover the net carrying amount of existing telephone plant and equipment, which has been depreciated over relatively long regulator-prescribed lives. In addition, changes from cost-based regulation to various forms of incentive regulation in all jurisdictions contributed to the determination that the continued application of Statement No. 71 is inappropriate.

The components of the charge recognized as a result of the discontinued application of Statement No. 71 follow:

(Dollars in Millions)

	Pre-tax	After-tax
Increase in plant and equipment depreciation reserve	$ 3,463.0	$ 2,128.9
Accelerated investment tax credit amortization	–	(136.2)
Tax-related regulatory asset and liability elimination	–	42.5
Other regulatory asset and liability elimination	185.4	114.8
Total	$ 3,648.4	$ 2,150.0

The increase in the accumulated depreciation reserve of $3,463.0 million was supported by both an impairment analysis, which identified estimated amounts not recoverable from future discounted cash flows, and a depreciation study, which identified inadequate depreciation reserve levels which the Company believes resulted principally from the cumulative underdepreciation as a result of the regulatory process. Investment tax credit amortization was accelerated as a result of the reduction in remaining asset lives of the associated plant and equipment.

Upon adoption of Statement of Fina unting Standards No. 109, "Accounting for Inc s," the effects of required adjustments to defer alances were deferred on the balance sheet as assets and liabilities and amortized at the related deferred taxes were recognized in making process. As of August 1, 1994, tax-regulatory assets of $757.2 million and tax-related ry liabilities of $714.7 million were eliminated. T nation of other regulatory assets and liabilities rela cipally to deferred debt refinancing and vacation s, which were being amortized as they were r ed in the ratemaking process.

3 Plant, Property and Equipm

Plant, property and equipment, s stated at cost, is summarized as follows at Dec 31:

(Dollars in Millions)

	1994	1993
Land	$ 273.	$ 262.0
Buildings	2,741.	2,606.7
Central office equipment	12,261.	11,905.5
Cable, wiring, and conduit	12,074.	11,635.4
Other equipment	4,976.	5,391.2
Other	510.	696.2
Construction-in-progress	907.1	684.6
	33,745.8	33,181.6
Accumulated depreciation	(16,807.7)	(12,616.4)
Total	$ 16,938.1	$ 20,565.2

The increase in accumulated dep iation in 1994 included $3,463.0 million attributable to adjustment to the carrying value of telephone plant d equipment resulting from the discontinued applicatio f Statement No. 71 (see Note 2). The components of adjustment to the accumulated depreciation reserve a summarized as follows:

(Dollars in Millions)

Buildings	$ 194.4
Central office equipment	1,252.0
Cable, wiring, and conduit	1,625.6
Other equipment	391.0
Total	$ 3,463.0

expected revenue-producing asset lives. The following asset lives were used, effective August 1, 1994: buildings, 18 to 40 years; central office equipment, 4 to 12 years; cable, wiring, and conduit, 14 to 50 years; and other equipment, 6 to 38 years. Previously, depreciation expense of the telephone subsidiaries was based on asset lives that were authorized by regulatory commissions (see Note 3) and included regulator-approved amortization of certain classes of telephone plant.

When depreciable plant of the telephone subsidiaries is replaced or retired, the amounts at which such plant has been carried in plant, property and equipment are removed from the respective accounts and charged to accumulated depreciation, and any gains or losses on disposition are amortized over the remaining asset lives of the remaining net investment in telephone plant.

Plant, property and equipment of other subsidiaries is depreciated principally on a straight-line basis over the following estimated useful lives: buildings, 15 to 40 years, and other equipment, 2 to 15 years. When the depreciable assets of these subsidiaries are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gains or losses on disposition are recognized in income.

Equipment under operating leases is depreciated to estimated residual value, principally by using a sum-of-the-years-digits method.

Maintenance and Repairs

The cost of maintenance and repairs, including the cost of replacing minor items not constituting substantial betterments, is charged to operating expense.

Capitalized Interest Cost

Upon the discontinued application of Statement No. 71, effective August 1, 1994, the telephone subsidiaries began reporting capitalized interest as a cost of telephone plant and equipment and a reduction in interest expense, in accordance with the provisions of Statement of Financial Accounting Standards No. 34, "Capitalization of Interest Cost" (Statement No. 34). The Company's other subsidiaries account for capitalized interest in accordance with Statement No. 34 provisions.

Prior to the discontinued application of Statement No. 71, the telephone subsidiaries recorded an allowance for funds used during construction, which included both interest and equity return components, as a cost of plant and as an item of other income.

Cost in Excess of Net Assets Acquired

The excess of the acquisition cost over the fair value of net assets of businesses acquired is amortized by the straight-line method over periods not exceeding 40 years. The carrying amount is reviewed whenever events or changes in circumstances indicate that the carrying value may not be recoverable and a determination of impairment (if any) is made based on estimates of future cash flows of the businesses acquired.

Foreign Currency

Assets and liabilities of foreign subsidiaries and equity investees are translated into U.S. dollars at exchange rates in effect at the end of the reporting period. Foreign entity revenues and expenses are translated into U.S. dollars at the average rates that prevailed during the period. The resultant net translation gains and losses are reported as foreign currency translation adjustments in Shareowners' Investment.

Exchange gains and losses on transactions of the Company and its equity investees denominated in a currency other than their functional currency are generally included in results of operations as incurred.

Exchange gains and losses on intercompany foreign currency transactions of a long-term investment nature are reported as foreign currency translation adjustments in Shareowners' Investment.

Hedging Instruments

The Company periodically enters into hedging agreements to reduce its exposure to fluctuations in foreign exchange rates and interest rates.

Forward exchange contracts are generally used to hedge the exposure to currency fluctuations on certain short-term transactions denominated in a currency other than the entities' functional currency. Gains and losses on these contracts generally offset the foreign exchange gains and losses on the underlying hedged transactions and are included in results of operations. The discount or premium on these contracts is included in results of operations over the life of the contract.

Gains and losses and related discounts or premiums arising from financial instruments that hedge foreign balances of a long-term investment nature are included as foreign currency translation adjustments in Shareowners' Investment.

Hedging instruments are sometimes used to manage the exposure to currency fluctuations associated with identifiable foreign currency commitments. Gains and losses from these instruments are deferred and reflected as adjustments of the related transactions.

Notes to Consolidated Financial Statements

1 Summary of Significant Accounting Policies

Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of Bell Atlantic Corporation (Bell Atlantic) and its majority-owned subsidiaries (together with Bell Atlantic, the Company). Investments in businesses in which the Company does not have control, but has the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method. Other investments are accounted for by the cost method. All significant intercompany accounts and transactions have been eliminated.

As a result of the disposition of a significant portion of its lease financing and other non-strategic businesses in 1994 (see Note 5), the Company operates predominantly in a single industry segment – communications and related services.

Effective August 1, 1994, the telephone subsidiaries discontinued accounting for their operations under the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" (Statement No. 71) (see Note 2).

Revenue Recognition

Revenues are recognized as earned on the accrual basis.

The telephone subsidiaries recognize revenues when services are rendered based on usage of the Company's local exchange network and facilities. Other subsidiaries recognize revenues when products are delivered or services are rendered to customers. Cellular operations revenues include access and usage, equipment, and gross roamer revenues into and out of the Company's markets.

Revenues recognized from leasing transactions are recorded in accordance with Statement of Financial Accounting Standards No. 13, "Accounting for Leases."

Direct finance lease receivables consist of the gross minimum lease payments receivable under the leases plus the estimated residual value of the leased property less the unearned income. Unearned income represents the excess of the gross minimum lease payments receivable plus the estimated residual value over the cost of the equipment leased. Unearned income is amortized to income over the term of the lease by methods that provide an approximately level rate of return on the net investment in the lease.

Leveraged lease receivables consist of the aggregate minimum rentals receivable under the leases, net of related nonrecourse debt, plus the estimated residual value of the leased property less unearned income. The unearned income represents the estimated pretax lease income and unamortized investment tax credits.

Accumulated deferred income taxes arising from leveraged leases are deducted from leveraged lease receivables to determine the net investment in leveraged leases. Unearned income is recognized at a rate that will distribute income to years in which the net investment in the leveraged lease is positive.

