

1 9 9 6 A n n u a l R e p o r t

Building
for the future

momentum



Bell Atlantic Corporation is a diversified telecommunications company at the forefront of the new communications, entertainment and information industry. In the mid-Atlantic region, it is the premier provider of local telecommunications and advanced services. Globally, it is one of the largest investors in the high-growth wireless communications marketplace. Bell Atlantic is actively pursuing new business opportunities both domestically and internationally to create shareowner value.

www.bell-atl.com

Additional investor information is available by contacting the Bell Atlantic Investor Relations Department at 215-963-6333. We also have a shareowner newsline at 800-BEL-5595 and a fax-on-demand service at 800-329-7310. Or visit us on the World Wide Web at www.bell-atl.com/invest

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The 1996 Annual Report, printed on non-glossy, recycled paper, reflects our continuing commitment to provide concise and cost-effective reporting of financial performance to our shareowners.

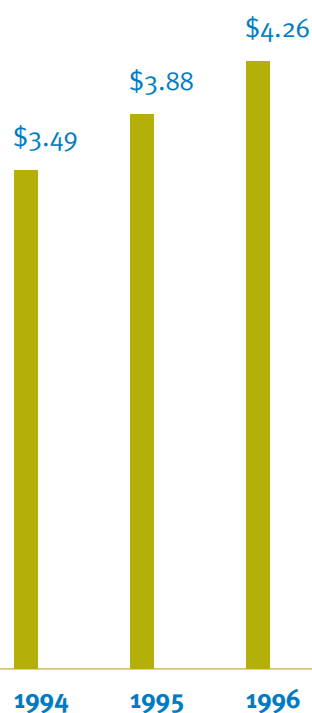
1996



Raymond W. Smith
Chairman of the Board
and Chief Executive Officer

was our second consecutive year of double-digit growth in adjusted earnings, reflecting strong demand and operating performance in our core communications businesses.

*Earnings per Share**



**Excluding special items*

Reported results in 1996 and 1995 were affected by special items – an accounting change, a one-time gain, and certain non-recurring charges – all of which are detailed on page 11. Without those effects, earnings increased 10 percent over last year. Financial and operating highlights of our network and wireless businesses are summarized in the profiles on pages 6 through 9 of this report.

The last twelve months also have been a period of historic change, both for the industry and for Bell Atlantic. With the passage of the Telecommunications Act of 1996, the U.S. Congress set the stage for wide-open competition in all aspects of communications – an environment in which only the most efficient, most customer-focused companies will thrive. At Bell Atlantic, we have been preparing to compete on those terms for many years. And in 1996, we took another giant step in that direction by entering into a merger agreement with NYNEX that will create one of the premier communications companies in the world.

The uncertainty over regulatory and competitive developments clouded the investment outlook for the entire communications industry in 1996, which accounts for our modest 1.3 percent total return in our stock in spite of solid financial performance. While that return is disappointing, I am optimistic that, as regulatory uncertainties are resolved, our market performance will better reflect the growth opportunities of the expanding communications marketplace in which we operate.

At Bell Atlantic, we have both the momentum and the skills to turn these opportunities into value for shareowners.

The message of 1996 is growth across all sectors of our business.

In network, we enjoyed one of our strongest years ever, growing annual revenues by 5.3 percent, despite the effect of significant price reductions in access in mid-1995. The residence market is being transformed by exploding demand for sophisticated call management features and greater data connectivity. We capitalized on this trend with strong sales of additional telephone lines and value-added services. In the business, government, and wholesale markets, growth was driven by increasing demand for high-speed data lines and network integration services. Our core competencies in these areas enabled us to show continued revenue growth from these segments, despite competitive pressures.

Wireless is an even faster-growing business, contributing significantly to Bell Atlantic's earnings growth in 1996. Bell Atlantic NYNEX Mobile's cellular subscriber base grew by more than 30 percent, adding another million customers for the year. Through our partnership in PrimeCo Personal Communications, we also have a substantial investment in the next generation of wireless services, which will stimulate more growth by attracting new subscribers and making wireless an accepted part of daily life for consumers.

Underlying the strong momentum in network and wireless are significant investments in the competitive advantages that will enable Bell Atlantic to deliver an unbeatable value proposition to customers as our markets become more competitive.

- We accelerated the digital conversion of our wired and wireless networks, devoting a substantial portion of our capital spending to the technologies that will deliver the customized, high-value products customers want.
- We introduced a steady stream of innovative new products and pricing packages and improved our distribution, billing, and customer contact systems.
- And we continued to emphasize the low-cost position that has become a Bell Atlantic hallmark. Our cash expenses per access line in network, and acquisition costs and cash expenses per subscriber in Bell Atlantic NYNEX Mobile, are among the lowest in the industry.

With this combination of assets, we are confident that we can go toe-to-toe with new entrants and compete for the high end of the market as the local exchange market opens to competition. **We intend to deliver a richer mix of products, at higher quality and lower cost, to more customer segments, than virtually any other network in the world.**

We also have positioned ourselves to compete effectively in new, high-growth markets—long distance, data connectivity, PCS, and selected international investments.

- We began marketing long distance outside our region and made significant investments to meet the competitive “checklist” contained in the Telecommunications Act of 1996, a necessary pre-condition for our entry into in-region long distance. To date, we have signed 30 agreements with carriers wishing to interconnect with our network and intend to provide in-region long distance by the second half of 1997. This is an \$11 billion market, of which we plan to capture 25 percent within five years of entering the market.
- We also are positioned to capture a lion's share of the growth in the multi-billion dollar market for data connectivity. The more than 15 percent of households with two or more telephone lines represent a solid base of residential customers with a preference for advanced communications services. To further penetrate the data connectivity market, we introduced an Internet access

product and a turn-key approach to provisioning high-bandwidth services called “InfoSpeed.” We are also adding interactive capabilities to our Yellow Pages product, which will boost the growth rate of this market-leading but mature business.

- PrimeCo Personal Communications launched a new digital wireless business in 16 major cities across the country – the largest launch of wireless service ever. PrimeCo’s top-quality CDMA technology and value proposition of reliability, control, and a hassle-free experience have established industry standards for others to follow.
- Our international wireless investments cover a population of 40 million people in Italy, Mexico, the Czech Republic and Slovakia. In Italy, we increased our stake in Omnitel, one of the fastest-growing mobile operators in the world. In Mexico, we restructured our ownership of Grupo Iusacell in February 1997 to assume management control and take better advantage of the growth opportunities in cellular, long distance and fixed wireless service. And we introduced GSM digital cellular service in the Czech Republic, doubling EuroTel’s customer base in the process, and intend to do the same in Slovakia in 1997.

We believe these new revenue opportunities more than outweigh the revenues at risk to competition in our traditional business. And because many of these opportunities leverage our in-place network, we will produce attractive margins as well as strong revenue growth.

With our performance in 1996, we have the momentum to accelerate the growth of our network and wireless businesses, move into new markets, and solidify our competitive position against new entrants in our traditional markets.

• • •

Looking ahead to 1997, the regulatory changes that began with the Telecommunications Act will continue, as the key questions of access reform, interconnection rules, and universal service are resolved – completing the transition to an open, competitive marketplace and removing the remaining barriers to becoming a full-service provider.

Bell Atlantic is poised to take advantage of these opportunities and assume our place as one of the world’s premier full-service communications providers.

The biggest milestone for 1997 will be the successful completion of our merger with NYNEX, which, at this writing, is on track for April of 1997. Together, we will have one of the world’s best wired networks, a global wireless company, and international investments rivaling those of other world-class communications companies. The new Bell Atlantic will address one-quarter of the U.S. market – a territory with the richest concentration of knowledge workers and information-intensive businesses in the country, if not the world. We will be able to serve this marketplace with a single brand name, efficient distribution channels, and a focused business structure.

In short, the new Bell Atlantic will have the right combination of assets, products, and customer reach to capitalize on the new communications marketplace and become one of the quality growth companies in our industry.

Of course, we still have to show that we can compete against new entrants with low cost structures and nimble feet. In these months before the closing of the merger, we are creating a fast, flexible, and customer focused organization. I believe we have put in place one of the strongest management teams in the industry, with proven expertise in managing complex networks, marketing high-value products, and delivering the levels of customer satisfaction that will be critical to our success in the competitive marketplace.

Nobody is better positioned to take advantage of the opportunities ahead than Bell Atlantic.

No long distance company. No cable company. No foreign carrier. So as we move into perhaps the most challenging period in our history, we remain focused on meeting the stringent financial and operating objectives that will turn our assets and opportunities into visible, sustainable growth for shareholders.



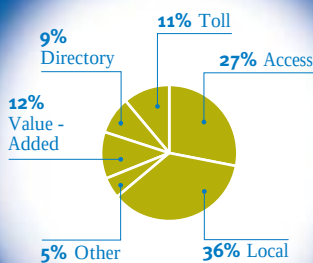
Raymond W. Smith
Chairman of the Board
and Chief Executive Officer

February 24, 1997

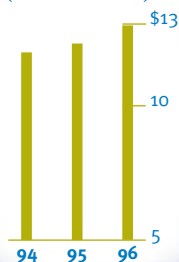
Network

The mid-Atlantic region is one of the richest markets in the country for communications, information, and entertainment services. We are positioned to serve the growing demands of this marketplace with a highly sophisticated intelligent network, a full array of products and services, and a brand name known and respected by residential and business customers. We continue to modernize this unique asset, adding the digital, high-speed capabilities that will enable us to keep pace with the growing demands of our customers.

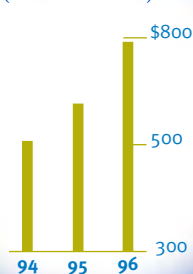
Revenue Components



Revenues
(Dollars in Billions)



*Value-Added Services**
(Dollars in Millions)



* Includes services such as Caller ID, Call Waiting, Return Call, Call Forwarding and Voice Messaging.

Market Profile

- More than 29 million people and 11 million households
- More than 95% telephone penetration
- Above average median income per household
- 85% of consumers live in major metropolitan areas
- Headquarters to 84 of the Fortune 500 companies
- Region includes the United States government, the world's largest consumer of communications and information services

Network Profile

- \$16 billion in assets
- 20.6 million access lines in service
- Highly sophisticated and reliable advanced intelligent network
- Virtually all access lines and central office switches are digital
- More than 1,000 SONET rings
- More than 2.4 million miles of fiber
- More than 200,000 ISDN lines in service

“Our network business is an extremely valuable asset

providing us with a powerful engine for future growth. Our continued investment, including \$2.5 billion in 1996, has created a network platform that provides the best and most efficient delivery architecture for the widest range of communication and information services. While the Telecom Act of 1996 requires us to open our network to competition in the local exchange market, it also provides huge opportunities for growth, particularly with regard to our ability to provide long distance services.”

Jim Cullen – Vice Chairman

1996 Performance Highlights

- Revenues grew 5.3% due to strong customer demand and increased marketing and promotion activity
- Access lines grew 3.8% driven by strong demand for Centrex lines in the business market and additional lines in the residential market
- Revenues from value-added services grew more than 23%, reaching nearly \$800 million
- Demand for customized call management packages in the small business market increased Centrex revenues by nearly 63%
- In the large business market, revenue growth was driven by demand for high-speed private lines, fast-packet data services, and several new high-profile contracts for network integration services

Strategic Priorities

- Drive revenue and volume growth through marketing, packaging, and new product innovations in all market segments
- Maximize scale and scope advantages through our low-cost network platform
- Become the wholesaler of choice for competitors and other carriers
- Capitalize on new business opportunities by entering new markets for data connectivity, in-region long distance, and entertainment and information services

Mid-Atlantic Region



Lines of Business

- Consumer Services
- Small Business Services
- Large Business Services
- Carrier Services
- Directory Services
- Public & Operator Services
- Federal Systems Services
- Network and Federal Integration Services
- Long Distance Services
- Internet Services
- Entertainment and Information Services

Wireless

Our wireless businesses are positioned to capture a major share of the growth in wireless services world-wide. Bell Atlantic NYNEX Mobile, our domestic cellular company, operates an East Coast network stretching from Maine to Georgia and in select Southwest markets, offering business and consumers a complete array of wireless products and services. In late '96 PrimeCo Personal Communications, our newest domestic wireless business, launched all-digital PCS networks in 16 major United States cities in the Midwest, Southeast and Southwest, well ahead of major competitors. On the international front, we are significant investors in wireless franchises in Mexico, Italy, the Czech Republic and Slovakia.

Wireless Portfolio

Entity (as of 12/31/96)	Percentage Ownership	(Millions)		(Thousands)	
		Owned POPs	Proportionate POPs	Subscribers	Proportionate Subscribers
Bell Atlantic NYNEX Mobile	62.4%	55.0	34.3	4,410	2,750
PrimeCo Personal Communications	25.0%	56.1	14.0	37	9
Grupo Iusacell	41.9%	62.5	26.2	233	98
Omnitel Pronto Italia	17.4%	58.0	10.1	713	124
EuroTel	24.5%	15.6	3.8	190	47
Telecom Corp. of New Zealand	24.8%	3.5	0.9	410	102
Total		250.7	89.3	5,993	3,130

Wireless Services

- Basic and Enhanced Cellular Voice Services
- Long Distance
- Data, Digital Services
- Prepaid Calling Cards
- Personal Communications Services
- National Roaming

“As superior managers of wireless businesses and one of the largest

investors in wireless companies throughout the world, we are creating significant sustainable growth in shareowner value. With increased globalization of the wireless marketplace, success will be achieved only by those companies with the management, financial, and operating strengths to establish market leadership. We expect to lead every market in which we operate.”

Larry Babbio – Vice Chairman

1996 Performance Highlights

- Portfolio produced nearly \$263 million of equity income, an increase of 57%
- Contributed significantly to overall corporate earnings growth

Bell Atlantic NYNEX Mobile

- Added another million customers, an increase of 31%
- Operating revenues grew 29% to reach \$2.5 billion
- Operating cash flows grew 34% to nearly \$900 million, with margins of 41%

PrimeCo Personal Communications

- Executed the most successful wireless launch in history in mid-November, entering 16 major cities just 16 months after acquiring licenses

Omnitel Pronto Italia

- Signed up more than 700,000 customers in its first year, becoming one of the fastest growing wireless operators in the world. In late 1996, we increased our ownership from 11.6% to 17.4%

Grupo Iusacell

- We assumed management control in February 1997 to focus resources on the potential of the Mexican market

EuroTel

- Doubled its subscriber base and achieved a number of operating improvements

Strategic Priorities

- Establish market leadership
- Develop profitable business profile
- Expand into high-growth, value-creating areas
- Demonstrate true value in the marketplace



Selected Financial and Operating Data

		(Dollars in Millions, Except Per Share Amounts)			
	1996 ^(a)	1995 ^(c)	1994 ^(d)	1993 ^(e)	1992
Results of Operations					
Operating revenues	\$ 13,081.4	\$ 13,429.5	\$ 13,791.4	\$ 13,145.6	\$ 12,836.0
Operating income	2,936.6	3,086.2	2,804.6	2,797.6	2,506.2
Income before extraordinary items and cumulative effect of changes in accounting principles	1,739.4	1,861.8	1,401.9	1,481.6	1,382.2
Net income (loss)	1,881.5	1,858.3	(754.8)	1,403.4	1,340.6
Income before extraordinary items and cumulative effect of changes in accounting principles per common share	3.96	4.25	3.21	3.39	3.23
Net income (loss) per common share	4.28	4.24	(1.73)	3.22	3.13
Cash dividends declared per common share	2.88 ^(b)	2.80	2.76	2.68	2.60
Financial Position					
Total assets	\$ 24,856.2	\$ 24,156.8	\$ 24,271.8	\$ 29,544.2	\$ 28,099.5
Long-term debt	5,960.2	6,407.2	6,805.7	7,206.2	7,348.2
Employee benefit obligations	3,887.4	3,841.3	3,773.8	3,396.0	3,058.7
Preferred stock of subsidiary	145.0	145.0	85.0	—	—
Shareowners' investment	7,422.8	6,683.6	6,081.3	8,224.4	7,816.3
Additions to plant, property and equipment	2,573.4	2,641.8	2,699.0	2,519.0	2,546.8
Other Information					
Book value per common share	\$ 16.96	\$ 15.27	\$ 13.94	\$ 18.85	\$ 18.00
Return on average common equity	25.7%	28.6%	(9.8)%	17.3%	17.4%
Debt ratio	52.2%	55.5%	59.4%	54.6%	56.3%
Network access lines (in thousands)	20,566	19,820	19,168	18,645	18,181
Number of employees	62,600	61,800	72,300	73,600	71,400

(a) 1996 data include the adoption of a change in accounting for directory publishing.

(b) Cash dividends declared in 1996 include a payment of \$.005 per common share for redemption of all rights granted under our Shareholder Rights Plan.

(c) On July 1, 1995, we contributed our domestic cellular and paging businesses to a partnership, and account for our share of the partnership's results under the equity method.

(d) 1994 data include an extraordinary charge for the discontinuation of regulatory accounting principles.

(e) 1993 data include the adoption of changes in accounting for income taxes and postemployment benefits.

Overview

1996 marked a year in which we achieved very solid financial results while continuing to position our company for entry into new markets and strengthen our competitiveness in existing markets. Our results were driven by strong market demand and solid operating performance in our network and wireless businesses. We reported net income of \$1,881.5 million or \$4.28 per share in 1996, compared to net income of \$1,858.3 million or \$4.24 per share in 1995, and a loss of \$754.8 million or \$1.73 per share in 1994.

Our reported results in all three years were affected by special items. After adjusting for such items, net income was \$1,872.5 million or \$4.26 per share in 1996, \$1,701.9 million or \$3.88 per share in 1995, and \$1,527.2 million or \$3.49 per share in 1994. The most significant of these items are discussed below.

In the fourth quarter of 1996, we changed our method of accounting for directory publishing revenues and expenses, effective January 1, 1996. We adopted the point-of-publication method, meaning that we now recognize directory revenues and expenses upon publication rather than over the lives of the directories. This change required us to restate our results of operations for the first three quarters of 1996 (see Note 16 to the consolidated financial statements on page 43). We recorded an after-tax increase in income of \$142.1 million, or \$.32 per share, in the first quarter of 1996, representing the cumulative effect of this accounting change. This accounting change did not have a material impact on operating income in 1996.

In addition to this accounting change, we incurred after-tax charges in 1996 of approximately \$135 million, or \$.31 per share, for reserves associated with regulatory and other issues, actuarially determined costs of a benefit plan amendment, and costs associated with certain asset and investment dispositions.

In 1995, we formed a wireless partnership with NYNEX Corporation, creating Bell Atlantic NYNEX Mobile (BANM). Our results for 1995 included a pretax gain of approximately \$314 million (\$200 million after-tax or \$.46 per share) as a result of the sale of certain cellular properties in connection with the formation of BANM. We also recognized approximately \$48 million (\$40 million after-tax or \$.09 per share) in 1995 for non-recurring charges associated with certain business development ventures and contracts.

In 1994, we recorded a pretax charge of \$161.9 million (\$99.5 million after-tax or \$.23 per share) under the provisions of Statement of Financial Accounting Standards (SFAS) No. 112, "Employers' Accounting for Postemployment Benefits," to recognize costs for the separation of employees who are entitled to benefits under preexisting separation pay plans. Results for 1994 also included a non-cash, extraordinary charge of \$2,150.0 million, or \$4.92 per share, in connection with our decision to discontinue the use of regulatory accounting principles under SFAS 71, "Accounting for the Effects of Certain Types of Regulation" (see Note 3 to the consolidated financial statements on page 28).

During 1995 and 1994, we sold several nonstrategic businesses, including our domestic computer maintenance business, Bell Atlantic Business Systems Services, Inc., in October 1995. Total operating revenues and expenses related to this business were \$402 million and \$392 million in 1995 and \$472 million and \$450 million in 1994. In 1994, we sold substantially all of our lease financing businesses, a liquefied petroleum gas distribution business, and a foreign cellular operation.

Results for 1995 and 1994 also included extraordinary charges of \$3.5 million and \$6.7 million for the early extinguishment of debt.

Proposed Merger of Bell Atlantic and NYNEX

In 1996, we announced a definitive agreement to merge with NYNEX Corporation. The merger is expected to close in April 1997.

This Management's Discussion and Analysis is based on our own historical financial results and includes certain forward-looking statements. You should be aware that our discussion does not, in general, reflect the impact that the proposed merger will have on future financial performance of the post-merger company. Information about the proposed merger is provided in the "Other Matters - Proposed Bell Atlantic - NYNEX Merger" section on page 20, and in Note 17 to the consolidated financial statements on pages 44 and 45.

Formation of the Bell Atlantic NYNEX Mobile Partnership

On July 1, 1995, we and NYNEX contributed substantially all of the investments in our domestic cellular and paging operations to a partnership and formed BANM. Because of the joint control provisions in the partnership agreement, we account for our investment using the equity method. Under the equity method of accounting, our proportionate share of the partnership's pretax income is reported in our consolidated statements of operations as a component of Income from Unconsolidated Businesses.

For all periods before July 1, 1995, our statements of operations reflect the results of our domestic cellular and paging businesses on a consolidated basis. We have provided the revenues and expenses of these businesses for periods before the formation of the partnership in Note 4 to the consolidated financial statements on page 29.

We believe that your review of this Management's Discussion and Analysis will be simplified by a comparison of financial results that shows the net revenues and expenses of our domestic cellular and paging operations both before and after July 1, 1995 classified as a component of Income from Unconsolidated Businesses. This presentation is shown below.

Consolidated Statements of Operations

with domestic cellular and paging results of operations before July 1, 1995 presented as though accounted for under the equity method.

For the Years Ended December 31,	1996	1995	1994
Operating revenues			
Transport services			
Local service	\$ 4,670.7	\$ 4,423.6	\$ 4,333.2
Network access	3,456.8	3,394.7	3,237.6
Toll service	1,388.8	1,435.1	1,555.5
Ancillary services			
Directory publishing	1,222.5	1,107.7	1,084.2
Other	601.2	557.4	481.0
Value-added services	1,599.5	1,393.2	1,284.4
Other services	141.9	515.9	800.6
	13,081.4	12,827.6	12,776.5
Operating expenses			
Employee costs	3,921.6	3,932.8	4,174.7
Depreciation and amortization	2,594.6	2,548.5	2,516.1
Other	3,628.6	3,358.0	3,396.8
	10,144.8	9,839.3	10,087.6
Operating income	2,936.6	2,988.3	2,688.9
Income from unconsolidated businesses	327.9	236.4	128.9
Other income and expense, net	(36.0)	331.8	36.3
Interest expense	477.9	547.1	567.3
Income before provision for income taxes, extraordinary items, and cumulative effect of change in accounting principle	2,750.6	3,009.4	2,286.8
Provision for income taxes	1,011.2	1,147.6	884.9
	1,739.4	1,861.8	1,401.9
Extraordinary items, net of tax	—	(3.5)	(2,156.7)
Cumulative effect of change in accounting principle, net of tax	142.1	—	—
Net income (loss)	\$ 1,881.5	\$ 1,858.3	\$ (754.8)

For the years ended December 31, 1995 and 1994, previously eliminated intercompany transactions aggregating \$28.0 million and \$48.4 million are added back to both operating revenues and operating expenses.

Operating Revenues*Local Service Revenues*

		<i>Increase</i>
1996-1995	\$247.1	5.6%
1995-1994	\$90.4	2.1%

Local service revenues are earned by our operating telephone subsidiaries from the provision of local exchange, local private line and public telephone (pay phone) services.

Higher usage of our network facilities was the primary reason for the increases in local service revenues in 1996 and 1995. This growth was generated by an increase in access lines in service of 3.8% in 1996 and 3.4% in 1995, and higher message volumes. In 1996, business and residence access lines increased 5.6% and 2.8%, compared to growth rates of 5.5% and 2.4% in 1995. Stronger access line growth in 1996 reflects higher demand for Centrex services and an increase in second residential lines. Higher private line service revenues also contributed to the revenue growth in 1996.

For a discussion of the Telecommunications Act of 1996, which will open the local exchange market to competition, see "Factors That May Impact Future Results" beginning on page 18.

Network Access Revenues

		<i>Increase</i>
1996-1995	\$62.1	1.8%
1995-1994	\$157.1	4.9%

Network access revenues are earned from long distance carriers for their use of our local exchange facilities in providing long distance services to their customers, and from end-user subscribers. Switched access revenues are derived from usage-based charges paid by long distance carriers for access to our network. Special access revenues arise from access charges paid by long distance carriers and end-users who have private networks. End-user access revenues are earned from local exchange carrier customers who pay for access to our network.

Network access revenues increased in 1996 and 1995 because of higher customer demand as reflected by growth in access minutes of use of 9.7% in 1996 and 7.9% in 1995. Volume growth in 1996 was boosted by the expansion of the business market, particularly for high capacity services.

Revenue growth from volume increases in both years was partially offset by the effect of price reductions implemented during 1995 in connection with the Federal Communications Commission's (FCC) Interim Price Cap Plan. Revenues in 1996 were also reduced by special charges for reserves associated with regulatory issues.

The FCC regulates the rates that we can charge long distance carriers and end-user subscribers for interstate access services. We are required to file new access rates with the FCC each year, under the rules of its Interim Price Cap Plan. Beginning on August 1, 1995, we implemented price decreases totaling approximately \$305 million on an annual basis. These price decreases included 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. On July 20, 1996, we implemented price increases, which will be in effect for the period July 1996 through June 1997. The rates included in our 1996 filing resulted in price increases totaling approximately \$21 million on an annual basis.

We expect that network access revenue growth in 1997, relative to 1996 revenues, will be positively affected by continued volume growth and by price increases effective on July 20, 1996. For a discussion of proposed FCC rulemakings concerning access charges, see "Factors That May Impact Future Results" beginning on page 18.

Toll Service Revenues

		<i>(Decrease)</i>
1996-1995	\$(46.3)	(3.2)%
1995-1994	\$(120.4)	(7.7)%

Toll service revenues are earned primarily from calls made outside a customer's local calling area, but within the same service area of our operating telephone subsidiaries, referred to as Local Access and Transport Areas ("LATAs"). Other toll services that we provide include 800 services, Wide Area Telephone Service (WATS), and corridor services (between LATAs in Northern New Jersey and New York City and between LATAs in Southern New Jersey and Philadelphia).

Toll message volumes grew 2.3% in 1996. The decline in toll service revenues in 1996 was mainly due to price reductions and discount offerings that we initiated on certain toll services in response to competition. In addition, we extended local calling areas in Virginia which had the effect of reducing toll service revenues.

The reduction in toll service revenues in 1995 was caused by a decline in toll message volumes of 2.4%, company-initiated price reductions, and extended local calling areas. The decrease in toll messages was due primarily to increased competition throughout the region for intraLATA toll, WATS, and private line services. Price reductions were implemented on certain toll services as part of our competitive response.

We believe that competition for toll services will continue to impact future revenue growth. You should read "Factors That May Impact Future Results - Competition - IntraLATA Toll Services" on page 19 for a further discussion of toll service revenue issues.

Directory Publishing Revenues

		<i>Increase</i>
1996-1995	\$114.8	10.4%
1995-1994	\$23.5	2.2%

We earn directory publishing revenues primarily from local advertising and marketing services provided to businesses in our White and Yellow Pages directories, which are published throughout the region in which our telephone subsidiaries operate. We also provide database services and directory marketing services outside of our region.

As previously described in the "Overview" section, we changed our method of accounting for directory publishing revenues and expenses in 1996. The effect of this change caused an increase in revenues of \$67.0 million in 1996. Excluding the effect of this accounting change, 1996 directory publishing revenues grew 4.3% over 1995. Revenue growth in both 1996 and 1995 was principally due to higher rates charged for directory services.

Other Ancillary Services Revenues

		<i>Increase</i>
1996-1995	\$43.8	7.9%
1995-1994	\$76.4	15.9%

Our company provides other ancillary services which include systems integration services, billing and collection services provided to long distance carriers, customer premises equipment distribution, facilities rental services, and video and information services.

In 1996 and 1995, ancillary services revenue growth was boosted by new contracts with business customers for systems integration services. Revenue growth in 1996 was lower than 1995 due to the completion of certain phases of systems integration contracts with the federal government. We experienced reductions in billing and collections revenues in both years due to the elimination of these services from a contract with a long distance carrier.

Value-added Services Revenues

		<i>Increase</i>
1996-1995	\$206.3	14.8%
1995-1994	\$108.8	8.5%

Value-added services represent a family of services which expand the utilization of the network. These services include

products such as voice messaging services, Caller ID, Call Waiting, and Return Call, as well as more mature products such as Touch-Tone and other customer premises wiring and maintenance services.

Improved revenue growth from our value-added services is principally the result of increased marketing and promotional efforts which have stimulated customer demand and usage. Demand for these services also has been fueled by the introduction of new and enhanced optional features.