Operating lease income is recognized in equal monthly amounts over the term of the lease.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

Short-term Investments

Short-term investments consist of investments that mature 91 days to 12 months from the date of purchase. Short-term investments are stated at cost, which approximates market value.

Inventories

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

Prepaid Directory

Costs of directory production and advertising sales are principally deferred until the directory is published. Such costs are amortized to expense and the related advertising revenues are recognized over the average life of the directory, which is generally 12 months.

Plant and Depreciation

The telephone subsidiaries' provision for depreciation is based principally on the composite group remaining life method of depreciation and straight-line composite rates. This method provides for the recovery of the remaining net investment in telephone plant, less anticipated net salvage value, over the remaining asset lives. In connection with the discontinued application of Statement No. 71, the Company began recording depreciation expense based on

In connection with the discontinued application of Statement No. 71, effective August 1, 1994, for financial reporting purposes, the Company began using estimated asset lives for certain categories of plant and equipment that are shorter than those approved by regulators prior to the discontinuance of Statement No. 71. The shorter lives result from the Company's expectation as to the revenue-producing lives of the assets. A comparison of the regulator-approved asset lives to the shorter new asset lives for the most significantly impacted categories of plant and equipment of the telephone subsidiaries follows:

Average Lives (in years)	Regulator-Approved Asset Lives	New Asset Lives
Buildings	18-60	18-40
Digital switch	17-19	12
Digital circuit	11-13	9-11
Conduit	50-60	50
Copper cable	20-30	14-19
Fiber cable	20-30	20-25

4 Investments in Affiliates

The Company's investments in affiliates, which are accounted for principally under the equity method, consist of the following at December 31:

(Dollars in Millions)

	1994		1993	
	Ownership	Investment	Ownership	Investment
Telecom Corporation of New Zealand Limited	24.8%	$ 625.6	24.8%	$ 610.2
Grupo Iusacell, S.A. de C.V.	41.9%	646.4	23.2%	517.0
Other	Various	304.8	Various	267.5
Total		$1,576.8		$ 1,394.7

Telecom Corporation of New Zealand Limited (Telecom) is the principal provider of telecommunications services in that country. At the date of acquisition in 1990, the Company's interest in Telecom exceeded the recorded value of the proportionate share of the underlying net assets by approximately $285 million. This amount is being amortized by the straight-line method over a period of 40 years. During 1993, the Company recorded an after-tax gain of $44.7 million as a result of the sale of Telecom stock.

Through the purchase of stock in 1993 and 1994 totaling $1,044.0 million, the Company acquired an economic interest in Grupo Iusacell, S.A. de C.V. (Iusacell), the second largest telecommunications company in Mexico. Shares held by Bell Atlantic represent approximately 44% of the voting rights pertaining to Iusacell stock. At acquisition, the cumulative investment in Iusacell exceeded the recorded value of the underlying net assets by approximately $760 million. This amount is being amortized by the straight-line method over a period of 25 years. The Company's investment in Iusacell has been reduced by approximately $330 million for foreign currency translation losses which are reported as foreign currency translation adjustments in Shareowners' Investment.

The Company's other investments consist principally of cellular mobile communications and real estate partnerships, a one-seventh interest in Bell Communications Research, Inc. (Bellcore), and several other domestic and international joint ventures.

5 Disposition of Businesses

Lease Financing

In the second quarter of 1994, the Company sold the assets of Bell Atlantic TriCon Leasing Corporation (TriCon), except for leveraged lease and project finance portfolios, to GFC Financial Corporation (GFC). The sale price consisted of $344.2 million in cash and $835.9 million in notes receivable, plus the assumption of $81.8 million of liabilities by GFC. In addition, the Company retained $586.7 million of debt instruments of TriCon and received a note of an equal amount from GFC. The principal and interest payments on the retained debt match the principal and interest payments received on the note from GFC. At December 31, 1994, the remaining balance of a note receivable from GFC was $435.0 million. The Company recorded a pretax gain of $42.0 million as a result of this transaction.

In the fourth quarter of 1994, the Company sold substantially all of the assets of a leasing subsidiary, Bell Atlantic Systems Leasing International, Inc., including the Company's 50% ownership interest in Pacific Atlantic Systems Leasing, Inc. This sale did not have a material effect on the Company's results of operations or financial position.

Other

In 1994, the Company recorded pretax charges aggregating $38.9 million in connection with the disposition of a subsidiary that sells and distributes liquefied petroleum gas and a foreign cellular operation.

6 Leasing Arrangements as Lessor

During 1994, the Company sold substantially all of its lease financing business, except for leveraged lease and project finance portfolios (see Note 5). The Company is no longer providing new leasing services.

Finance lease receivables, net, which are included in Other (current assets) and Other Assets (noncurrent assets) in the Consolidated Balance Sheets, consist of the following components at December 31:

(Dollars in Millions)

	1994			1993		
	Leveraged Leases	Direct Finance Leases	Total	Leveraged Leases	Direct Finance Leases	Total
Minimum lease payments receivable	$ 852.3	$ 41.6	$ 893.9	$ 879.9	$ 736.1	$ 1,616.0
Estimated residual value	548.7	5.6	554.3	584.1	136.9	721.0
Unearned income	(505.0)	(18.1)	(523.1)	(542.8)	(156.8)	(699.6)
	$ 896.0	$ 29.1	925.1	$ 921.2	$ 716.2	1,637.4
Allowance for doubtful accounts			–			(48.9)
Finance lease receivables, net			$ 925.1			$ 1,588.5
Current			$ 35.8			$ 271.1
Noncurrent			$ 889.3			$ 1,317.4

Minimum lease payments receivable for the leveraged leases are shown net of principal and interest on the associated nonrecourse debt. Accumulated deferred taxes arising from leveraged leases, which are included in deferred income taxes, amounted to $779.5 million and $799.8 million at December 31, 1994 and 1993, respectively.

Plant, property and equipment at December 31, 1994 and 1993 includes real estate property under operating leases, or held for lease, of $313.4 million and $434.3 million, less accumulated depreciation of $71.0 million and $67.9 million, respectively, and equipment under operating leases of $27.5 million and $851.7 million less accumulated depreciation of $14.5 million and $652.4 million, respectively.

Future minimum lease payments to be received from noncancelable leases, net of nonrecourse loan payments related to leveraged leases, for the periods shown are as follows at December 31, 1994:

(Dollars in Millions)

Years	Capital Leases	Operating Leases
1995	$ 19.1	$ 32.5
1996	8.4	30.5
1997	12.0	26.5
1998	17.0	21.6
1999	16.6	12.3
Thereafter	820.8	17.1
Total	$ 893.9	$ 140.5

7 Leasing Arrangements as Lessee

The Company has entered into both capital and operating leases for facilities and equipment used in operations. Plant, property and equipment included capital leases of $171.6 million and $221.2 million and related accumulated amortization of $82.8 million and $112.7 million at December 31, 1994 and 1993, respectively. In 1994, 1993, and 1992, the Company incurred initial capital lease obligations of $11.9 million, $13.6 million, and $15.2 million, respectively.

Total rent expense amounted to $285.5 million in 1994, $307.8 million in 1993, and $295.7 million in 1992.

At December 31, 1994, the aggregate minimum rental commitments under noncancelable leases for the periods shown are as follows:

(Dollars in Millions)

Years	Capital Leases	Operating Leases
1995	$ 24.5	$ 109.6
1996	24.8	104.1
1997	20.7	97.1
1998	18.1	86.7
1999	16.7	78.2
Thereafter	103.8	797.6
Total	208.6	$ 1,273.3
Less imputed interest and executory costs	88.5	
Present value of net minimum lease payments	120.1	
Less current installments	11.3	
Long-term obligation at December 31, 1994	$ 108.8	

As of December 31, 1994, the total minimum sublease rentals to be received in the future under noncancelable operating subleases was $89.5 million.

8 Debt

Long-Term

Long-term debt consists of the following at December 31:

(Dollars in Millions)

	Interest Rates	Maturities	1994	1993
Telephone subsidiaries' debentures	3.25% - 7.00%	1995-2025	$ 2,222.0	$ 1,972.0
	7.125% - 7.75%	2002-2033	1,955.0	2,105.0
	7.85% - 8.75%	2009-2031	1,280.0	1,480.0
			5,457.0	5,557.0
Notes payable	4.025% - 12.42%	1995-2005	1,175.7	1,733.0
Mortgage and installment notes	5.53% - 11.00%	1995-2011	18.1	33.4
Employee Stock Ownership Plan loans – senior notes	8.17%	2000	571.3	633.7
Capital lease obligations – average rate 10.6% and 10.6%			120.1	125.8
Unamortized discount and premium, net			(34.1)	(116.0)
Total long-term debt, including current maturities			7,308.1	7,966.9
Less maturing within one year			502.4	760.7
Total long-term debt			$ 6,805.7	$ 7,206.2

Maturities of long-term debt outstanding at December 31, 1994, excluding unamortized discount and premium and capital lease obligations, are: $491.1 million due in 1995, $303.2 million due in 1996, $279.4 million due in 1997, $340.6 million due in 1998, $291.4 million due in 1999, and $5,516.4 million thereafter.

Telephone subsidiaries' debentures outstanding at December 31, 1994 include $1,822.0 million that are callable. The call prices range from 104.0% to 100.0% of face value, depending upon the remaining term to maturity of the issue. In addition, the telephone subsidiaries' debentures include $640.0 million that will become redeemable for a limited period at the option of the holders between the years 1996 and 2002. The redemption prices will be 100.0% of face value plus accrued interest.

Notes payable include $435.0 million of retained debt instruments of TriCon, of which $221.2 million was classified as current and $213.8 million as noncurrent at December 31, 1994 (see Note 5).

Installment notes in the amount of $6.3 million at December 31, 1994 were collateralized by finance lease receivables and equipment. Mortgage notes in the amount of $11.8 million at December 31, 1994 were collateralized by land and buildings.

Included in notes payable are medium-term notes issued by Bell Atlantic Financial Services, Inc. (FSI), a wholly owned subsidiary that provides financing for Bell Atlantic and certain of its subsidiaries. FSI debt securities (aggregating $700.1 million at December 31, 1994) have the benefit of a Support Agreement dated October 1, 1992 between Bell Atlantic and FSI, under which Bell Atlantic has committed to make payments of interest, premium, if any, and principal on the FSI debt in the event of FSI's failure to pay. The Support Agreement provides that the holders of FSI debt shall not have recourse to the stock or assets of Bell Atlantic's telephone subsidiaries. However, in addition to dividends paid to Bell Atlantic by any of its consolidated subsidiaries, assets of Bell Atlantic that are not subject to such exclusion are available as recourse to holders of FSI debt. The carrying value of the available assets reflected in the consolidated financial statements of Bell Atlantic was approximately $5 billion at December 31, 1994.

See Note 13 for information on the Employee Stock Ownership Plan Loans.

The Company has recorded extraordinary charges associated with the early extinguishment of debentures called by the Company's telephone subsidiaries prior to the balance sheet date. These charges reduced net income by $6.7 million (net of an income tax benefit of $3.6 million) in 1994, $58.4 million (net of an income tax benefit of $36.2 million) in 1993, and $41.6 million (net of an income tax benefit of $25.2 million) in 1992.

Debt Maturing Within One Year

Debt maturing within one year consists of the following at December 31:

(Dollars in Millions)

	1994	1993
Notes payable:		
Bank loans	$ 666.9	$ 582.0
Commercial paper	918.3	1,334.6
Long-term debt maturing within one year	502.4	760.7
Total	$ 2,087.6	$ 2,677.3
Weighted average interest rates for notes payable outstanding at year-end	6.0%	3.5%

Construction of telephone plant and the operations of the Company's real estate and cellular subsidiaries are partially financed, pending long-term financing, through bank loans and the issuance of commercial paper payable within 12 months.

At December 31, 1994, the Company had in excess of $1.9 billion of unused bank lines of credit. The availability of these lines, for which there are no formal compensating balances or commitment fee agreements, is at the discretion of each bank.

9 Financial Instruments

Derivatives

The use of derivatives by the Company is limited to managing risk that could endanger the financing and operating flexibility of the Company, making cash flows more stable over the long run and achieving savings over traditional means of financing. Derivative agreements are tied to a specific liability or asset and hedge the related economic exposures. The use of these hedging agreements has not had a material impact on the Company's financial condition or results of operations. The Company does not use derivatives for speculative purposes and has not hedged its accounting translation exposure to foreign currency fluctuations relative to its net position in foreign subsidiaries.

Interest Rate Hedge Agreements

The Company periodically enters into interest rate hedge agreements to reduce interest rate risks and costs inherent in its debt portfolio. These agreements involve the exchange of fixed and variable interest rate payments periodically over the life of the agreement without exchange of the underlying principal amounts.

The notional amounts outstanding, maturity dates, and the weighted average receive and pay rates of interest rate hedge agreements by type are as follows:

(Dollars in Millions)

	Notional Amount	Maturities	Weighted Average Rate Receive	Weighted Average Rate Pay
December 31, 1994: Variable to Fixed	$ 70.0	1995 to 1999	5.4%	5.6%
December 31, 1993: Variable to Fixed	$ 185.0	1994 to 1999	6.6%	4.1%

The notional amounts are used to calculate contractual payments to be exchanged and are not actually paid or received.

Interest rate hedge agreements have not significantly impacted the Company's relative proportion of variable and fixed interest expense.

At December 31, 1993, interest rate hedge agreements on direct finance lease receivable transfer agreements, which had the effect of fixing interest rates on floating rate direct finance lease receivable transfer agreements amounted to $414.4 million. Due to the sale of TriCon (see Note 5), the Company no longer has interest rate hedge agreements on finance lease receivables.

The Company has entered into forward interest rate hedge agreements with a notional amount of $50.3 million in connection with a specific lease. Maturities on the forward agreements range from February to May of the year 2000.

Foreign Exchange Contracts

The Company enters into foreign exchange hedging agreements to reduce its exposure to fluctuations in foreign exchange rates that will directly impact cash flows.

Foreign exchange hedging agreements have generally been limited to forward contracts to exchange the U.S. dollar for a foreign currency at some future date, usually within 30 days. Exchange gains and losses on these contracts substantially offset the foreign exchange gains and losses on the underlying hedged transactions in 1994 and 1993.

At December 31, 1994, the outstanding face amounts of these contracts totaled $27.6 million, representing commitments to sell seven foreign currencies with no currency exceeding $16.1 million, and $5.6 million, representing commitments to buy six foreign currencies with no currency exceeding $2.1 million. Substantially all contracts expire on or before January 27, 1995. The gain or loss on the individual contracts at December 31, 1994 was substantially offset by the gain or loss on the underlying hedged balances. Exposure to foreign currency gains or losses as a result of these transactions was not material to the Company's results of operations or financial condition.

At December 31, 1993, the outstanding face amounts of these contracts totaled $38.0 million, representing commitments to sell ten foreign currencies with no currency exceeding $15.8 million, and $24.2 million, representing commitments to buy six foreign currencies with no currency exceeding $14.3 million. The gain or loss on the individual contracts at December 31, 1993 was substantially offset by the gain or loss on the underlying hedged balances. Exposure to foreign currency gains or losses as a result of these transactions was not material to the Company's results of operations or financial condition.

At December 31, 1994, Bell Atlantic and its consolidated subsidiaries do not have material cash flow exposures to foreign currency fluctuations resulting from monetary assets and liabilities, firm commitments, or highly anticipated cash flow exposures denominated in a currency other than the Company's functional currency that are not hedged.

The Company's net equity position in its principal unconsolidated foreign subsidiaries at December 31, 1994 was $1,335.7 million and $1,167.6 million at December 31, 1993. These subsidiaries have operations primarily in New Zealand and Mexico. The Company has not hedged its accounting translation exposure to foreign currency fluctuations relative to this net equity position since it does not represent actual cash flow exposure.

Certain unconsolidated foreign subsidiaries accounted for using the equity method have net liabilities, primarily debt, denominated in a currency other than the investees' functional currency. The Company is subject to fluctuations in its equity income from these subsidiaries related to foreign currency gains and losses on such net liabilities. Foreign currency losses on such net liabilities included in equity income totaled $21.5 million for the year ended December 31, 1994.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of temporary cash investments, trade receivables, certain notes receivable, interest rate hedge agreements and forward exchange contracts.