Other Services Revenues

		<i>(Decrease)</i>
1996-1995	\$(374.0)	(72.5)%
1995-1994	\$(284.7)	(35.6)%

Other services include revenues from our telecommunications consulting, real estate, computer maintenance, and lease financing businesses.

The decline in other services revenues in 1996 and 1995 was caused principally by the sale of our domestic computer maintenance subsidiary in October 1995. Revenues in 1995 were also impacted by the disposition of our lease financing and other nonstrategic businesses in 1994.

Operating Expenses

Employee Costs

		<i>(Decrease)</i>
1996-1995	\$(11.2)	(.3)%
1995-1994	\$(241.9)	(5.8)%

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

Our network operations subsidiaries, which include our operating telephone subsidiaries and a subsidiary that provides centralized services and support, incurred higher employee costs of \$93.4 million or 2.6% in 1996 and lower employee costs of \$201.5 million or 5.4% in 1995, compared with the corresponding prior years.

In 1996, higher network-related employee costs were mainly attributable to annual salary and wage increases, as well as increased overtime pay for repair and maintenance activity, principally as a result of higher business volumes. We also recognized additional benefit costs associated with an amendment to a separation pay plan. All of these expense increases were offset, in part, by the effect of lower network employee levels and by the effect of certain contract labor and separation pay costs recorded in 1995.

The decrease in 1995 network-related employee costs was primarily due to the effect of a one-time charge in 1994 to recognize benefit costs, under the provisions of SFAS 112, for the separation of employees who were entitled to benefits

under preexisting separation pay plans. Decreased overtime pay, lower network employee levels and a reduction in pension costs further reduced employee costs in 1995. These cost reductions were partially offset by annual salary and wage increases and the recognition of certain contract labor and separation pay costs associated with a five-year contract with the International Brotherhood of Electrical Workers (IBEW) and the contract settlement with the Communications Workers of America (CWA).

In May 1995, our operating telephone subsidiaries executed a five-year contract with the IBEW. The IBEW contract provides for a 17.4% wage increase over the contract period, a ratification bonus, improved pensions and benefits, and certain employment security provisions. We reached a final settlement with the CWA on a three-year labor agreement in January 1996. The agreement includes a 10.6% wage increase over the three-year contract period, a ratification bonus, improved pensions and benefits, and certain employment security provisions.

In 1995, we announced that the pension plan covering most of our management employees would be converted to a cash balance plan, effective December 31, 1995. This change did not have a material impact on pension benefit costs in 1996 or 1995.

Employee costs at our nonregulated subsidiaries decreased \$104.6 million or 26.9% in 1996 and \$40.4 million or 9.4% in 1995. Employee costs were lower in 1996 and 1995 principally due to a reduction in work force levels resulting from the sale of our domestic computer maintenance subsidiary in October 1995. Expenses in 1995 were also impacted by the sale of our lease financing businesses in 1994. Expense reductions in 1996 were partially offset by higher employee costs related to entering the Internet and out-of-region long distance businesses.

Depreciation and Amortization

		<i>Increase</i>
1996-1995	\$46.1	1.8%
1995-1994	\$32.4	1.3%

Depreciation and amortization expense at our network operations subsidiaries increased \$72.9 million or 2.9% in 1996 and \$87.7 million or 3.7% in 1995 over the corresponding prior years. These increases were principally caused by growth in depreciable telephone plant and changes in the mix of plant assets.

We use the composite group remaining life method to depreciate our telephone plant assets. Under this method, we periodically revise depreciation rates based on a number of factors. The composite depreciation rates for our network operations subsidiaries were 7.8% in 1996, 7.9% in 1995, and

7.8% in 1994. Changes in depreciation rates did not have a significant impact on depreciation and amortization expense in 1996 or 1995.

Depreciation and amortization expense at our nonregulated subsidiaries decreased \$26.8 million or 37.1% in 1996 and \$55.3 million or 43.4% in 1995 over the corresponding prior years. The decreases were mainly due to a reduction in depreciable assets resulting from the sales of subsidiaries in 1995 and 1994, as described earlier.

Other Operating Expenses

		<i>Increase/(Decrease)</i>
1996-1995	\$270.6	8.1 %
1995-1994	\$(38.8)	(1.1)%

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

The rise in other operating expenses in 1996 was largely due to additional costs of approximately \$200 million which were incurred at the network operations subsidiaries to upgrade network software, enhance billing and operating systems, market and advertise services, and comply with certain aspects of the Telecommunications Act of 1996 to permit our eventual entry into the in-region long distance business. We also incurred expenses in 1996 of approximately \$75 million associated with entering new businesses, primarily Internet and out-of-region long distance services.

The change in accounting for directory publishing expenses in 1996 caused an increase in other operating expenses of \$63.2 million. Other operating expenses also included special charges associated with certain asset and investment dispositions and higher costs at our nonregulated businesses, principally due to increased volumes of business. Expense increases in 1996 were offset, in part, by the effect of the sale of our domestic computer maintenance business in late 1995.

The decline in other operating expenses in 1995 was mostly due to the disposition of subsidiaries in 1995 and 1994. This decrease was partially offset by higher costs at our network operations subsidiaries to enhance systems, consolidate work activities, and market value-added services. We also recognized special charges in 1995 associated with certain business development ventures and contracts.

In 1997, we expect to continue to incur costs associated with our entry into Internet and out-of-region long distance businesses and compliance with the Telecommunications Act of 1996 at about the same level as in 1996. We also anticipate that, if we are permitted entry into the in-region long distance business during 1997, we will incur additional operating expenses associated with entering this business.

Income from Unconsolidated Businesses

		<i>Increase</i>
1996-1995	\$91.5	38.7%
1995-1994	\$107.5	83.4%

Income from unconsolidated businesses includes equity income and losses and goodwill amortization related to these investments. For comparative purposes, the domestic cellular and paging businesses for periods before July 1, 1995 are presented as though accounted for under the equity method.

Equity income from our BANM investment was \$360.4 million in 1996, \$267.1 million in 1995, and \$122.0 million in 1994. The year-over-year increases were driven by improved operating margins and by strong revenue growth resulting from expansion of our cellular subscriber base. BANM's subscriber base grew by more than 31% in 1996 and 43% in 1995, through the addition of more than one million customers each year.

Equity income from our investment in Telecom Corporation of New Zealand Limited (Telecom), the principal provider of telecommunications services in that country, increased in both 1996 and 1995 as a result of improved operating results.

Results for 1996 were negatively impacted by higher equity losses associated with our investments in several new ventures, including a personal communications services (PCS) joint venture, PrimeCo Personal Communications, L.P. (PrimeCo), and an international wireless joint venture, Omnitel Pronto Italia S.p.A. (Omnitel). In November 1996, PrimeCo launched commercial service in 16 major cities throughout the country. In December 1996, we increased our ownership interest in Omnitel from 11.67% to 17.45%.

We recognized equity losses from our investment in Grupo Iusacell, S.A. de C.V. (Iusacell), a Mexican wireless company, of \$24.3 million in 1996, \$87.8 million in 1995, and \$65.4 million in 1994. Lower equity losses in 1996 reflect net foreign exchange gains and a reduction in the amortization of goodwill. Equity losses in 1995 and 1994 were impacted by an increase in our economic interest in Iusacell from 23.2% to 41.9% in August 1994, and the effect of the continued devaluation of the Mexican peso on Iusacell's net liabilities, primarily debt, denominated in U.S. dollars. As of October 1, 1996, for accounting purposes, we consider Iusacell to operate in a highly inflationary economy. As a result, future income from Iusacell will not be impacted as significantly by changes in the peso exchange rate. You should also read the "Other Matters - Iusacell Restructuring" section on page 19 for additional information about our Iusacell investment.

We expect that our earnings in 1997, as compared to 1996, will be diluted by increased losses associated with our PCS business, the effects of our increased ownership of Omnitel, and new business development initiatives in long distance and fixed wireless at Iusacell.

Other Income and Expense, Net

	<i>Increase (Decrease)</i>
1996-1995	\$(367.8)
1995-1994	\$295.5

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

The changes in other income and expense in both years were almost entirely attributable to a pretax gain of approximately \$314 million recorded in 1995 on the sale of certain cellular properties in connection with the formation of BANM. Other items individually were not material in 1996, 1995 or 1994.

Interest Expense

		<i>(Decrease)</i>
1996-1995	\$(69.2)	(12.6)%
1995-1994	\$(20.2)	(3.6)%

We were able to reduce interest expense in 1996 and 1995 as a result of lower rates of interest and reductions in borrowing levels. See Note 8 to the consolidated financial statements on pages 32 and 33 for additional information about our debt. We do not expect the downward trend in interest expense to continue in 1997.

Effective Income Tax Rates

For the Years Ended December 31,

1996	36.8%
1995	38.1%
1994	38.7%

The effective income tax rate is the provision for income taxes as a percentage of income before taxes, extraordinary items and cumulative effect of accounting changes. The lower effective income tax rates in both 1996 and 1995 are mainly due to changes in certain foreign investee results for which there were no corresponding tax benefits or expense. The 1996 rate reflects prior period adjustments, including research and development credits. The 1995 rate was also impacted by a reduction in the Pennsylvania state income tax rate.

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 on page 41.

Financial Condition

For the Years Ended December 31,	1996	1995	1994
Cash Flows From (Used In):			
Operating activities	\$ 4,415.5	\$ 3,981.0	\$ 3,777.0
Investing activities	(3,144.0)	(2,090.8)	(1,694.2)
Financing activities	(1,475.8)	(1,676.3)	(2,086.0)

We use the net cash generated from our operations and from external financing to fund capital expenditures for network expansion and modernization, pay dividends, and invest in new businesses. While current liabilities exceeded current assets at both December 31, 1996 and 1995, our sources of funds, primarily from operations and to the extent necessary from readily available external financing arrangements, are sufficient to meet ongoing operating requirements. We expect that presently foreseeable capital requirements will continue to be financed primarily through internally generated funds. Additional long-term debt or equity financing may be needed to fund additional development activities or to maintain our capital structure to ensure our financial flexibility.

We limit our use of derivatives to managing risk that could jeopardize our financing and operating flexibility, making cash flows more stable over the long run and achieving savings over other means of financing. Derivative agreements are tied to specific liabilities or assets and hedge the related economic exposures. The use of these hedging agreements has not had a material impact on our financial condition or results of operations. We do not hold derivatives for trading purposes.

The notional amounts of our derivative contracts are used to calculate contractual payments to be exchanged and are not a measure of our credit risk or our future cash requirements. Credit risk related to derivatives is limited to nonperformance by counterparties to our contracts. We manage that credit risk by limiting our exposure to any one financial institution and by monitoring our counterparties' credit ratings. We believe the risk of loss due to nonperformance by counterparties is remote and that any losses would not be material to our financial condition or results of operations.

Cash Flows From Operating Activities

Our primary source of funds continued to be cash generated from operations. Cash flows from operations in 1996 were higher because of improved accounts receivable collections and timing differences in the payment of accrued taxes and other liabilities. Cash flows from operations improved in 1995 mainly as a result of growth in operating income.

Cash Flows Used in Investing Activities

Capital expenditures continued to be our primary use of capital resources. We invested approximately \$2.5 billion in 1996, \$2.4 billion in 1995, and \$2.2 billion in 1994 to support our network businesses in order to facilitate the introduction of new products and services, enhance responsiveness to competitive challenges, and increase the operating efficiency and productivity of the network.

We continue to make substantial investments in our unconsolidated businesses. During 1996, we invested \$496.5 million in unconsolidated businesses, including additional investments of \$317.0 million in Omnitel, primarily to increase our ownership interest, and \$128.0 million in PrimeCo, primarily to fund the build-out of a PCS network. Our investments in unconsolidated businesses during 1995 consisted principally of \$292.0 million in PrimeCo to fund the initial purchase of PCS licenses. In 1994, we made an investment of \$524.0 million to purchase additional shares of Iusacell stock.

Our short-term investments consist of cash equivalents held in trusts for the payment of certain employee benefits. During 1996 and 1995, we invested \$401.7 million and \$135.0 million in short-term investments. At December 31, 1996, our short-term investments were \$271.7 million. We held no short-term investments at December 31, 1995.

During 1996 and 1995, we received cash payments of \$188.3 million and \$338.7 million on notes receivable. These payments included \$136.3 million in 1996 and \$221.2 million in 1995 related to a note received in connection with the 1994 sale of one of our lease financing subsidiaries. We also received cash proceeds of \$87.0 million in 1995 on a note that was established in connection with the formation of BANM.

In 1995, we received cash proceeds of approximately \$362 million from the sale of certain cellular properties and approximately \$250 million in connection with the sale of our domestic computer maintenance business and our interests in certain European computer maintenance operations.

In 1994, we received cash proceeds of \$1,323.8 million from the sale of one of our lease financing subsidiaries. We also received cash totaling \$190.4 million from the sale of other investments.

In November 1996, Telecom announced plans to repurchase a portion of its stock beginning in 1997. We anticipate selling a portion of our stock investments in Telecom, to the extent necessary to keep our percentage ownership interest in Telecom from exceeding the maximum permitted level of 24.95%. This transaction is expected to result in cash proceeds of approximately \$155 million to \$165 million.

Cash Flows Used in Financing Activities

As in prior years, dividend payments were a significant use of capital resources. We determine the appropriateness of the level of our dividend payments on a periodic basis by considering such factors as long-term growth opportunities, internal cash requirements, and the expectations of our shareowners. In the definitive merger agreement with NYNEX, we agreed, pending closing of the merger, that our quarterly dividend payments will not exceed \$.72 per share through the February 1, 1997 payment date or \$.74 per share beginning with the May 1, 1997 payment date. Our dividend following the completion of the merger is expected to be, initially, \$3.08 per share on an annualized basis.

We reduced our long-term debt (including capital lease obligations) and short-term debt by \$239.9 million in 1996, \$555.9 million in 1995, and \$990.2 million in 1994. Approximately \$200 million and \$250 million of debt was refinanced in 1995 and 1994. Our debt ratio was 52.2% as of December 31, 1996, compared to 55.5% as of December 31, 1995 and 59.4% as of December 31, 1994.

As of December 31, 1996, we had unused bank lines of credit in excess of \$2.1 billion. Our subsidiaries have shelf registrations for the issuance of up to \$1.9 billion of unsecured debt securities. We also had \$61.8 million in borrowings outstanding under bank lines of credit at December 31, 1996. The debt securities of our subsidiaries continue to be accorded high ratings by primary rating agencies.