The Company places its temporary cash investments with high-credit-quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables other than those from AT&T are limited due to the large number of customers in the Company's customer base. For the years ended December 31, 1994, 1993, and 1992, revenues generated from services provided to AT&T, primarily network access, billing and collection, and sharing of network facilities, were $1,352.6 million, $1,368.4 million, and $1,518.0 million, respectively. At December 31, 1994 and 1993, Accounts receivable, net, included $153.0 million and $162.4 million, respectively, from AT&T. At December 31, 1994, the Company had an uncollateralized note receivable from GFC of $435.0 million in connection with the disposition of TriCon (see Note 5).

Counterparties to the interest rate hedge agreements are major financial institutions. Counterparties to the forward exchange agreements are major international financial institutions. The Company continually monitors its positions and the credit ratings of its counterparties, and limits the amount of contracts with any one party. The Company believes the risk of incurring losses related to credit risk is remote and any losses would not be material to results of operations or financial condition. The Company also continually monitors the performance of the underlying risks being hedged to ensure correlation with the hedging vehicle.

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments.

Cash and Cash Equivalents, Short-Term Investments, Accounts Receivable, Accounts Payable, Accrued Liabilities and Forward Exchange Contracts

The carrying amount approximates fair value.

Debt Maturing Within One Year and Long-Term Debt

Fair value is estimated based on the quoted market prices for the same or similar issues or is based on the net present value of the expected future cash flows using current interest rates.

Notes Receivable

Fair value is based on the present value of the future expected cash flows using current interest rates or on quoted market prices for similar instruments, if available.

Interest Rate Hedge Agreements

Fair value is the estimated amount that the Company would have to pay or receive to terminate the hedge agreements as of December 31, 1994 and 1993, taking into account the current interest rates and the creditworthiness of the counterparties.

The estimated fair values of the Company's financial instruments are as follows at December 31:

(Dollars in Millions)

	1994		1993	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Instruments on the Balance Sheets:				
Debt maturing within one year, excluding capital lease obligations	**$ 2,076.3**	**$ 2,080.9**	$ 2,666.5	$ 2,696.3
Long-term debt, excluding unamortized discount and premium and capital lease obligations	**6,731.0**	**6,161.5**	7,207.2	7,512.0
Notes receivable, net	**482.7**	**478.4**	926.5	924.5
Financial Instruments with Off-Balance-Sheet Risk:				
Unrealized gain (loss) on interest rate hedge agreements	**–**	**1.8**	–	(4.8)

10 Sale of Preferred Stock by Subsidiary

On June 2, 1994, Bell Atlantic New Zealand Holdings, Inc. (BANZHI), a subsidiary of the Company, issued 850,000 shares of Series A Preferred Stock at a price per share of $100 with a dividend rate of $7.08 per share per annum, pursuant to a private placement. The preferred stock is subject to mandatory redemption on May 1, 2004 at a redemption price per share of $100. BANZHI and another subsidiary of the Company indirectly own the Company's investment in Telecom Corporation of New Zealand Limited.

11 Shareowners' Investment

(Dollars in Millions, Except Per Share Amounts)	Common Stock Shares (in Thousands)	Common Stock Amount	Common Stock Issuable Shares (in Thousands)	Common Stock Issuable Amount	Contributed Capital	Reinvested Earnings	Foreign Currency Translation Adjustment	Treasury Stock Shares (in Thousands)	Treasury Stock Amount	Deferred Compensation ESOPs
Balance at December 31, 1991	433,818	$ 433.8	–	$ –	$5,327.0	$2,600.3	$ (100.5)	3,442	$ 171.6	$ 721.4
Net income						1,340.6				
Dividends declared ($2.60 per share)						(1,102.3)				
Purchase of common stock								3	.1	
Common stock issued:										
Employee plans					(3.5)			(1,216)	(59.7)	
Shareowner plans					(6.8)			(2,043)	(102.9)	
Acquisition agreements	337	.4	186	.2	23.0					
Foreign currency translation adjustment, net of tax benefit of $5.3							(39.6)			
Reduction of ESOP obligations										(42.2)
Tax benefit of dividends paid to ESOPs						14.8				
Metro Mobile CTS, Inc. premerger acquisition activities					17.0					
Other					.2					
Balance at December 31, 1992	434,155	434.2	186	.2	5,356.9	2,853.4	(140.1)	186	9.1	679.2
Net income						1,403.4				
Dividends declared ($2.68 per share)						(1,166.6)				
Common stock issued:										
Employee plans	844	.7			47.0	(8.2)		(66)	(3.3)	
Shareowner plans	200	.2			11.6					
Acquisition agreements	47	.1	(44)	(.1)	.6			(70)	(3.4)	
Former Metro Mobile CTS, Inc. shareowners	884	.9			(.9)					
Foreign currency translation adjustment, net of tax benefit of $6.3							56.2			
Reduction of ESOP obligations										(44.9)
Tax benefit of dividends paid to ESOPs						11.6				
Balance at December 31, 1993	436,130	436.1	142	.1	5,415.2	3,093.6	(83.9)	50	2.4	634.3
Loss						(754.8)				
Dividends declared ($2.76 per share)						(1,203.9)				
Purchase of common stock								209	10.5	
Common stock issued:										
Employee plans	230	.2			13.2	(.9)		(13)	(.7)	
Acquisition agreements	46	.1	(49)	–				(26)	(1.2)	
Foreign currency translation adjustment, net of tax benefit of $.9							(246.9)			
Reduction of ESOP obligations										(48.1)
Tax benefit of dividends paid to ESOPs						10.4				
Balance at December 31, 1994	436,406	$ 436.4	93	$ .1	$5,428.4	$1,144.4	$ (330.8)	220	$ 11.0	$ 586.2

Bell Atlantic Corporation is authorized to issue up to 12.5 million shares each of Preferred and Preference stock and 1.5 billion shares of common stock.

A cellular telephone acquisition closed during 1992 requires the Company to deliver 92,899 shares of its common stock in 1995.

In 1993, the Company issued 883,832 shares of common stock to settle certain litigation arising from the merger in 1992 with Metro Mobile CTS, Inc., which was accounted for as a pooling of interests. This distribution represents additional merger consideration to the former Metro Mobile shareholders and was reflected as a credit to the common stock account with a corresponding charge to contributed capital.

Pursuant to pooling-of-interests accounting, Metro Mobile CTS, Inc. 1992 premerger acquisition activities, which resulted from the acquisition of cellular telephone properties in exchange for Metro Mobile Class B common stock, have been accounted for as additional contributed capital.

Under a Shareholder Rights Plan adopted in 1989, one right is attached to each outstanding share of common stock. When exercisable, each right entitles the holder to purchase one one-hundredth of a share of Series A Junior Participating Preference Stock at an exercise price of $250, subject to adjustment. The rights become exercisable and will trade separately from the common stock 10 days after a person or group acquires, or announces a tender offer for, 15% or more of the Company's outstanding common stock. In the event any person or group acquires 15% or more of the Company's common stock (except pursuant to certain transactions previously approved by the Board of Directors), each holder of a right other than such person or group will have the right to receive, upon payment of the exercise price, common stock of the Company with a market value of two times the exercise price. In the event that the Company is acquired in a merger or other business combination, or certain events occur, each right entitles the holder to purchase shares of common stock of the surviving company having a market value of twice the exercise price of the right. Until the rights become exercisable, they may be redeemed by the Company at a price of one cent per right. The rights expire on April 10, 1999.

12 Stock Incentive Plans

Under the stock option and performance share components of the Bell Atlantic Stock Incentive Plan, a total of 25,000,000 shares of common stock may be distributed upon the exercise of stock options under the 1985 Incentive Stock Option Plan (the "ISO Plan"), and as a result of awards under the Performance Share Plan (the "Shares Plan").