In the fourth quarter of 1995, our subsidiary Bell Atlantic New Zealand Holdings, Inc. (BANZHI) issued 600,000 shares of Series B Preferred Stock at a share price of \$100 with an annual dividend rate of \$5.80 per share. In 1994, BANZHI issued 850,000 shares of Series A Preferred Stock at a share price of \$100 with an annual dividend rate of \$7.08 per share. These transactions resulted in net cash inflows of \$59.5 million in 1995 and \$85.0 million in 1994.

Factors That May Impact Future Results

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

The Act became law on February 8, 1996 and replaced the Modification of Final Judgment (MFJ). In general, the Act includes provisions that open local exchange markets to competition and permit Bell Operating Companies, such as our company, to provide interLATA (long distance) services and to engage in manufacturing. However, our ability to engage in

businesses previously prohibited by the MFJ is largely dependent on satisfying certain conditions contained in the Act. Among the requirements with which we must comply is a 14-point "competitive checklist" which includes steps we must take which will help competitors offer local service, either through resale, through the purchase of unbundled network elements, or through their own networks. We must also demonstrate to the FCC that our entry into the long distance market would be in the public interest.

We are unable to predict definitively the impact that the Act will have on our business, results of operations or financial condition. The financial impact will depend on several factors, including the timing, extent and success of competition in our markets, and the timing, extent and success of our pursuit of new business opportunities resulting from the Act. These factors will in turn depend, in part, on the final outcome of several FCC rulemakings and the outcome of state interconnection proceedings (see also "Recent Developments" below).

We anticipate that these industry changes, together with the rapid growth, enormous size and global scope of these markets, will attract new entrants and encourage existing competitors to broaden their offerings. Current and potential competitors in telecommunication services include long distance companies, other local telephone companies, cable companies, wireless service providers, and other companies that offer network services. Some of these companies have a strong market presence, brand recognition and existing customer relationships, all of which contribute to intensifying competition and may affect our future revenue growth. You should read the "Competition" section on page 19 for additional information.

Recent Developments

On August 1, 1996, the FCC adopted an order establishing rules for implementation of the interconnection requirements set forth in the Act. The FCC's order establishes rules to govern interconnection agreements that are reached through state arbitrations, when negotiations fail.

Bell Atlantic and other telecommunication companies appealed the interconnection order to the U.S. Court of Appeals. This case is currently pending. The Court has stayed the effectiveness of the uniform national pricing rules adopted by the FCC, and the FCC rule that permitted competitors to "pick and choose" isolated terms out of negotiated interconnection agreements. Private negotiations and state arbitrations are continuing while the stay is in effect, pending the Court's final decision. As of February 1997 we have entered into over 30 interconnection agreements, with a number of different companies, in each of our local exchange jurisdictions.

The FCC has also initiated proceedings to address universal service obligations and access charges, and will adopt regulations regarding these issues in subsequent orders.

Although we are unable to predict the final outcome, either of these proceedings could have a material effect on future operating revenues.

Competition

IntraLATA Toll Services

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

Currently, intraLATA toll calls in these states are completed by our operating telephone companies unless the customer dials a code to access a competing carrier. This dialing method would be changed by "presubscription," which would enable customers to make these toll calls using another carrier without having to dial an access code.

The Act addressed the issue of presubscription by prohibiting a state from requiring presubscription or "dialing parity" until the earlier of such time as the Bell Operating Company is authorized to provide long distance services within the state or three years from the effective date of the Act. This prohibition does not apply to a final order requiring presubscription that was issued on or prior to December 19, 1995 or to states consisting of a single LATA.

In several states, the regulatory commissions have adopted orders requiring our operating telephone companies to provide intraLATA presubscription in 1997. The Pennsylvania regulatory commission ordered presubscription by July 31, 1997, but has stated that a reasonable effort should be made to coordinate implementation of presubscription with our entry into the long distance market in Pennsylvania. The state regulatory commission in West Virginia ordered presubscription by August 15, 1997. The Delaware Public Service Commission adopted an order that requires implementation of presubscription by July 31, 1997, although we believe this order is inconsistent with the Act. In New Jersey, the Board of Public Utilities (BPU) has adopted a rule requiring implementation of presubscription by May 5, 1997. We have filed in federal court a challenge to the BPU's rule on the grounds that it is inconsistent with the Act. We expect to offer intraLATA presubscription in our other state jurisdictions coincident with our offering of long distance services in those states, as required by the Act.

Implementation of presubscription for intraLATA toll services could have a material negative effect on toll service revenues, especially if we are not permitted to offer long distance services at the same time.

Local Exchange Services

Local exchange services have historically been subject to regulation by state regulatory commissions. Applications from competitors to provide and resell local exchange services have been approved in the District of Columbia, Delaware, Maryland, New Jersey, Pennsylvania and Virginia. In September 1996, legislation in the District of Columbia was signed into law that is expected to increase competition in the local exchange market.

The Act is expected to significantly increase the level of competition in all of our local exchange markets.

Other Matters

Iusacell Restructuring

In February 1997, we consummated a restructuring of our Iusacell investment to permit us to assume control of the Board of Directors and management of Iusacell. Under the terms of the restructuring, we exchanged certain Series B and D shares of Iusacell stock for Series A shares, which enables us to elect a majority of the Board of Directors. We also paid a premium of \$50.0 million to the current majority owner. The exchange of shares does not affect our economic ownership percentage of Iusacell. We also converted approximately \$33 million of subordinated debt into equity, and we may be required to provide Iusacell up to \$150 million in financing. The current majority owner has also been given put options to sell one third of its interest each year for three years at specified prices. The maximum exposure of the put options could be material if one or more of the puts is exercised at a time when the market price is substantially below the put price.

As a result of the restructuring, we will change the accounting for our Iusacell investment from the equity method to full consolidation.

Disposition of Bellcore Investment

We own a one-seventh interest in Bell Communications Research, Inc. (Bellcore). In November 1996, Bell Atlantic and other Bellcore owners entered into an agreement to sell our jointly owned investment in Bellcore. We expect to record a small gain as a result of this sale, which is anticipated to close in 1997.

Proposed Bell Atlantic–NYNEX Merger

Bell Atlantic and NYNEX announced a proposed merger of equals under a definitive merger agreement entered into on April 21, 1996 and amended on July 2, 1996. Under the terms of the amended agreement, NYNEX will become a subsidiary of Bell Atlantic. NYNEX stockholders will receive 0.768 of a share of Bell Atlantic common stock for each share of NYNEX common stock that they own. Bell Atlantic stockholders will continue to own their existing shares after the merger.

We expect that the merger will qualify as a “pooling of interests,” which means that, for accounting and financial reporting purposes, the companies will be treated as if they had always been combined. In November 1996, stockholders of both companies approved the merger. The completion of the merger is subject to a number of other conditions, including certain regulatory approvals.

As a result of the merger, the post-merger company will incur special transition and integration costs of approximately \$500 million in the first year following the completion of the merger and an additional \$200 million to \$400 million over the two succeeding years, in connection with completing the transaction and integrating the operations of Bell Atlantic and NYNEX. The transition costs consist principally of professional and registration fees, systems modification costs, costs associated with the elimination and consolidation of duplicate facilities, and employee severance and relocation costs.

It is expected that the post-merger company will recognize recurring expense savings of approximately \$600 million annually by the third year following completion of the merger as a result of consolidating operating systems and other administrative functions and reducing management positions. Approximately \$300 million in savings are expected to be achieved in the first year following completion of the merger, with an additional \$150 million in each of the two succeeding years. Incremental savings in annual capital expenditures for the company should grow to approximately \$250 million to \$300 million, including efficiencies relating to purchasing, marketing trials and equipment testing.

We have established a target range for long-term earnings per share growth, following completion of the merger and excluding the transition and integration costs described above, of 10-12%.

Future operating revenues, expenses and net income of the post-merger company may not follow the same historical trends, or reflect the same dependence on economic and competitive factors, as presented above in our discussion of our own historical results of operations and financial condition. You should also refer to Note 17 of our consolidated financial statements on pages 44 and 45 for pro forma information on the post-merger company.

Cautionary Statement Concerning Forward-Looking Statements

Information contained above with respect to the expected financial impact of the proposed merger, and other statements in this Management's Discussion and Analysis, regarding expected future events and financial results is forward-looking and subject to risks and uncertainties. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

The following important factors could affect the future results of our company and could cause those results to differ materially from those expressed in the forward-looking statements: (i) materially adverse changes in economic conditions in the markets served by the company; (ii) a significant delay in the expected closing of the merger; (iii) the final outcome of FCC rulemakings with respect to interconnection agreements, access charge reform and universal service; (iv) the timing of presubscription for toll services; (v) future state regulatory actions and economic conditions in the company's operating areas; (vi) the extent, timing and success of competition from others in the local telephone and toll service markets; and (vii) the timing of entry and profitability of the company in the long distance market.

We, the management of Bell Atlantic Corporation, are responsible for the consolidated financial statements and the information and representations contained in this report. We believe the financial statements have been prepared in conformity with generally accepted accounting principles and the information in this report is consistent with those statements.

To meet our responsibility for the preparation of reliable financial statements, we maintain a strong internal control structure. It includes 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, that transactions are properly recorded and executed under our 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 our internal auditors through an annual plan of internal audits.

The Board of Directors has the responsibility to review the financial statements. This is done by its Audit Committee, which is composed of five outside directors. 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.



Raymond W. Smith
Chairman of the Board
and Chief Executive Officer



William O. Albertini
Executive Vice President
and Chief Financial Officer

*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, 1996 and 1995, and the related consolidated statements of operations, changes in shareowners' investment, and cash flows for each of the three years in the period ended December 31, 1996. 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, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

As discussed in Notes 1 and 2 to the consolidated financial statements, the Company changed its method of accounting for directory publishing revenues and expenses in 1996. Also, as discussed in Notes 1 and 3 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.



2400 Eleven Penn Center
Philadelphia, Pennsylvania
February 5, 1997

Consolidated Statements of Operations

For the Years Ended December 31,	(Dollars in Millions, Except Per Share Amounts)		
	1996	1995	1994
Operating revenues	\$ 13,081.4	\$ 13,429.5	\$ 13,791.4
Operating expenses			
Employee costs, including benefits and taxes	3,921.6	4,022.0	4,333.1
Depreciation and amortization	2,594.6	2,627.1	2,652.1
Other	3,628.6	3,694.2	4,001.6
	10,144.8	10,343.3	10,986.8
Operating income	2,936.6	3,086.2	2,804.6
Income from unconsolidated businesses	327.9	152.5	41.1
Other income and expense, net	(36.0)	331.7	23.2
Interest expense	477.9	561.0	582.1
Income before provision for income taxes, extraordinary items, and cumulative effect of change in accounting principle	2,750.6	3,009.4	2,286.8
Provision for income taxes	1,011.2	1,147.6	884.9
Income before extraordinary items and cumulative effect of change in accounting principle	1,739.4	1,861.8	1,401.9
Extraordinary items			
Discontinuation of regulatory accounting principles, net of tax	—	—	(2,150.0)
Early extinguishment of debt, net of tax	—	(3.5)	(6.7)
	—	(3.5)	(2,156.7)
Cumulative effect of change in accounting principle Directory publishing, net of tax	142.1	—	—
Net income (loss)	\$ 1,881.5	\$ 1,858.3	\$ (754.8)
Per Common Share:			
Income before extraordinary items and cumulative effect of change in accounting principle	\$ 3.96	\$ 4.25	\$ 3.21
Extraordinary items	—	(.01)	(4.94)
Cumulative effect of change in accounting principle	.32	—	—
Net income (loss)	\$ 4.28	\$ 4.24	\$ (1.73)
Weighted average number of common shares and equivalent shares outstanding (in millions)	439.6	438.3	437.2

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

At December 31,	(Dollars in Millions, Except Per Share Amounts)	
	1996	1995
Assets		
Current assets		
Cash and cash equivalents	\$ 152.5	\$ 356.8
Short-term investments	271.7	—
Accounts receivable, net of allowances of \$248.3 and \$189.8	2,846.8	2,386.0
Inventories	148.7	132.8
Prepaid expenses	402.0	611.7
Other	126.3	385.4
	3,948.0	3,872.7
Plant, property and equipment	34,758.4	33,553.8
Less accumulated depreciation	18,842.7	17,632.5
	15,915.7	15,921.3
Investments in unconsolidated businesses	3,766.8	3,007.7
Other assets	1,225.7	1,355.1
Total assets	\$ 24,856.2	\$ 24,156.8
Liabilities and Shareowners' Investment		
Current liabilities		
Debt maturing within one year	\$ 2,137.3	\$ 1,930.2
Accounts payable and accrued liabilities	2,902.7	2,723.5
Other	662.8	719.3
	5,702.8	5,373.0
Long-term debt	5,960.2	6,407.2
Employee benefit obligations	3,887.4	3,841.3
Deferred credits and other liabilities		
Deferred income taxes	1,229.9	1,213.9
Unamortized investment tax credits	123.0	147.3
Other	385.1	345.5
	1,738.0	1,706.7
Preferred stock of subsidiary	145.0	145.0
Commitments (Notes 6 and 7)		
Shareowners' investment		
Preferred and preference stock (\$1 par value; none issued)	—	—
Common stock (\$1 par value; 437,816,267 shares and 437,765,346 shares issued)	437.8	437.8
Contributed capital	5,510.9	5,506.4
Reinvested earnings	2,381.9	1,776.5
Foreign currency translation adjustment	(458.5)	(515.9)
	7,872.1	7,204.8
Less common stock in treasury, at cost	3.6	3.1
Less deferred compensation-employee stock ownership plans	445.7	518.1
	7,422.8	6,683.6
Total liabilities and shareowners' investment	\$ 24,856.2	\$ 24,156.8

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Shareowners' Investment

For the Years Ended December 31,			(Dollars in Millions, Except Per Share Amounts, and Shares in Thousands)			
	1996		1995		1994	
	Shares	Amount	Shares	Amount	Shares	Amount
Common Stock						
Balance at beginning of year	437,765	\$ 437.8	436,406	\$ 436.4	436,130	\$ 436.1
Shares issued:						
Employee plans	27	—	1,258	1.3	230	.2
Shareowner plans	24	—	8	—	—	—
Acquisition agreements	—	—	93	.1	46	.1
Balance at end of year	437,816	437.8	437,765	437.8	436,406	436.4
Common Stock Issuable						
Balance at beginning of year	—	—	93	.1	142	.1
Shares issued:						
Acquisition agreements	—	—	(93)	(.1)	(49)	—
Balance at end of year	—	—	—	—	93	.1
Contributed Capital						
Balance at beginning of year		5,506.4		5,428.4		5,415.2
Shares issued:						
Employee plans		2.5		76.5		13.2
Shareowner plans		1.6		1.5		—
Other		.4		—		—
Balance at end of year		5,510.9		5,506.4		5,428.4
Reinvested Earnings						
Balance at beginning of year		1,776.5		1,144.4		3,093.6
Net income (loss)		1,881.5		1,858.3		(754.8)
Dividends declared and redemption of stock rights (\$2.88, \$2.80, and \$2.76 per share)		(1,260.8)		(1,223.4)		(1,203.9)
Shares issued:						
Employee plans		(19.4)		(11.8)		(.9)
Tax benefit of dividends paid to ESOPs		7.9		9.0		10.4
Other		(3.8)		—		—
Balance at end of year		2,381.9		1,776.5		1,144.4
Foreign Currency Translation Adjustment						
Balance at beginning of year		(515.9)		(330.8)		(83.9)
Translation adjustments (net of tax benefit of \$4.7, \$1.1, and \$.9)		57.4		(185.1)		(246.9)
Balance at end of year		(458.5)		(515.9)		(330.8)
Treasury Stock						
Balance at beginning of year	63	3.1	220	11.0	50	2.4
Shares purchased	1,490	100.6	211	11.2	209	10.5
Shares distributed:						
Employee plans	(1,498)	(100.0)	(43)	(2.1)	(13)	(.7)
Shareowner plans	(1)	(.1)	(234)	(11.6)	—	—
Acquisition agreements	—	—	(91)	(5.4)	(26)	(1.2)
Balance at end of year	54	3.6	63	3.1	220	11.0
Deferred Compensation-ESOPs						
Balance at beginning of year		518.1		586.2		634.3
Amortization		(72.4)		(68.1)		(48.1)
Balance at end of year		445.7		518.1		586.2
Total shareowners' investment		\$ 7,422.8		\$ 6,683.6		\$ 6,081.3

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the Years Ended December 31,	(Dollars in Millions)		
	1996	1995	1994
Cash Flows From Operating Activities			
Net income (loss)	\$ 1,881.5	\$ 1,858.3	\$ (754.8)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	2,594.6	2,627.1	2,652.1
Extraordinary items, net of tax	—	3.5	2,156.7
Cumulative effect of change in accounting principle, net of tax	(142.1)	—	—
Gain on sale of cellular properties, net of tax	—	(200.1)	—
Income from unconsolidated businesses	(327.9)	(152.5)	(41.1)
Dividends received from unconsolidated businesses	125.5	146.0	101.0
Other items, net	62.1	62.3	(58.7)
Changes in certain assets and liabilities, net of effects from acquisition/disposition of businesses:			
Accounts receivable	(69.9)	(310.2)	(192.6)
Inventories	(15.9)	(47.6)	(80.8)
Other assets	(.6)	(18.7)	(226.6)
Accounts payable and accrued liabilities	127.0	67.1	50.4
Deferred income taxes, net	77.1	(95.4)	(270.5)
Unamortized investment tax credits	(24.3)	(29.4)	(49.4)
Employee benefit obligations	52.1	84.8	382.8
Other liabilities	76.3	(14.2)	108.5
Net cash provided by operating activities	4,415.5	3,981.0	3,777.0
Cash Flows From Investing Activities			
Purchases of short-term investments	(401.7)	(135.0)	(10.0)
Proceeds from sale of short-term investments	130.0	135.0	18.5
Additions to plant, property and equipment	(2,553.4)	(2,627.2)	(2,648.3)
Proceeds from sale of plant, property and equipment	13.2	3.5	102.1
Investment in finance lease and notes receivable	—	—	(741.6)
Proceeds from finance lease and notes receivable	—	93.1	721.8
Proceeds from notes receivable	188.3	338.7	—
Acquisition of businesses, less cash acquired	(10.0)	(41.4)	(37.5)
Proceeds from Telecom Corporation of New Zealand Limited capital reduction plan	—	—	67.4
Investments in unconsolidated businesses, net	(496.5)	(442.4)	(583.7)
Proceeds from disposition of businesses	4.2	611.2	1,446.8
Other, net	(18.1)	(26.3)	(29.7)
Net cash used in investing activities	(3,144.0)	(2,090.8)	(1,694.2)
Cash Flows From Financing Activities			
Proceeds from borrowings	—	106.6	249.6
Principal repayments of borrowings and capital lease obligations	(228.2)	(439.3)	(621.1)
Early extinguishment of debt	—	(200.0)	(350.0)
Net change in short-term borrowings with original maturities of three months or less	5.8	(48.1)	(287.6)
Dividends paid and redemption of stock rights	(1,252.0)	(1,218.0)	(1,195.1)
Proceeds from sale of common stock	74.7	76.9	6.9
Purchase of common stock for treasury	(100.6)	(11.2)	(8.7)
Net change in outstanding checks drawn on controlled disbursement accounts	24.5	(2.7)	35.0
Proceeds from sale of preferred stock by subsidiary	—	59.5	85.0
Net cash used in financing activities	(1,475.8)	(1,676.3)	(2,086.0)
Increase (decrease) in cash and cash equivalents	(204.3)	213.9	(3.2)
Cash and cash equivalents, beginning of year	356.8	142.9	146.1
Cash and cash equivalents, end of year	\$ 152.5	\$ 356.8	\$ 142.9

See Notes to Consolidated Financial Statements.

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Bell Atlantic Corporation is a diversified telecommunications company. For ease of reference, Bell Atlantic Corporation will be referred to as “we” or “Bell Atlantic” in this Annual Report. We operate predominantly in a single industry segment — communications and related services. Our telephone subsidiaries provide local telephone services to customers in the mid-Atlantic region of the United States (Pennsylvania, New Jersey, Delaware, Virginia, Maryland, West Virginia and the District of Columbia). These services include the provision of voice and data transport, enhanced and custom calling features, network access, directory assistance, private lines, and public telephones. We also provide systems integration, customer premises equipment distribution and directory publishing services. During 1996, we began marketing long distance services in selected areas outside our geographic region. We also own an interest in a telecommunications company in New Zealand.

Our wireless business includes domestic and international investments. Through several joint ventures, we provide cellular and personal communications services throughout most of the United States. We also have invested in wireless businesses in Mexico, Italy, Slovakia and the Czech Republic.

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

Consolidation and Basis of Presentation

The consolidated financial statements include our majority-owned subsidiaries (see Notes 4 and 6). Investments in businesses in which we do not have control, but have the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method. Investments in which we do not have the ability to exercise significant influence over operating and financial policies are accounted for under the cost method. All significant inter-company accounts and transactions have been eliminated.

Use of Estimates

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

Reclassifications

We reclassified certain amounts from previous years to conform with the 1996 presentation.

Revenue Recognition

Our telephone subsidiaries recognize revenues when services are rendered based on usage of our local exchange network and facilities. Our other subsidiaries recognize revenues when products are delivered or services are rendered to customers. Revenues recognized from leasing transactions are recorded under Statement of Financial Accounting Standards (SFAS) No. 13, “Accounting for Leases.”

Maintenance and Repairs

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

Earnings Per Common Share

We calculate earnings per share by dividing net income by the weighted average number of shares and equivalent shares outstanding during the year.

Cash and Cash Equivalents

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

Short-Term Investments

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

Inventories

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

Plant and Depreciation

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

Note 1 continued

Effective August 1, 1994, our telephone subsidiaries discontinued accounting for their operations under SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation" (see Note 3). For financial reporting purposes, we no longer use asset lives set by regulators. As a result, we began using shorter estimated asset lives for certain categories of plant and equipment. The asset lives used by our telephone subsidiaries before and after the discontinuation of SFAS No. 71 are presented in the following table:

Average Lives (in years)	Before	After
Buildings	18 – 60	30
Central office equipment	6 – 13	5 – 12
Cable, wiring and conduit	20 – 60	15 – 50
Other equipment	6 – 38	6 – 35

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

Plant, property and equipment of our other subsidiaries is depreciated on a straight-line basis over the following estimated useful lives: buildings, 20-40 years; and other equipment, 2-10 years.

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

Capitalization of Interest Costs

We capitalize interest on funds borrowed to finance the acquisition or construction of plant assets. Capitalized interest is reported as a cost of plant and a reduction in interest cost. Before we discontinued SFAS No. 71, our 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.

Goodwill

Goodwill is the excess of the acquisition cost of businesses over the fair value of the identifiable net assets acquired. We amortize goodwill on a straight-line basis over periods not exceeding 40 years. We assess the impairment of goodwill related to our consolidated subsidiaries under SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Goodwill related to our unconsolidated businesses accounted for under the equity method 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.

Foreign Currency Translation

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

When a foreign entity operates in a highly inflationary economy, we use the U.S. dollar as the functional currency rather than the local currency. We translate nonmonetary assets and liabilities and related expenses into U.S. dollars at historical exchange rates. We translate all other income statement amounts using average exchange rates for the period. Monetary assets and liabilities are translated at end-of-period exchange rates, and any gains or losses are reported in income. Effective October 1, 1996, we consider Grupo Iusacell, S.A. de C.V., our investment in Mexico, to operate in a highly inflationary economy.

Hedging Instruments

We periodically enter into hedging agreements to reduce our exposure to fluctuations in foreign exchange rates and interest rates.

We use forward exchange contracts to hedge our exposure to currency fluctuations on certain short-term transactions denominated in a currency other than an entity's functional currency. Gains and losses on these contracts offset the foreign exchange gains and losses on the underlying hedged transactions and are included in income. The discount or premium on these contracts is included in income over the life of the contract.

Gains and losses on forward exchange contracts which hedge identifiable foreign currency commitments are deferred and reflected as adjustments to the related transactions. If the transaction is no longer likely to occur, the gain or loss is recognized immediately in income. Gains and losses and related discounts or premiums arising from financial instruments that hedge foreign balances of a long-term investment nature are included in shareowners' investment as foreign currency translation adjustments.

Interest rate hedge agreements are used to reduce interest rate risks and costs inherent in our debt portfolio. These agreements involve the exchange of fixed and variable interest rate payments over the life of the agreement without the exchange of the underlying principal amounts. The interest differential to be paid or received is accrued as interest rates change and is recognized as an adjustment to interest expense over the life

Note 1 continued

of the agreements. If we terminate a hedging agreement, the gain or loss is recorded as an adjustment to the basis of the underlying liability and amortized over the remaining original life of the agreement.

Income Taxes

Bell Atlantic and its domestic subsidiaries file a consolidated federal income tax return.

Our telephone subsidiaries use the deferral method of accounting for investment tax credits earned prior to repeal of investment tax credits by the Tax Reform Act of 1986. We also defer certain transitional credits earned after the repeal. These credits are being amortized as a reduction to the provision for income taxes over the estimated service lives of the related assets.

Directory Publishing

Effective January 1, 1996, we changed our method of accounting for directory publishing revenues and expenses from the amortized method to the point-of-publication method. Under the point-of-publication method, revenues and expenses are recognized when the directories are published, rather than over the lives of the directories (see Note 2).

Stock-Based Compensation

We account for stock-based employee compensation plans under Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Effective January 1, 1996, we adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" (see Note 12).

2. Change in Accounting Principle - Directory Publishing

Effective January 1, 1996, we changed our method of accounting for directory publishing revenues and expenses from the amortized method to the point-of-publication method. Under the point-of-publication method, revenues and expenses are recognized when the directories are published rather than over the lives of the directories, as under the amortized method. We believe the point-of-publication method is preferable because it is the method generally followed by publishing companies.

This accounting change resulted in a one-time, noncash increase in net income of \$142.1 million (net of income tax of \$88.0 million), or \$.32 per share, which is reported as a cumulative effect of a change in accounting principle at January 1, 1996. On an annual basis, the financial impact of applying this method in 1996 was not significant, and it would not have been significant had it been applied in 1995 and 1994. We restated our 1996 quarterly results of operations for the effect of the change in accounting for directory publishing (see Note 16). As a result of this restatement, (unaudited) income before cumulative effect of change in accounting principle decreased \$5.8 million, \$30.6 million and \$17.9 million in the first, second, and third quarters of 1996.

3. Discontinuation of Regulatory Accounting Principles

In the third quarter of 1994, we discontinued the use of regulatory accounting principles under SFAS No. 71, which means for financial reporting purposes we no longer follow accounting practices set by regulators. As a result, we recorded a noncash, extraordinary charge of \$2,150.0 million, which is net of an income tax benefit of \$1,498.4 million.

The following table displays the components of the after-tax charge:

(Dollars in Millions)	
Increase in plant and equipment depreciation reserve	\$ 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	114.8
Total	\$ 2,150.0

4. Formation of Wireless Partnership

Effective July 1, 1995, Bell Atlantic and NYNEX Corporation completed the combination of substantially all of our domestic cellular and paging businesses and the formation of a wireless partnership, Bell Atlantic NYNEX Mobile (BANM). BANM operates as a general partnership and is controlled equally by Bell Atlantic and NYNEX. Because of joint control provisions in the partnership agreement, we account for our investment using the equity method. We contributed net assets of \$1,178.1 million in exchange for an approximate 62% equity interest in the partnership. No gain or loss was recognized on the contribution.

As a condition to the completion of the combination, we sold certain cellular properties in Massachusetts and Rhode Island resulting in the recognition of a pretax gain of approximately \$314 million (\$200 million after-tax) in 1995.

As required by the partnership agreement, in July 1996, we contributed to BANM a portion of our investment in a cellular partnership with NYNEX which serves the New York metropolitan area. The remainder of our investment in this cellular partnership is scheduled to be contributed to BANM in July 1997.

The following table provides the revenues and expenses of our domestic cellular and paging businesses as reported in our consolidated financial statements for periods before the formation of the partnership:

	(Dollars in Millions)	
	Six months ended June 30, 1995	Year ended Dec. 31, 1994
Operating revenues	\$ 629.9	\$ 1,063.3
Operating expenses	532.0	947.6
Operating income	97.9	115.7
Income from unconsolidated businesses	22.6	34.2
Other expenses, net	.1	13.1
Interest expense	13.9	14.8
Income before income taxes	\$ 106.5	\$ 122.0

5. Plant, Property and Equipment

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

	(Dollars in Millions)	
At December 31,	1996	1995
Land	\$ 256.6	\$ 262.2
Buildings	2,863.5	2,736.8
Central office equipment	13,718.9	12,812.6
Cable, wiring and conduit	12,833.8	12,404.6
Other equipment	4,218.6	4,145.7
Other	452.2	619.4
Construction-in-progress	414.8	572.5
	34,758.4	33,553.8
Accumulated depreciation	(18,842.7)	(17,632.5)
Total	\$ 15,915.7	\$ 15,921.3

Plant, property and equipment at December 31, 1996 and 1995 includes real estate property under operating leases, or held for lease, of \$346.2 million and \$327.5 million, and accumulated depreciation of \$92.3 million and \$82.3 million.