Under the ISO Plan, key employees may be granted incentive stock options, and/or nonqualified stock options, to purchase shares of Bell Atlantic's common stock at prices not less than the fair market value of the stock on the date of the option grant. Under the ISO Plan, certain key employees may receive reload options upon tendering shares of Bell Atlantic stock to exercise options. In 1991 and prior years, stock appreciation rights ("SARs") were granted to certain officers in tandem with stock options under the ISO Plan. No SARs have been granted since 1991.

In 1994, the Bell Atlantic "Options Plus" Plan was adopted. Nonqualified stock options were granted under that plan in 1994 to approximately 800 managers below the rank of officer, in place of a portion of each such manager's annual cash bonus incentive.

The Shares Plan provides for the granting of awards to certain key employees, in the form of shares of Bell Atlantic common stock. A key employee may receive the distributions of shares at the end of the applicable performance measurement period or the employee may elect to defer the distribution of the awards for one or more years. Awards are based on the total return of Bell Atlantic stock in comparison to the total return on the stock of a number of other telecommunications companies. Authority to make new grants under the Shares Plan expired in December 1994. Final awards will be distributed in January 1996.

Stock options, SARs and performance share awards under plans maintained by Bell Atlantic and its subsidiaries are as follows:

	Stock Options	SARs	Weighted Average Price of Stock Options	Performance Share Awards
Outstanding at December 31, 1991	1,704,705	38,518	$ 49.01	1,428,881
Granted	993,008	–	47.04	119,026
Exercised/Distributed	(117,677)	–	35.00	(403,288)
Canceled	(167,834)	(23,116)	51.91	(142,873)
Outstanding at December 31, 1992	2,412,202	15,402	48.68	1,001,746
Granted	930,219	–	53.45	91,258
Exercised/Distributed	(664,753)	–	47.77	(280,049)
Canceled	(95,100)	(2,742)	52.08	(76,576)
Outstanding at December 31, 1993	2,582,568	12,660	50.50	736,379
Granted	5,474,520	–	54.72	61,999
Exercised/Distributed	(177,796)	–	46.86	(145,804)
Canceled	(315,318)	–	54.68	(23,125)
Outstanding at December 31, 1994	7,563,974	12,660	53.47	629,449

At December 31, 1994, stock options to purchase 2,352,386 shares of common stock were exercisable under the ISO Plan, and none were exercisable under Options Plus. A total of 14,003,993 and 8,114,064 shares of common stock were available for the granting of stock options under the ISO Plan and for distributions of shares under the Shares Plan, as of December 31, 1994 and 1993, respectively. There is no established limit on the number of options granted pursuant to Options Plus. Compensation expense related to the stock incentive plans described above amounted to $14.9 million in 1994, $18.6 million in 1993, and $17.0 million in 1992. At December 31, 1994, employees had deferred receipt of 288,775 shares which had previously been awarded under the Shares Plan.

13 Employee Benefits

Pension Plans

Substantially all of the Company's management and associate employees are covered under noncontributory defined benefit pension plans. The pension benefit formula is based on a flat dollar amount per year of service according to job classification under the associate plan and a stated percentage of adjusted career average earnings under the plans for management employees. The Company's objective in funding the plans is to accumulate funds at a relatively stable level over participants' working lives so that benefits are fully funded at retirement. Plan assets consist principally of investments in domestic and foreign corporate equity securities, U.S. and foreign government and corporate debt securities, and real estate.

Pension cost is composed of the following:

(Dollars in Millions)

Years Ended December 31	1994	1993	1992
Benefits earned during the year	$ 196.4	$ 162.7	$ 171.3
Interest on projected benefit obligation	821.1	818.9	786.8
Actual return on plan assets	(27.6)	(1,731.7)	(514.9)
Deferral of difference between actual and assumed return on plan assets	(817.7)	898.3	(309.6)
Net amortization	(24.2)	9	(10.3)
Special termination benefits	–	–	45.0
Pension cost	$ 148.0	$ 149.1	$ 168.3
Pension cost as a percentage of salaries and wages	4.5%	4.9%	5.7%

Pension cost in 1994 was substantially unchanged over 1993. Pension cost increases resulting from assumption changes, primarily a decrease in the discount rate from 7.75% to 7.25%, were offset by favorable asset performance in 1993 and plan changes.

The decrease in pension cost in 1993 compared to 1992 is due to the net effect of the elimination of one-time charges associated with special termination benefits that were recognized in the preceding year, favorable investment experience, and changes in plan demographics due to retirement and severance programs.

The following table sets forth the plans' funded status and amounts recognized in the Company's Consolidated Balance Sheets as of December 31:

(Dollars in Millions)

	1994	1993
Actuarial present value of benefit obligations:		
Benefits based on service to date and present salary levels		
Vested	$ 7,387.2	$ 7,993.1
Nonvested	1,674.8	2,176.1
Accumulated benefit obligation	9,062.0	10,169.2
Additional benefits related to estimated future salary levels	1,061.6	1,293.9
Projected benefit obligation	10,123.6	11,463.1
Fair value of plan assets	11,470.1	12,368.7
Plan assets in excess of projected benefit obligation	(1,346.5)	(905.6)
Unrecognized net gain	1,818.9	1,173.5
Unamortized prior service cost	109.0	121.5
Unamortized net transition asset	192.1	211.6
Additional minimum liability for nonqualified plans	37.0	52.5
Accrued pension obligation	$ 810.5	$ 653.5

Assumptions used in the actuarial computations for pension benefits are as follows at December 31:

	1994	1993	1992
Discount rate	8.25%	7.25%	7.75%
Rate of future increases in compensation levels	5.25%	5.25%	5.25%

The expected long-term rate of return on plan assets was 8.25% for 1994, 1993, and 1992. The vested benefit obligation represents the actuarial present value of vested benefits to which employees are currently entitled based on the employees' expected dates of separation or retirement.

The Company has in the past entered into collective bargaining agreements with the unions representing certain employees and expects to do so in the future. Pension benefits have been included in these agreements and improvements in benefits have been made from time to time. Additionally, the Company has amended the benefit formula under pension plans maintained for its management employees. Expectations with respect to future amendments to the Company's pension plans have been reflected in determining the Company's pension cost under Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions" (Statement No. 87). Since the projected benefit obligation, as calculated under Statement No. 87, relies on assumptions concerning future events, a comparison of the projected benefit obligation to the fair value of plan assets at December 31, 1994 and 1993 may not be meaningful.

Postretirement Benefits Other Than Pensions

Substantially all of the Company's management and associate employees are covered under postretirement health and life insurance benefit plans. The determination of benefit cost for postretirement health benefit plans is based on comprehensive hospital, medical, surgical, and dental benefit plan provisions. The postretirement life insurance benefit formula used in the determination of postretirement benefit cost is primarily based on annual basic pay at retirement. The Company funds the postretirement health and life insurance benefits of current and future retirees. Plan assets consist principally of investments in domestic and foreign corporate equity securities, and U.S. Government and corporate debt securities.

Postretirement benefit cost is composed of the following:

Years Ended December 31	1994	1993	1992
			(Dollars in Millions)
Benefits earned during the year	$ 81.6	$ 73.3	$ 64.1
Interest on accumulated postretirement benefit obligation	298.0	302.1	266.9
Actual return on plan assets	12.4	(163.7)	(57.1)
Net amortization and deferral	(89.0)	102.7	(1.1)
Postretirement benefit cost	$ 303.0	$ 314.4	$ 272.8

Postretirement benefit cost decreased in 1994 as a result of favorable claims and demographic experience offset, in part, by cost increases resulting from assumption changes, primarily a decrease in the discount rate from 7.75% to 7.25%.

As a result of the 1992 collective bargaining agreements, the Company amended the postretirement medical benefit plan for associate employees and certain associate retirees of the network services subsidiaries. The increase in 1993 postretirement benefit cost was primarily due to the change in benefit levels and claims experience. Also contributing to the increase were changes in actuarial assumptions and demographic experience.