6. Investments in Unconsolidated Businesses

Our investments in unconsolidated businesses, which are accounted for principally under the equity method, are comprised of the following:

At December 31,	Ownership	(Dollars in Millions)	
		1996	1995
		Investment	Ownership Investment
Equity investees:			
Bell Atlantic NYNEX Mobile	62.35%	\$ 1,806.0	62.594% \$ 1,446.7
PrimeCo Personal Communications, L.P.	25.0	375.9	25.0 298.8
Telecom Corporation of New Zealand Limited	24.82	689.2	24.82 639.4
Grupo Iusacell, S.A. de C.V.	41.9	333.1	41.9 356.2
Omnitel Pronto Italia S.p.A.	17.45	331.5	11.67 40.4
Other	Various	169.6	Various 169.0
Total equity investees		3,705.3	2,950.5
Other investees	Various	61.5	Various 57.2
Total		\$ 3,766.8	\$ 3,007.7

The BANM partnership, as described in Note 4, provides wireless local and long distance services to customers in the Northeast, mid-Atlantic, Southeast and Southwest domestic cellular markets.

PrimeCo Personal Communications, L.P. (PrimeCo) is a partnership between Bell Atlantic, NYNEX, AirTouch Communications, and U S West Media Group. In March 1995, the PrimeCo partnership acquired licenses for approximately \$1.1 billion which allow the partnership to provide personal communications services in 11 major markets across the United States. PrimeCo began offering services to customers in November 1996. Under the terms of the partnership agreement PrimeCo entered into a leveraged lease financing arrangement for certain equipment. This leveraged lease financing obligation has been guaranteed by the partners in the joint venture. Our share of this guarantee is approximately \$73 million.

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

Through purchases of stock totaling \$1,044.0 million, we acquired a 41.9% economic interest in Grupo Iusacell, S.A. de C.V. (Iusacell), the second largest telecommunications company in Mexico. Our shares represented approximately 44% of the voting rights for Iusacell stock. At acquisition, goodwill amounted to approximately \$760 million. We are amortizing this amount on a straight-line basis over a period of 25 years. Our investment in Iusacell was reduced by approximately \$530 million as of December 31, 1996 as a result of foreign currency translation losses. We recorded these losses as a component of shareowners' investment. In February 1997,

we consummated a restructuring of our investment to permit us to assume control of the Board of Directors and management of Iusacell. Under the terms of the restructuring, we exchanged certain Series B and D shares of Iusacell stock for Series A shares, which enables us to elect a majority of the Board of Directors. We also paid a premium of \$50.0 million to the current majority owner. The exchange of shares does not affect our economic ownership percentage of Iusacell. We also converted approximately \$33 million of subordinated debt into equity, and we may be required to provide Iusacell up to \$150 million in financing. As a result of the restructuring, we will change the accounting for our Iusacell investment from the equity method to full consolidation.

Omnitel Pronto Italia S.p.A. (Omnitel) operates a cellular mobile telephone network in Italy. In 1994, we acquired an 11.67% interest in Omnitel. We account for this investment under the equity method because we have significant influence over Omnitel's operating and financial policies. In December 1996, we made an additional investment of \$273.7 million that increased our ownership in Omnitel to 17.45%. Approximately \$250 million of this additional investment represents goodwill which is being amortized on a straight-line basis over 25 years.

We also have telecommunications investments in Slovakia and the Czech Republic. These equity investees consist of joint ventures to build and operate cellular networks in these countries. Other investments include video services joint ventures, real estate partnerships, a one-seventh interest in Bell Communications Research, Inc. (Bellcore), and several other domestic and international joint ventures. In November 1996, Bell Atlantic and other Bellcore owners entered into an agreement to sell our jointly owned investment in Bellcore.

Note 6 *continued*

We expect to record a small gain as a result of this sale, which is anticipated to close in 1997.

Included in operating expenses are amounts billed by Bellcore. Such expenses for 1996, 1995 and 1994 were \$108.1 million, \$103.7 million and \$99.8 million for various network planning, engineering, and software development projects.

Dividends received from equity investees amounted to \$125.5 million in 1996, \$146.0 million in 1995 and \$101.0 million in 1994.

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

(Dollars in Millions)		
Years Ended December 31,	1996	1995
Results of operations:		
Revenues	\$ 7,544.6	\$ 5,088.8
Operating income	776.6	926.9
Net income	451.6	407.1

Bell Atlantic's equity share of income	\$ 327.9	\$ 152.5
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(Dollars in Millions)		
At December 31,	1996	1995
Financial position:		
Current assets	\$ 2,334.2	\$ 1,707.8
Noncurrent assets	10,806.3	8,370.6
Current liabilities	3,693.7	2,697.8
Noncurrent liabilities	2,323.8	1,260.9
Minority interests	235.1	253.9
Stockholders' equity	6,887.9	5,865.8

Bell Atlantic's equity share of investees	\$ 3,705.3	\$ 2,950.5
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The above financial information at December 31, 1996 includes net assets of foreign equity investees totaling approximately \$2.3 billion (on a 100% basis), of which \$1.5 billion is located in New Zealand and the remainder is located in Mexico and European countries. These assets may be subject to risks in the event of changes in government policies or other unforeseen circumstances.

7. Leasing Arrangements

As Lessee

We lease certain facilities and equipment for use in our operations under both capital and operating leases. Total rent expense under operating leases amounted to \$248.0 million in 1996, \$272.6 million in 1995 and \$285.5 million in 1994. In 1996, 1995 and 1994, we incurred initial capital lease obligations of \$1.6 million, \$14.0 million and \$11.9 million.

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

(Dollars in Millions)		
At December 31,	1996	1995
Capital leases	\$ 158.6	\$ 172.8
Accumulated amortization	(84.3)	(87.4)
Total	\$ 74.3	\$ 85.4

This table displays the aggregate minimum rental commitments under noncancelable leases for the periods shown at December 31, 1996:

(Dollars in Millions)		
Years	Capital Leases	Operating Leases
1997	\$ 23.3	\$ 87.7
1998	23.2	77.2
1999	19.0	64.5
2000	29.3	61.4
2001	17.3	58.5
Thereafter	75.8	540.8
Total minimum rental commitments	187.9	\$ 890.1
Less interest and executory costs	79.8	
Present value of minimum lease payments	108.1	
Less current installments	10.0	
Long-term obligation at December 31, 1996	\$ 98.1	

As of December 31, 1996, the total minimum sublease rentals to be received in the future under noncancelable operating subleases was \$69.8 million.

Note 7 *continued**As Lessor*

Our finance lease receivables consist of the remaining leveraged lease and project finance portfolios of a lease financing subsidiary that was disposed of in 1994. We are no longer providing new leasing services.

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

(Dollars in Millions)		
At December 31,	1996	1995
Leveraged leases	\$ 810.7	\$ 802.3
Direct finance leases	17.6	27.3
Total	\$ 828.3	\$ 829.6

The components of our net investment in leveraged leases are as follows:

(Dollars in Millions)		
At December 31,	1996	1995
Minimum lease payments receivable	\$ 745.5	\$ 746.2
Estimated residual value	496.8	496.8
Unearned income	(431.6)	(440.7)
Total	\$ 810.7	\$ 802.3

Minimum lease payments receivable 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 \$765.4 million at December 31, 1996 and \$755.6 million at December 31, 1995.

This table displays the future minimum lease payments to be received from noncancelable leases, net of nonrecourse loan payments related to leveraged leases, for the periods shown at December 31, 1996:

(Dollars in Millions)		
Years	Capital Leases	Operating Leases
1997	\$ 8.7	\$ 38.8
1998	13.3	33.9
1999	14.6	24.9
2000	15.5	18.6
2001	15.0	13.1
Thereafter	700.5	28.5
Total	\$ 767.6	\$ 157.8

8. Debt*Debt Maturing Within One Year*

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

(Dollars in Millions)		
At December 31,	1996	1995
Notes payable:		
Commercial paper	\$ 1,611.0	\$ 1,415.8
Bank loans	61.8	200.5
Long-term debt maturing within one year	464.5	313.9
Total debt maturing within one year	\$ 2,137.3	\$ 1,930.2

Weighted average interest rates for notes payable outstanding at year-end	5.6%	5.8%
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Capital expenditures, primarily construction of telephone plant, are partially financed, pending long-term financing, through bank loans and the issuance of commercial paper payable within 12 months.

At December 31, 1996, we had in excess of \$2.1 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.

Note 8 *continued**Long-Term Debt*

This table shows our outstanding long-term debt obligations:

At December 31,	Interest Rates	Maturities	(Dollars in Millions)	
			1996	1995
Telephone subsidiaries' debentures	4.375% – 7.00%	1998 - 2025	\$ 2,137.0	\$ 2,172.0
	7.125% – 7.75%	2002 - 2033	1,955.0	1,955.0
	7.85% – 8.75%	2019 - 2031	1,080.0	1,080.0
			5,172.0	5,207.0
Notes payable	5.26% – 12.42%	1997 - 2005	735.1	916.7
Mortgage and installment notes	7.13% – 11.00%	1997 - 2003	27.3	11.9
Employee stock ownership plan loans – senior notes	8.17%	2000	412.2	497.9
Capital lease obligations – average rate 10.3% and 10.4%			108.1	119.7
Unamortized discount and premium, net			(30.0)	(32.1)
Total long-term debt, including current maturities			6,424.7	6,721.1
Less maturing within one year			464.5	313.9
Total long-term debt			\$ 5,960.2	\$ 6,407.2

The telephone subsidiaries' debentures outstanding at December 31, 1996 include \$1,537.0 million that are callable. The call prices range from 102.49% to 100.0% of face value, depending upon the remaining term to maturity of the issue. In addition, these debentures include \$440.0 million that will become redeemable for limited periods at the option of the holders. Of this amount, \$175.0 million becomes redeemable in 1997, 2000, and 2002; and \$265.0 million becomes redeemable in 1999. The redemption prices will be 100.0% of face value plus accrued interest.

Maturities of long-term debt outstanding at December 31, 1996, excluding capital lease obligations and unamortized discount and premium, are \$454.5 million in 1997, \$397.7 million in 1998, \$559.7 million in 1999, \$319.2 million in 2000, \$93.8 million in 2001, and \$4,521.7 million thereafter. These amounts include the redeemable debentures at the earliest possible redemption dates.

Our medium-term notes (which are included in notes payable) are issued by Bell Atlantic Financial Services, Inc. (FSI), a wholly owned subsidiary. FSI debt securities (aggregating \$633.6 million at December 31, 1996) have the benefit of a Support Agreement dated October 1, 1992 between

Bell Atlantic and FSI under which Bell Atlantic will make payments of interest, premium (if any) and principal on the FSI debt should FSI fail to pay. The holders of FSI debt do not have recourse to the stock or assets of our telephone subsidiaries, however, they have recourse to dividends paid to Bell Atlantic by any of our consolidated subsidiaries as well as assets not covered by the exclusion. The carrying value of the available assets reflected in our consolidated financial statements was approximately \$4.8 billion at December 31, 1996.

We recorded extraordinary charges associated with the early extinguishment of debentures. These charges reduced net income by \$3.5 million (net of an income tax benefit of \$2.5 million) in 1995, and \$6.7 million (net of an income tax benefit of \$3.6 million) in 1994.

Information on our Employee Stock Ownership Plan Loans is provided in Note 13.

9. Financial Instruments

Derivatives

We limit our use of derivatives to managing risk that could jeopardize our financing and operating flexibility, making cash flows more stable over the long run and achieving savings over other means of financing. Derivative agreements are tied to specific liabilities or assets and hedge the related economic exposures. The use of these hedging agreements has not had a material impact on our financial condition or results of operations. We do not hold derivatives for trading purposes.

Interest Rate Hedge Agreements

The following table provides additional information about our interest rate hedge agreements. The notional amounts are used to calculate contractual payments to be exchanged. These amounts are not actually paid or received, nor are they a measure of our exposure in the event of nonperformance by a counterparty. Interest rate hedge agreements have not significantly affected our relative proportion of variable and fixed interest expense.

Variable to Fixed:	Notional Amount	Maturities	(Dollars in Millions) Weighted Average Rate	
			Receive	Pay
At December 31,				
1996	\$ 200.0	1999-2005	5.5%	6.0%
1995	200.0	1999-2005	5.4	5.7

Foreign Exchange Contracts

Our foreign exchange contracts have generally been limited to forward contracts for the sale or purchase of certain foreign currencies on a specified future date. All of our outstanding contracts have maturities within 120 days of the respective year-end. We continually monitor the relationship between gains and losses recognized on forward exchange contracts and on the underlying transactions being hedged to mitigate market risk. Foreign exchange gains and losses recognized on these contracts were not material to our results of operations or financial condition and offset the foreign exchange gains and losses on the underlying hedged transactions. Amounts deferred from hedging identifiable foreign currency commitments were not material.

At December 31, 1996, we had no material foreign currency cash flow exposure denominated in a currency other than our functional currency. We have not hedged our accounting translation exposure to foreign currency fluctuations relative to our net equity position in foreign businesses since it does not represent actual cash flow exposure. Our net equity position in our principal unconsolidated foreign businesses

totaled \$1,423.7 million at December 31, 1996 and \$1,099.8 million at December 31, 1995. These businesses have operations primarily in New Zealand, Mexico and Italy. Certain unconsolidated foreign businesses accounted for using the equity method have balances denominated in a currency other than the investees' functional currency. We are subject to fluctuations in our equity income from these businesses related to foreign currency gains and losses on such balances. We recognized foreign currency gains totaling \$6.8 million in 1996 and foreign currency losses totaling \$29.0 million in 1995 and \$21.5 million in 1994 in income from unconsolidated businesses.

Concentrations of Credit Risk

Financial instruments that subject us to concentrations of credit risk consist primarily of temporary cash investments, short-term investments, trade receivables, certain notes receivable, preferred stock, interest rate hedge agreements and foreign exchange forward contracts. Our policy is to place our temporary cash investments, and to enter into derivative contracts, with major financial institutions. We also limit the amount of credit exposure to any one financial institution and monitor our counterparties' credit ratings. We believe the risk of credit loss due to nonperformance by counterparties is remote and any losses would not be material to our results of operations or financial condition.

Concentrations of credit risk with respect to trade receivables other than those from AT&T are limited due to the large number of customers. For the years ended December 31, 1996, 1995 and 1994, revenues generated from services provided to AT&T (primarily network access and billing and collection) were \$1,203.2 million, \$1,316.4 million and \$1,352.6 million. At December 31, 1996 and 1995, our accounts receivable, net, included \$109.9 million and \$125.3 million from AT&T.

We also have an uncollateralized note receivable from The Finova Group Inc. in connection with the disposition of a lease financing subsidiary in 1994 in the amount of \$77.5 million at December 31, 1996 and \$213.8 million at December 31, 1995. The principal and interest payments received on the note match the principal and interest payments on debt retained by us as part of the disposition.

Note 9 *continued**Fair Values of Financial Instruments*

The tables below provide additional information about our material financial instruments:

Financial Instrument	Valuation Method
Cash and cash equivalents and short-term investments	Carrying amounts
Debt (excluding capital leases and unamortized premium and discount)	Market quotes for similar terms and maturities or future cash flows discounted at current rates
Preferred stock investments and notes receivable	Future cash flows discounted at current rates or market quotes for similar instruments
Interest rate hedge agreements	Gains or losses to terminate agreements
Foreign exchange contracts and common stock investments	Market quotes

At December 31,	(Dollars in Millions)			
	1996	1995	1996	1995
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Debt	\$ 8,019.4	\$ 8,097.7	\$ 8,249.8	\$ 8,604.3
Preferred and common stock investments and notes receivable, net	135.8	111.4	315.6	318.4
Interest rate hedge agreements	—	3.1	—	(3.8)
Forward exchange contracts:*				
Receivable	6.4	6.4	8.5	8.5
Payable	(2.5)	(2.5)	(.4)	(.4)

* No position in any individual foreign currency exceeded \$6.3 million at December 31, 1996 and \$6.8 million at December 31, 1995.

At December 31,	(Dollars in Millions)	
	1996	1995
	Contract/Notional Amount	Contract/Notional Amount
Interest rate hedge agreements	\$ 200.0	\$ 200.0
Forward exchange contracts	8.9	8.9

10. Preferred Stock of Subsidiary

Our subsidiary Bell Atlantic New Zealand Holdings, Inc. (BANZHI) issued two series of preferred stock. BANZHI and another subsidiary indirectly own our investment in Telecom Corporation of New Zealand Limited.

In 1994, BANZHI issued 850,000 shares of Series A Preferred Stock at \$100 per share with an annual dividend rate of \$7.08 per share. In 1995, 600,000 shares of Series B Preferred Stock were issued at \$100 per share with an annual dividend rate of \$5.80 per share. Both series of preferred stock are subject to mandatory redemption on May 1, 2004 at a redemption price per share of \$100, together with any accrued and unpaid dividends.

11. Shareowners' Investment

We are authorized to issue up to 12.5 million shares each of preferred and preference stock and 1.5 billion shares of common stock.

On January 23, 1996, the Board of Directors adopted a resolution ordering the redemption of all rights granted under our Shareholder Rights Plan, approved by the Board in 1989. Shareholders of record as of April 10, 1996 were paid the redemption price of \$.01 per Right (\$.005 per share as a result of a two-for-one stock split declared on March 16, 1990) on May 1, 1996.

12. Stock Incentive Plans

We have stock-based compensation plans that include fixed stock option and performance-based share plans. We apply APB Opinion No. 25 and related interpretations in accounting for our plans. We have adopted the disclosure-only provisions of SFAS No. 123. We recognize no compensation expense for our fixed stock option plans. Compensation expense charged to income for our performance-based share plans was \$.7 million in 1996, \$.9 million in 1995 and \$10.0 million in 1994. If we had elected to recognize compensation expense based on the fair value at the grant dates for 1995 and subsequent fixed and performance-based plan awards consistent with the provisions of SFAS No. 123, net income and earnings per share would have been changed to the pro forma amounts indicated below:

(Dollars in Millions, Except Per Share Amounts)				
Years Ended December 31,		1996	1995	
Net income	As reported	\$ 1,881.5	\$	1,858.3
	Pro forma	1,861.9		1,839.9
Earnings per share	As reported	\$ 4.28	\$	4.24
	Pro forma	4.24		4.20

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

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

	1996	1995
Dividend yield	4.9%	5.1%
Expected volatility	14.7%	15.9%
Risk-free interest rate	5.4%	7.6%
Expected lives (in years)	4.5	4.5

The weighted average value of options granted was \$7.23 per option during 1996 and \$7.46 per option during 1995.

Fixed Stock Option Plans

We have two fixed stock option plans. Under the first plan, the 1985 Incentive Stock Option Plan (ISO Plan), key employees may be granted incentive and/or nonqualified stock options to purchase shares of Bell Atlantic common stock. Under the ISO Plan, certain key employees may receive reload options upon tendering shares of Bell Atlantic common stock to exercise options. A total of 25,000,000 shares may be distributed under the ISO Plan and the Performance Share Plan. As of December 31, 1996 and 1995, a total of 6,834,702 and 10,879,082 shares of common stock were available for the granting of stock options under the ISO Plan

and for distributions of shares under the Performance Share Plan. Under the second plan, the Stock Compensation Plan for Outside Directors, each outside director is entitled to receive up to 2,500 stock options per year.

In 1994, we adopted the Options Plus Plan. We granted non-qualified stock options to approximately 800 managers below the rank of officer in place of a portion of each such manager's annual cash bonus in 1994 and 1995. The plan was then discontinued.

Under all the plans described above, the exercise price of each option equals the market price of Bell Atlantic common stock on the date of grant. Options are exercisable after two years or less and the maximum term is ten years.

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

	Stock Options	Weighted Average Exercise Price
Outstanding, December 31, 1993	2,582,568	\$ 50.50
Granted	5,838,885	54.75
Exercised	(177,796)	46.86
Canceled/forfeited	(326,323)	54.69
Outstanding, December 31, 1994	7,917,334	53.55
Granted	3,798,970	51.06
Exercised	(1,332,155)	52.27
Canceled/forfeited	(350,609)	52.53
Outstanding, December 31, 1995	10,033,540	52.81
Granted	5,503,966	67.70
Exercised	(1,651,542)	51.53
Canceled/forfeited	(398,216)	65.71
Outstanding, December 31, 1996	13,487,748	58.66
Options exercisable, December 31:		
1994	2,352,386	50.73
1995	6,533,179	53.83
1996	8,467,943	53.26

Note 12 continued

The following table summarizes information about fixed stock options outstanding as of December 31, 1996:

Range of Exercise Prices	Stock Options Outstanding			Stock Options Exercisable	
	Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
\$ 34 to 44	42,824	1.9 years	\$ 36.52	42,824	\$ 36.52
45 to 54	6,476,141	7.1	52.22	6,476,141	52.22
55 to 64	2,255,486	7.7	57.53	1,876,555	56.63
65 to 74	4,713,297	9.0	68.24	72,423	67.99
Total	13,487,748	7.9	58.66	8,467,943	53.26

Performance-Based Share Plans

The Performance Share Plan provided for the granting of awards to certain key employees in the form of Bell Atlantic common stock. A key employee received the distribution of shares at the end of the applicable performance measurement period or the employee elected to defer the distribution of the awards for one or more years. Awards were based on the total return of Bell Atlantic common stock in comparison to the total return on the stock of a number of other telecommunications companies. Authority to make new grants expired in December 1994. Final awards were credited to employees in January 1996.

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

This table is a summary of the status of our performance-based share plans:

	Shares
Outstanding, December 31, 1993	874,375
Additional shares credited	82,231
Distributed	(161,041)
Canceled/forfeited	(23,125)
Outstanding, December 31, 1994	772,440
Additional shares credited	87,387
Distributed	(114,715)
Canceled/forfeited	(21,634)
Outstanding, December 31, 1995	723,478
Additional shares credited	60,703
Distributed	(100,877)
Canceled/forfeited	(230,058)
Outstanding, December 31, 1996	453,246

13. Employee Benefits

Pension Plans

We sponsor noncontributory defined benefit pension plans covering substantially all of our management and associate employees. Benefits for associate employees are determined by a flat dollar amount per year of service according to job classification. Effective December 31, 1995, the plan covering management employees was converted to a cash balance plan with benefits determined by compensation credits related to age and service and interest credits based on individual account balances. The management pension benefit for prior years was based on a stated percentage of adjusted career average earnings.

Under the cash balance plan, each management employee's opening account balance was determined by converting the accrued pension benefit as of December 31, 1995 to a lump-sum amount based on the prior plan's provisions. The lump-sum value was then multiplied by a transition factor based on age and service to arrive at the opening balance.

Our 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 includes the following components:

(Dollars in Millions)			
Years Ended December 31,	1996	1995	1994
Service cost	\$ 180.4	\$ 162.6	\$ 196.4
Interest cost	812.3	820.8	821.1
Actual return on plan assets	(1,916.9)	(2,559.9)	(27.6)
Net amortization and deferral	988.1	1,638.2	(841.9)
Pension cost	\$ 63.9	\$ 61.7	\$ 148.0

The change in pension cost from year-to-year was caused by a number of variables, including changes in actuarial assumptions (see table below), returns on plan assets and plan amendments.

The following table shows the pension plans' funded status reconciled with amounts in our consolidated balance sheets:

(Dollars in Millions)		
At December 31,	1996	1995
Actuarial present value of benefit obligations:		
Benefits based on service to date and present salary levels		
Vested	\$ 8,877.6	\$ 8,747.2
Nonvested	1,295.7	1,847.1
Accumulated benefit obligation	10,173.3	10,594.3
Additional benefits related to estimated future salary levels	429.0	708.9
Projected benefit obligation	10,602.3	11,303.2
Fair value of plan assets	14,050.0	13,218.9
Plan assets in excess of projected benefit obligation	(3,447.7)	(1,915.7)
Unrecognized net gain	4,184.0	2,565.8
Unamortized prior service cost	(16.4)	3.4
Unamortized net transition asset	154.1	173.6
Additional minimum liability for nonqualified plans	19.0	27.7
Accrued pension obligation	\$ 893.0	\$ 854.8

We used the following assumptions to calculate pension costs and benefit obligations:

At December 31,	1996	1995	1994
Discount rate	7.75%	7.25%	8.25%
Rate of future increases in compensation levels	4.75%	4.75%	5.25%

In addition, the expected long-term rate of return on plan assets used to calculate pension costs for 1996, 1995 and 1994 was 8.25%.

Pension benefits for approximately 70% of employees are subject to collective bargaining, and modifications in pension benefits have been bargained from time to time. We have also periodically amended the benefits in the management plan. Substantive commitments for future amendments are reflected in the pension costs and benefit obligations.

The actuarial assumptions used to determine pension costs and benefit obligations are based on financial market interest rates, past experience, and management's best estimate of future benefit changes and economic conditions. Changes in these assumptions may impact future pension costs and benefit obligations.

Note 13 *continued**Postretirement Benefits Other Than Pensions*

Our postretirement health and life insurance benefit plans cover substantially all of our management and associate employees. Postretirement health benefit costs are based on comprehensive medical and dental plan provisions. Postretirement life insurance costs are based on annual basic pay at retirement.

In 1996, we restructured certain postretirement health and life insurance obligations and assets to create a single plan. The remaining postretirement benefits continue to be provided by separate plans. The restructure did not affect plan benefits or postretirement benefit costs or obligations.

We fund 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 includes the following components:

	(Dollars in Millions)		
Years Ended December 31,	1996	1995	1994
Service cost	\$ 73.1	\$ 63.8	\$ 81.6
Interest cost	298.9	297.6	298.0
Actual return on plan assets	(217.0)	(330.7)	12.4
Net amortization and deferral	115.6	237.6	(89.0)
Postretirement benefit cost	\$ 270.6	\$ 268.3	\$ 303.0

The change in postretirement benefit cost from year-to-year was caused by a number of variables, including changes in actuarial assumptions (see table below), returns on plan assets, and plan amendments.

The following table shows the postretirement benefit plans' funded status reconciled with the amounts recognized in our consolidated balance sheets:

	(Dollars in Millions)	
At December 31,	1996	1995
Accumulated postretirement benefit obligation (APBO):		
Retirees	\$ 2,263.6	\$ 2,503.4
Fully eligible plan participants	353.9	368.9
Other active plan participants	1,301.6	1,384.7
Total APBO	3,919.1	4,257.0
Fair value of plan assets	1,880.3	1,632.5
APBO in excess of plan assets	2,038.8	2,624.5
Unrecognized net gain	771.7	145.7
Unamortized prior service cost	(68.9)	(56.7)
Accrued postretirement benefit obligation	\$ 2,741.6	\$ 2,713.5
Total APBO by plan:		
Health and welfare	\$ 3,681.4	\$ 3,747.2
Life insurance	237.7	509.8
Total	\$ 3,919.1	\$ 4,257.0
Fair value of plan assets by plan:		
Health and welfare	\$ 1,696.5	\$ 932.1
Life insurance	183.8	700.4
Total	\$ 1,880.3	\$ 1,632.5

We used the following assumptions to calculate the postretirement benefit costs and benefit obligations:

At December 31,	1996	1995	1994
Discount rate	7.75%	7.25%	8.25%
Rate of future increases in compensation levels	4.75	4.75	5.25
Medical cost trend rate:			
For the year ending	10.00	11.00	12.00
Ultimate (year 2003)	5.00	5.00	5.00
Dental cost trend rate	4.00	4.00	4.00

Note 13 continued

In addition, the expected long-term rate of return on plan assets used to calculate postretirement benefit costs for 1996, 1995 and 1994 was 8.25%. The medical cost trend rate significantly affects the reported postretirement benefit costs and benefit obligations. A one-percentage-point increase in the assumed health care cost trend rates for each future year would have increased 1996 postretirement benefit costs by \$43.7 million and would have increased the accumulated postretirement benefit obligation as of December 31, 1996 by \$402.5 million.

Postretirement benefits for approximately 70% of employees are subject to collective bargaining and have been modified from time to time. We have also periodically modified postretirement benefits for management employees. Substantive commitments for future amendments are reflected in the postretirement benefit costs and benefit obligations.

The actuarial assumptions used to determine postretirement benefit costs and benefit obligations are based on financial market interest rates, past experience, and management's best estimate of future benefit changes and economic conditions. Changes in these assumptions may impact future postretirement benefit costs and benefit obligations.