The following table sets forth the plans' funded status and the amounts recognized in the Company's Consolidated Balance Sheets as of December 31:

	1994	1993
		(Dollars in Millions)
Accumulated postretirement benefit obligation attributable to:		
Retirees	$ 2,143.6	$ 2,513.0
Fully eligible plan participants	313.5	320.1
Other active plan participants	1,340.6	1,536.1
Total accumulated postretirement benefit obligation	3,797.7	4,369.2
Fair value of plan assets	1,279.7	1,277.8
Accumulated postretirement benefit obligation in excess of plan assets	2,518.0	3,091.4
Unrecognized net gain (loss)	214.7	(427.3)
Unamortized prior service cost	(60.3)	(72.7)
Accrued postretirement benefit obligation	$ 2,672.4	$ 2,591.4
Total accumulated postretirement benefit obligation by plan:		
Health	$ 3,367.8	$ 3,899.9
Life insurance	429.9	469.3
	$ 3,797.7	$ 4,369.2
Fair value of plan assets by plan:		
Health	$ 705.6	$ 676.9
Life insurance	574.1	600.9
	$ 1,279.7	$ 1,277.8

Assumptions used in the actuarial computations for postretirement benefits are as follows at December 31:

	1994	1993	1992
Discount rate	**8.25%**	7.25%	7.75%
Rate of future increases in compensation levels	**5.25**	5.25	5.25
Medical cost trend rate:			
Year ending	**12.00**	13.00	14.50
Ultimate (year 2003)	**5.00**	5.00	5.00
Dental cost trend rate	**4.00**	4.00	4.00

The expected long-term rate of return on plan assets was 8.25% for 1994, 1993, and 1992. A one-percentage-point 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 1994 net periodic postretirement benefit cost by $51.4 million and would have increased the accumulated postretirement benefit obligation as of December 31, 1994 by $419.5 million.

Postretirement benefits other than pensions have been included in collective bargaining agreements and have been modified from time to time. The Company has periodically modified benefits under plans maintained for its management employees. Expectations with respect to future amendments to the Company's postretirement benefit plans have been reflected in determining the Company's postretirement benefit cost under Statement of Financial Accounting Standards No. 106, "Accounting for Postretirement Benefits Other Than Pensions."

Postemployment Benefits

Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (Statement No. 112). Statement No. 112 requires accrual accounting for the estimated cost of benefits provided to former or inactive employees after employment but before retirement. The cumulative effect at January 1, 1993 of adopting Statement No. 112 reduced net income by $85.0 million, net of a deferred income tax benefit of $50.6 million. The adoption of Statement No. 112 did not have a significant effect on the Company's ongoing level of operating expense.

In the third quarter of 1994, the Company recorded a pretax charge of $161.9 million, in accordance with Statement No. 112, to recognize benefit costs for the separation of employees who are entitled to benefits under preexisting separation pay plans. The charge, which was actuarially determined, represents benefits earned through July 1, 1994 for employees who are expected to receive separation payments in the future. The Company separated approximately 400 management and associate employees in 1994 and expects to separate an additional 5,200 employees through 1997, pursuant to initiatives announced in August 1994. The separation benefit costs associated with this workforce reduction are included in the charge.

Savings Plans and Employee Stock Ownership Plans

The Company has established savings plans to provide opportunities for eligible employees to save for retirement on a tax-deferred basis and encourage employees to acquire and maintain an equity interest in the Company. Under these plans, the Company matches a certain percentage of eligible employee contributions with shares of the Company's common stock. Two leveraged employee stock ownership plans (ESOPs) were established to purchase the Company's common stock and fund the Company's matching contribution. Common stock is allocated from the ESOP trusts based on the proportion of principal and interest paid on ESOP debt in a year to the remaining principal and interest due over the term of the debt. At December 31, 1994, the number of unallocated and allocated shares of common stock was 9,999,125 and 7,021,123, respectively. All ESOP shares are included in earnings per share computations.

The ESOP trusts were funded by the issuance of $790.0 million in ESOP Senior Notes. Effective January 1, 1993, the annual interest rate on the ESOP Senior Notes was reduced from 8.25% to 8.17%. The ESOP Senior Notes are payable in semiannual installments, which began on January 1, 1990 and end in the year 2000. The ESOP trusts repay the notes, including interest, with funds from the Company's contributions to the ESOP trusts, as well as dividends received on unallocated shares of common stock and interest earned on the cash balances of the ESOP trusts.

Total ESOP cost and trust activity consist of the following:

(Dollars in Millions)

Years Ended December 31	1994	1993	1992
Compensation	$ 48.1	$ 45.0	$ 42.2
Interest incurred	48.0	52.9	57.7
Dividends	(29.8)	(33.3)	(35.7)
Other trust earnings and expenses, net	(.3)	.1	.1
Net leveraged ESOP cost	66.0	64.7	64.3
Additional ESOP cost	7.1	.9	26.0
Total ESOP cost	$ 73.1	$ 65.6	$ 90.3
Dividends received for debt service	$ 44.1	$ 43.4	$ 43.4
Total company contributions to trusts	$ 78.4	$ 80.3	$ 88.1

14 Income Taxes

Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (Statement No. 109). Statement No. 109 requires the determination of deferred taxes using the asset and liability method. Under the asset and liability method, deferred taxes are provided on book and tax basis differences and deferred tax balances are adjusted to reflect enacted changes in income tax rates. Prior to 1993, the Company accounted for income taxes based on the provisions of Accounting Principles Board Opinion No. 11.

Statement No. 109 has been adopted on a prospective basis and amounts presented for prior years have not been restated. As of January 1, 1993, the Company recorded a tax benefit of $65.2 million, which has been reflected in the Consolidated Statement of Operations as the cumulative effect of a change in accounting principle. This tax benefit is principally attributable to net operating loss (NOL) carryforwards of the Metro Mobile CTS, Inc. (Metro Mobile) subsidiaries that the Company expects to realize based on projections of future taxable income.

Upon adoption of Statement No. 109, the effects of required adjustments to deferred tax balances of the telephone subsidiaries, which would be recognized in the future for regulatory purposes, were deferred on the balance sheet as regulatory assets and liabilities, in accordance with Statement No. 71. At January 1, 1993, the telephone subsidiaries recorded income tax-related regulatory assets totaling $976.6 million in Other Assets and income tax-related regulatory liabilities totaling $1,043.8 million in Deferred Credits and Other Liabilities – Other. During 1993, these regulatory assets were increased by $23.9 million and regulatory liabilities were reduced by $94.1 million for the effect of the federal income tax rate increase from 34% to 35%, effective January 1, 1993.

The income tax-related regulatory assets and liabilities were eliminated as a result of the discontinued application of Statement No. 71, effective August 1, 1994 (see Note 2).

The components of income tax expense from continuing operations are as follows:

(Dollars in Millions)

Years Ended December 31	1994	1993	1992
Current:			
Federal	$ 1,010.8	$ 814.0	$ 614.9
State and local	194.0	150.0	134.7
Total	1,204.8	964.0	749.6
Deferred:			
Federal	(278.0)	(107.9)	(35.5)
State and local	7.5	2.1	9.4
Total	(270.5)	(105.8)	(26.1)
	934.3	858.2	723.5
Investment tax credits	(49.4)	(66.2)	(80.0)
Total income tax expense	$ 884.9	$ 792.0	$ 643.5

In 1994, state income tax rate changes resulted in an increase to deferred tax expense of $8.5 million. As a result of the increase in the federal corporate income tax rate from 34% to 35%, effective January 1, 1993, the Company recorded a net charge to the tax provision of approximately $3 million in 1993.

The provision for income taxes varies from the amount computed by applying the statutory federal income tax rate to income before provision for income taxes. The difference is attributable to the following factors:

Years Ended December 31	1994	1993	1992
Statutory federal income tax rate	35.0%	35.0%	34.0%
Investment tax credits	(2.2)	(2.6)	(3.3)
State income taxes, net of federal tax benefits	5.4	3.9	4.2
Benefit of rate differential applied to reversing timing differences	(1.0)	(2.6)	(3.3)
Reversal of previously capitalized taxes and payroll-related construction costs	.9	1.5	.6
Other, net	.6	(.4)	(.4)
Effective income tax rate	38.7%	34.8%	31.8%

Significant components of deferred tax liabilities (assets) are as follows at December 31:

(Dollars in Millions)

	1994	1993
Deferred tax liabilities:		
Depreciation	$ 2,171.6	$ 3,817.1
Leasing activities	869.8	901.8
Other	418.9	327.7
	3,460.3	5,046.6
Deferred tax assets:		
Employee benefits	(1,553.1)	(1,384.7)
Investment tax credits	(69.3)	(284.9)
Net operating loss carryforwards:		
Federal	(105.8)	(111.5)
State	(22.5)	(60.4)
Advance payments	(51.5)	(61.4)
Other	(548.6)	(435.2)
	(2,350.8)	(2,338.1)
Valuation allowance	22.4	74.8
Net deferred tax liability	$ 1,131.9	$ 2,783.3

Deferred tax assets include approximately $1,083 million and $1,033 million at December 31, 1994 and 1993, respectively, related to postretirement benefit costs recognized in accordance with Statement No. 106. This deferred tax asset will gradually be realized over the estimated lives of current retirees and employees.

At December 31, 1994, NOL carryforwards for federal income tax purposes were $302.3 million. The NOL carryforwards, which expire from 1998 to 2006, relate principally to the Metro Mobile subsidiaries. Federal tax law restricts the future utilization of the Metro Mobile NOL carryforwards, permitting them to offset only the taxable income earned by the Metro Mobile subconsolidated group. At December 31, 1994, NOL carryforwards for state income tax purposes were $270.2 million (excluding amounts attributable to leveraged leases) and expire from 1995 to 2009.

Based on projections of future taxable income, the Company expects to realize future tax benefits of federal and state NOL carryforwards in the amount of $112.2 million

The valuation allowance required under Statement No. 109 primarily represents tax benefits of certain state NOL carryforwards and other deferred state tax assets, which may expire unutilized. During 1994, the valuation allowance decreased $52.4 million as a result of the disposition of certain nonregulated subsidiaries, and the write-off of state NOL's that will expire prior to utilization.

For the year ended December 31, 1992, a deferred income tax benefit resulted from timing differences in the recognition of revenue and expense for financial and income tax accounting purposes. The sources of these timing differences and the tax effects of each were as follows:

(Dollars in Millions)

	1992
Leveraged lease transactions	$ 58.4
Accelerated depreciation	(3.4)
Direct financing and operating lease transactions	(26.5)
Alternative Minimum Tax	41.8
Employee benefits	(41.8)
Other, net	(54.6)
Total	$ (26.1)

15 Supplemental Cash Flow and Additional Financial Information

(Dollars in Millions)

Years Ended December 31	1994	1993	1992
Supplemental Cash Flow Information:			
Cash paid during the year for:			
Interest, net of amounts capitalized	$ 569.1	$ 680.5	$ 797.7
Income taxes, net of amounts refunded	1,283.7	844.8	752.6
Noncash investing and financing activities:			
Note receivable on sale of business	435.0	–	–
Note receivable on sale of asset	39.0	–	–
Acquisition of plant under capital leases	11.9	13.6	15.2
Common stock issued for incentive plans	5.3	24.0	30.4
Common stock issued for acquisitions	1.5	4.2	15.9
Contribution of assets to joint venture	1.6	2	8.4
Additional Financial Information:			
Interest expense incurred, net of amounts capitalized	624.6	719.6	828.7
Capitalized interest	19.1	3.8	5.1

Interest expense incurred includes $42.5 million in 1994, $107.5 million in 1993, and $133.8 million in 1992 related to the Company's lease financing business. Such interest expense is classified as other operating expenses.

Income taxes, as well as payroll, gross receipts, property, capital stock and other taxes, totaled $1,758.6 million for 1994.

Included in operating expenses are amounts billed by Bell Communications Research, Inc. (Bellcore). Such expenses for 1994, 1993, and 1992 were $99.8 million, $143.2 million, and $194.3 million, respectively, for various network planning, engineering, and software development projects. Bellcore expenses in 1994 include reimbursements of approximately $50 million from other Bellcore owners in connection with their decision to participate in the Advanced Intelligent Network (AIN) project. This project previously had been supported entirely by the Company.

During 1994, 1993, and 1992, the Company received dividends from unconsolidated equity investees of $101.0 million, $73.4 million, and $64.4 million, respectively.

16 Joint Venture Agreements

Wireless Joint Ventures

In June 1994, the Company and NYNEX Corporation executed a Joint Venture Formation Agreement, which sets forth the terms and conditions under which the parties intend to combine their domestic cellular properties. Bell Atlantic will own 62.35% of the joint venture company and NYNEX will own 37.65%. This joint venture will be controlled equally by both companies. This transaction, which is subject to regulatory approvals and various other conditions to closing, is expected to close in mid-1995.

In October 1994, the Company, NYNEX, AirTouch Communications and U S WEST, Inc. formed two partnerships to provide nationwide wireless communications services. The first partnership is bidding in the Federal Communications Commission auction for licenses to provide personal communications services (PCS). The second partnership will develop a national brand and provide coordination and centralization of various functions for the companies' cellular and PCS businesses. The cellular properties of Bell Atlantic/NYNEX will not be merged with those of AirTouch/U S WEST.

Video Services Joint Ventures

Also in October 1994, the Company, NYNEX and Pacific Telesis Group formed two jointly-owned partnerships to deliver nationally branded home entertainment, information and interactive services. The media company will license, acquire and develop entertainment and information services. Creative Artists Agency, Inc. has entered into a consulting arrangement with the media company to develop a branding and marketing strategy and to provide assistance in acquiring programming. The technology and integration company will provide the systems necessary to deliver these services over the partnerships' networks. Over the next three years, each of the partners will contribute approximately $100 million in cash or assets to the new joint ventures.

17 Quarterly Financial Information

(Dollars in Millions, Except Per Share Amounts)

Quarter Ended	Operating Revenues	Operating Income	Income Before Extraordinary Items and Cumulative Effect of Changes in Accounting Principles	Income Before Extraordinary Items and Cumulative Effect of Changes in Accounting Principles Per Common Share	Net Income (Loss)
1994:					
March 31	$ 3,419.6	$ 748.8	$ 395.9	$ .91	$ 389.2
June 30	3,430.0	797.5	415.4	.95	415.4
September 30*	3,455.3	591.0	275.7	.63	(1,874.3)
December 31	3,486.5	667.3	314.9	.72	314.9
1993:					
March 31**	$ 3,201.3	$ 717.5	$ 372.2	$ .85	$ 329.2
June 30	3,259.3	752.2	385.5	.88	362.6
September 30	3,328.9	720.7	386.7	.89	378.5
December 31	3,356.1	607.2	337.2	.77	333.1

* The loss for the third quarter of 1994 includes an extraordinary charge of $2,150.0 million, net of an income tax benefit of $1,498.4 million, related to the discontinuation of regulatory accounting principles by the Company's telephone subsidiaries (see Note 2).

** Net income for the first quarter of 1993 includes a tax benefit of $65.2 million related to the adoption of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (see Note 14). In addition, net income for the first quarter of 1993 includes a charge of $85.0 million, net of a deferred income tax benefit of $50.6 million, related to the adoption of Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (see Note 13).

Board of Directors

William W. Adams
Retired Chairman of the Board
Armstrong World Industries, Inc.

William O. Albertini
Executive Vice President and Chief Financial Officer
Bell Atlantic Corporation

Lawrence T. Babbio, Jr.
Vice Chairman
Bell Atlantic Corporation

Thomas E. Bolger
Chairman of the Executive Committee of the Board of Directors
Bell Atlantic Corporation

Frank C. Carlucci
Chairman
The Carlyle Group

William G. Copeland
Chairman of the Board
Providentmutual Holding Company

James G. Cullen
Vice Chairman
Bell Atlantic Corporation

James H. Gilliam, Jr.
Executive Vice President and General Counsel
Beneficial Corporation

Thomas H. Kean
President
Drew University

John C. Marous, Jr.
Retired Chairman
Westinghouse Electric Corporation

John F. Maypole
Managing Partner
Peach State Real Estate Holding Company

Joseph Neubauer
Chairman of the Board, President and Chief Executive Officer
ARAMARK Corporation

Thomas H. O'Brien
Chairman and Chief Executive Officer
PNC Bank Corp.

Rozanne L. Ridgway
Co-Chair
The Atlantic Council of The United States

Raymond W. Smith
Chairman of the Board and Chief Executive Officer
Bell Atlantic Corporation

Shirley Young
Vice President, Consumer Market Development
General Motors Corporation

Executive Officers

Raymond W. Smith
Chairman of the Board and Chief Executive Officer

Lawrence T. Babbio, Jr.
Vice Chairman

James G. Cullen
Vice Chairman

William O. Albertini
Executive Vice President and Chief Financial Officer

Joseph T. Ambrozy
Vice President – Strategic Planning

P. Alan Bulliner
Vice President – Corporate Secretary and Counsel

Barbara L. Connor
Vice President – Finance, Controller and Treasurer

Charles W. Crist, Jr.
Vice President – Corporate Cost Reduction

John F. Gamba
Senior Vice President – Corporate Resources and Performance Assurance

Bruce S. Gordon
Group President – Consumer and Small Business Services
Bell Atlantic Network Services, Inc.

Stuart C. Johnson
Group President – Large Business and Information Services
Bell Atlantic Network Services, Inc.

Thomas R. McKeough
Vice President – Mergers and Acquisitions and Associate General Counsel

Brian D. Oliver
Vice President – Corporate Development

James R. Young
Vice President – General Counsel

Investor Information

Annual Meeting

The 1995 Annual Meeting of Shareowners will be held from 10 a.m. until approximately noon on Friday, April 28, 1995, at the Penn State Scanticon Conference Center Hotel in State College, Pennsylvania.

Shareowner Services

For questions about stock-related matters, please contact toll-free The Bank of New York, our shareowner services and transfer agent:

- The Bank of New York: 800-631-2355
- From outside the U.S., call collect: 212-815-5626
- For persons with impaired hearing using a TDD/TTY teletypewriter, type: 800-829-8257
- Or write to:
  Bell Atlantic c/o The Bank of New York
  Church Street Station, PO Box 11266
  New York, NY 10286-0266

Dividend Reinvestment Plan

Bell Atlantic offers a Dividend Reinvestment and Stock Purchase Plan, which allows participants to invest in Bell Atlantic stock conveniently and economically. Although the plan requires a minimum investment of 10 shares, shareowners can purchase any additional shares they may need at the time of enrollment. Key features include:

- Full or partial cash dividends reinvested in additional stock
- Weekly stock purchases made by supplemental payment
- Automatic monthly withdrawal service for supplemental stock purchases
- Free custodial service for depositing stock certificates

To receive a Plan Prospectus and enrollment form, please contact The Bank of New York.

Electronic Funds Transfer

Bell Atlantic offers an electronic funds transfer (EFT) service to shareowners wishing to deposit dividends directly into checking or savings accounts on dividend payment dates. This service is a fast and efficient means of depositing dividends and prevents the possibility of lost checks or mail delays. For more information about EFT, please contact The Bank of New York.

Stock Market and Dividend Information

- Shareowners of record at Dec. 31, 1994: 990,652
- Bell Atlantic is listed on the New York Stock Exchange (Ticker Symbol: BEL)
- Also listed on the Philadelphia, Chicago, Boston, Pacific, London, Zurich, Geneva, Basel, and Frankfurt exchanges
- Newspaper stock table listing: Bell Atlantic or BellAtl
- Dividends on common stock are payable quarterly, upon authorization by the Board of Directors. Based on the current schedule, the expected payment dates are the first business days of February, May, August, and November.
- High and low stock prices, as reported on the New York Stock Exchange composite tape of transactions, and dividend data are as follows:

	Market Price High	Market Price Low	Cash Dividend Declared
1994			
First Quarter	$ 59 [illegible]	$ 51	$ .69
Second Quarter	56 [illegible]	49	.69
Third Quarter	58 [illegible]	52 [illegible]	.69
Fourth Quarter	53 [illegible]	48 [illegible]	.69
1993			
First Quarter	$ 56 [illegible]	$ 49 [illegible]	$ .67
Second Quarter	59 [illegible]	50 [illegible]	.67
Third Quarter	64 [illegible]	55 [illegible]	.67
Fourth Quarter	69 [illegible]	57	.67

Form 10-K

Copies of the Company's Annual Report on Form 10-K filed with the SEC can be obtained without charge by contacting Bell Atlantic Shareowner Services at 215-963-6333.

Investor Relations

Institutional investors, financial analysts and portfolio managers may contact:

Investor Relations
Bell Atlantic Corporation
1717 Arch Street
Philadelphia, PA 19103
215-963-6333

Internet

Additional corporate information is available on the World Wide Web: http://www.bel-atl.com

Bell Atlantic

Bell Atlantic Corporation
1717 Arch Street
Philadelphia, PA 19103
215-963-6000
Internet: http://www.bel-atl.com

State of Florida

Commissioners:
SUSAN F. CLARK, CHAIRMAN
J. TERRY DEASON
JULIA L. JOHNSON
DIANE K. KIESLING
JOE GARCIA

DIVISION OF RECORDS &
REPORTING
BLANCA S. BAYO
DIRECTOR
(904) 413-6770

Public Service Commission

February 15, 1996

Ms. Connie Wightman
Bell Atlantic Communications, Inc.
210 N. Park Avenue
Post Office Drawer 200
Winter Park, Florida 32790-0200

Re: Docket No. 960179-TI

Dear Ms. Wightman:

This will acknowledge receipt of an application for certificate to provide interexchange telecommunications service, by BELL ATLANTIC COMMUNICATIONS, INC. which was filed in this office on February 14, 1996 and assigned the above-referenced docket number. Appropriate staff members will be advised.

A tentative schedule of events in your docket (referred to as a Case Assignment and Scheduling Record or CASR) should be available, upon request, ten (10) working days after establishment of the docket. You may contact the Records Section at (904) 413-6770 or by fax at (904) 413-7118 to request that a copy of the case schedule be faxed or mailed to you. The schedule of events provides you with an opportunity to anticipate completion stages of work in the docket. These dates are subject to change; therefore, you may wish to call the Records Section periodically to obtain revised schedules for your docket. For firm dates of hearings or other activities, please look to the Commission's official notices and orders. You can also obtain information on your docket by accessing the PSC HomePage on the Internet, at **http://www.state.fl.us/psc/**.

Sincerely,

Linda C. Williams

Linda C. Williams
Commission Deputy Clerk

TECHNOLOGIES MANAGEMENT INC.

210 N. Park Ave.
P.O. Drawer 200
Winter Park, FL
32790-0200

Tel: 407-740-8575
Fax: 407-740-0613

February 12, 1996
Overnight

DEPOSIT TREAS. 101 DATE

FEB 1 4 96

Florida Public Service Commission
Division of Records and Reporting
2540 Shumard Oaks Boulevard
Gerald L. Gunter Bldg. Room 270
Tallahassee, FL 32399-0850
(904) 488-4733

960179-TI

RE: Initial Interexchange Carrier Application of Bell Atlantic Communications, Inc.

Enclosed for filing are the original and twelve copies of the above referenced application of Bell Atlantic Communications, Inc. for Authority to Provide Interexchange Telecommunications Service in Florida.

Also enclosed is our check in the amount of $250 for the filing fee. Questions pertaining to this application or tariff should be directed to my attention at (407) 740-8575.

Please acknowledge receipt of this filing by returning, file-stamped, the extra copy of this cover letter in the self-addressed, stamped envelope enclosed for this purpose.

Thank you for your assistance.

Sincerely,

C.M. Wightman

Connie Wightman

DOCUMENT NUMBER-DATE
01787 FEB 14 96
FPSC-RECORDS/REPORTING

11938

TECHNOLOGIES MANAGEMENT INC.
P.O. Drawer 200
Winter Park, FL
32790-0200
210 N. Park Avenue
Winter Park, FL 32789
(407) 740-8575

250 PARK AVENUE
WINTER PARK, FLORIDA 32789

NUMBER
11938

PAY: TWO HUNDRED FIFTY DOLLARS

DATE
02/09/96

AMOUNT
*******$250.00

TO THE ORDER OF
FLORIDA PUBLIC SERVICE COMM.
RECORDS & REPORTING
101 EAST GAINES STREET
TALLAHASSEE FL 32399-0850

TECHNOLOGIES MANAGEMENT, INC.

C.M. Wightman