Savings Plans and Employee Stock Ownership Plans

We sponsor savings plans to provide opportunities for eligible employees to save for retirement on a tax-deferred basis and to encourage employees to acquire and maintain an equity interest in our company. Under these plans, we match a certain percentage of eligible employee contributions with shares of our common stock. Two leveraged employee stock ownership plans (ESOPs) were established to purchase our common stock and fund our 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, 1996, the number of unallocated and allocated shares of common stock was 6,889,386 and 10,130,862. 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. The annual interest rate on the ESOP Senior Notes is 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 our 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.

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

We recognize ESOP cost based on accounting rules applicable to companies with ESOP trusts that held securities before December 15, 1989. ESOP cost and trust activity consist of the following:

Years Ended December 31,	(Dollars in Millions)		
	1996	1995	1994
Compensation	\$ 72.3	\$ 68.0	\$ 48.1
Interest incurred	35.5	48.6	48.0
Dividends	(22.3)	(26.0)	(29.8)
Other trust earnings and expenses, net	(.3)	(.5)	(.3)
Net leveraged ESOP cost	85.2	90.1	66.0
Additional (reduced)			
ESOP cost	(6.7)	(3.2)	7.1
Total ESOP cost	\$ 78.5	\$ 86.9	\$ 73.1
Dividends received for debt service	\$ 43.0	\$ 43.8	\$ 44.1
Total company contributions to trusts	\$ 88.5	\$ 99.1	\$ 78.4

14. Income Taxes

The components of income tax expense from continuing operations are presented in the following table:

(Dollars in Millions)			
Years Ended December 31,	1996	1995	1994
Current:			
Federal	\$ 822.9	\$ 1,093.0	\$ 1,010.8
State and local	135.5	179.4	194.0
Total	958.4	1,272.4	1,204.8
Deferred:			
Federal	63.7	(79.7)	(278.0)
State and local	13.4	(15.7)	7.5
Total	77.1	(95.4)	(270.5)
	1,035.5	1,177.0	934.3
Investment tax credits	(24.3)	(29.4)	(49.4)
Total income tax expense	\$ 1,011.2	\$ 1,147.6	\$ 884.9

The following table shows the principal reasons for the difference between the effective income tax rate and the statutory federal income tax rate:

Years Ended December 31,	1996	1995	1994
Statutory federal income tax rate	35.0%	35.0%	35.0%
Investment tax credits	(.6)	(.6)	(2.2)
State income taxes, net of federal tax benefits	3.5	3.4	5.4
Other, net	(1.1)	.3	.5
Effective income tax rate	36.8%	38.1%	38.7%

Deferred taxes arise because of differences in the book and tax bases of certain assets and liabilities. Significant components of deferred tax liabilities (assets) are shown in the following table:

(Dollars in Millions)		
At December 31,	1996	1995
Deferred tax liabilities:		
Depreciation	\$ 1,946.1	\$ 2,019.4
Leasing activities	807.3	774.1
Other	481.9	465.7
	3,235.3	3,259.2
Deferred tax assets:		
Employee benefits	(1,612.7)	(1,593.7)
Investment tax credits	(47.3)	(56.6)
State net operating loss carryforwards	(14.5)	(12.0)
Advance payments	(33.4)	(48.5)
Other	(348.1)	(520.1)
	(2,056.0)	(2,230.9)
Valuation allowance	19.2	9.6
Net deferred tax liability	\$ 1,198.5	\$ 1,037.9

Deferred tax assets include approximately \$1,130 million at December 31, 1996 and \$1,108 million at December 31, 1995 related to postretirement benefit costs recognized under SFAS No. 106, "Accounting for Postretirement Benefits Other Than Pensions." This deferred tax asset will gradually be realized over the estimated lives of current retirees and employees.

At December 31, 1996, net operating loss (NOL) carryforwards for state income tax purposes were \$212.5 million (excluding amounts attributable to leveraged leases) and expire from 1997 to 2011. Based on projections of future taxable income, we expect to realize future tax benefits of state NOL carryforwards in the amount of \$3.1 million.

The valuation allowance primarily represents tax benefits of certain state NOL carryforwards and other deferred tax assets which may expire unutilized. During 1996, the valuation allowance increased \$9.6 million as a result of additional state NOLs and deferred tax assets which arose during 1996 and more likely than not will expire unutilized.

15. Additional Financial Information

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

Balance Sheet Information

		(Dollars in Millions)
At December 31,	1996	1995
Accounts payable and accrued liabilities:		
Accounts payable	\$ 1,667.5	\$ 1,668.9
Accrued expenses	789.5	513.1
Accrued vacation pay	247.3	242.4
Accrued taxes	97.6	195.9
Interest payable	100.8	103.2
Total	\$ 2,902.7	\$ 2,723.5
Other current liabilities:		
Advance billings and customer deposits	\$ 347.6	\$ 412.9
Dividend payable	315.2	306.4
Total	\$ 662.8	\$ 719.3

Cash Flow Information

		(Dollars in Millions)	
Years Ended December 31,	1996	1995	1994
Cash paid during the year for:			
Income taxes, net of amounts refunded	\$ 1,116.0	\$ 1,182.1	\$ 1,283.7
Interest, net of amounts capitalized	484.9	564.1	569.1
Noncash investing and financing activities:			
Conversion of accounts receivable to note receivable	—	3.4	—
Note receivable on sale of business	—	—	435.0
Note receivable on sale of asset	1.9	—	39.0
Acquisition of plant under capital leases	1.6	14.0	11.9
Acquisition of plant through mortgage assumption	16.0	—	—
Common stock issued for incentive plans	4.7	4.0	5.3
Common stock issued for acquisitions	—	5.5	1.5
Noncash investment in unconsolidated businesses	9.0	—	—
Contribution of net assets to unconsolidated businesses:			
Bell Atlantic NYNEX Mobile	130.2	1,178.1	—
Other	—	16.4	1.6

Income Statement Information

		(Dollars in Millions)	
Years Ended December 31,	1996	1995	1994
Interest expense incurred, net of amounts capitalized	\$ 486.1	\$ 571.1	\$ 624.6
Capitalized interest	49.6	64.4	19.1
Advertising expense	141.2	122.0	122.6

Interest expense incurred includes \$8.2 million in 1996, \$10.1 million in 1995 and \$42.5 million in 1994 related to our lease financing business. Such interest expense is classified as other operating expenses.

Income taxes, plus payroll, gross receipts, property, capital stock and other taxes totaled \$1,900.5 million for 1996.

16. Quarterly Financial Information (Unaudited)

(Dollars in Millions, Except Per Share Amounts)					
Quarter Ended	Operating Revenues	Operating Income	Income Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	Income Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle Per Common Share	Net Income
1996:					
March 31	\$ 3,219.9	\$ 800.2	\$ 464.7	\$ 1.06	\$ 606.8
June 30	3,223.6	752.4	463.7	1.05	463.7
September 30	3,266.6	759.9	465.4	1.06	465.4
December 31	3,371.3	624.1	345.6	.79	345.6
1995:					
March 31	\$ 3,449.7	\$ 831.5	\$ 414.5	\$.95	\$ 414.5
June 30	3,564.5	843.0	447.1	1.02	447.1
September 30*	3,261.1	719.4	604.8	1.38	604.8
December 31	3,154.2	692.3	395.4	.90	391.9

We restated our results of operations for the first three quarters of 1996 for the effect of a change in the method of accounting for directory publishing revenues and expenses (see Note 2).

* Net income for the third quarter of 1995 includes a gain of approximately \$200 million related to the sale of certain cellular properties in connection with the formation of the Bell Atlantic NYNEX Mobile partnership (see Note 4).

17. Proposed Bell Atlantic-NYNEX Merger

Bell Atlantic and NYNEX announced a proposed merger of equals under a definitive merger agreement entered into on April 21, 1996 and amended on July 2, 1996. Under the terms of the amended agreement, NYNEX will become a subsidiary of Bell Atlantic. NYNEX stockholders will receive 0.768 of a share of Bell Atlantic common stock for each share of NYNEX common stock that they own. Bell Atlantic stockholders will continue to own their existing shares after the merger.

The merger is expected to qualify as a “pooling of interests,” which means that, for accounting and financial reporting purposes, the companies will be treated as if they had always been combined. At special meetings held in November 1996, the stockholders of both companies approved the merger. The completion of the merger is subject to a number of conditions, including certain regulatory approvals and receipt of opinions that the merger will be tax free. The merger is expected to close in April 1997.

We have provided the following unaudited pro forma combined condensed financial statements which give effect to the merger using the pooling-of-interests method of accounting. These financial statements include certain reclassifications to conform to the presentation that will be used by the post-merger company, and certain pro forma adjustments that conform the companies' methods of accounting. This information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred had the merger been consummated at the dates indicated, nor is it necessarily indicative of future operating results or financial position of the post-merger company.

Pro Forma Combined Condensed Balance Sheet (Unaudited)

	(Dollars in Millions)
At December 31,	1996
Assets	
Current assets	
Cash and cash equivalents	\$ 249.4
Short-term investments	300.5
Accounts receivable, net	6,261.3
Other	1,600.5
	8,411.7
Plant, property and equipment	75,861.7
Less accumulated depreciation	39,622.7
	36,239.0
Investments in unconsolidated businesses	4,946.3
Other assets	3,891.3
Total assets	\$ 53,488.3
Liabilities and Shareowners' Investment	
Current liabilities	
Debt maturing within one year	\$ 2,884.2
Accounts payable and accrued liabilities	6,159.5
Other	1,493.3
	10,537.0
Long-term debt	15,286.0
Employee benefit obligations	9,529.4
Deferred credits and other liabilities	3,044.4
Minority interest, including a portion subject to redemption requirements	2,014.2
Preferred stock of subsidiary	145.0
Shareowners' investment	
Common stock	78.7
Contributed capital	13,226.9
Reinvested earnings	1,303.8
Foreign currency translation adjustment	(319.4)
	14,290.0
Less common stock in treasury, at cost	589.3
Less deferred compensation — employee stock ownership plans	768.4
	12,932.3
Total liabilities and shareowners' investment	\$ 53,488.3

Note 17 *continued*

Pro Forma Combined Condensed Statements of Operations (Unaudited)

Years Ended December 31,	(Dollars in Millions, Except Per Share Amounts)		
	1996	1995	1994
Operating revenues	\$ 29,145.8	\$ 27,927.8	\$ 27,098.0
Operating expenses	22,958.4	22,404.6	22,500.3
Operating income	6,187.4	5,523.2	4,597.7
Income from unconsolidated businesses	14.2	12.7	98.8
Other income and expense, net	(189.5)	572.0	(20.6)
Interest expense	1,080.6	1,265.7	1,230.8
Provision for income taxes	1,788.1	1,835.0	1,212.2
Income from continuing operations	3,143.4	3,007.2	2,232.9
Extraordinary items			
Discontinuation of regulatory accounting principles, net of tax	—	(2,919.4)	(2,150.0)
Early extinguishment of debt, net of tax	—	(3.5)	(6.7)
Cumulative effect of change in accounting principle			
Directory publishing, net of tax	273.1	—	—
Net income	\$ 3,416.5	\$ 84.3	\$ 76.2
Income from continuing operations per common share	\$ 4.06	\$ 3.93	\$ 2.94
Net income per common share	\$ 4.41	\$.11	\$.10
Weighted average number of common shares and equivalent shares outstanding (in millions)	775.1	765.9	758.8

It is anticipated that a one-time pretax charge of approximately \$200 million for direct incremental merger-related costs will be recorded in the quarter in which the merger is completed. In the December 31, 1996 pro forma combined condensed balance sheet, unpaid merger-related costs have been reflected as an increase to accounts payable and accrued liabilities, with a deferred tax benefit included in other assets. On an after-tax basis, these costs have been reflected as a reduction in reinvested earnings.

Board of Directors

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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

James G. Cullen
Vice Chairman
Bell Atlantic Corporation

James H. Gilliam, Jr.
Executive Vice President and General Counsel
Beneficial Corporation

Thomas H. Kean
President
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John F. Maypole
Managing Partner
Peach State Real Estate Holding Company

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and Chief Executive Officer*
ARAMARK Corporation

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Chairman of the Board and Chief Executive Officer
Bell Atlantic Corporation

Shirley Young
Vice President, China Strategic Development
General Motors Corporation

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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

P. Alan Bulliner
Vice President – Corporate Secretary and Counsel

Patrick C. G. Coulter
Vice President – Corporate Communications

John F. Gamba
*Senior Vice President – Corporate Resources and
Performance Assurance*

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President and Chief Executive Officer
Bell Atlantic International, Inc.
and Vice President – Strategic Planning and Development

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Group President – Consumer and Small Business Services
Bell Atlantic Network Services, Inc.

Stuart C. Johnson
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Bell Atlantic Network Services, Inc.

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*Vice President – Mergers and Acquisitions
and Associate General Counsel*

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Vice President – Human Resources

Doreen A. Toben
Vice President – Finance and Controller

Ellen C. Wolf
Vice President – Treasurer

James R. Young
Vice President – General Counsel

Annual Shareowners Meeting

May 2, 1997 – 2 p.m.
The Playhouse Theatre
Wilmington, Delaware

Transfer Agent And Registrar

Boston EquiServe
c/o Bank of Boston
P.O. Box 8038
Boston, MA 02266-8038

- Phone: 800-631-2355
- Outside the U.S.: 617-575-3994 (collect)
- TDD: 800-829-8259
- E-mail address: Shareholder-EquiServe@EquiServe.com

Shareowner News

- Newline: 800-BEL-5595
- World Wide Web: www.bell-atl.com/invest

Bell Atlantic Direct Invest

Bell Atlantic offers a direct stock purchase and share ownership plan. The plan allows current and new investors to purchase Bell Atlantic stock conveniently and economically. Key features include:

- The ability to purchase stock directly from the transfer agent
- Reinvestment of some or all dividends
- Weekly stock purchases for supplemental payments
- Automatic monthly withdrawal of \$50 or more for supplemental payments
- Certificate safekeeping
- An option to establish an Individual Retirement Account

To receive a Plan Prospectus and enrollment form, contact Boston EquiServe.

Dividend Direct Deposit Service

Bell Atlantic offers an electronic funds transfer service to shareowners wishing to deposit dividends directly into checking or savings accounts on dividend payment dates.

This service:

- Provides a safe way to prevent lost or stolen checks
- Allows fast and efficient receipt of your money since dividends are deposited on the dividend payment date
- Eliminates mail delays
- Reduces the frequency of trips to your bank

For more information, contact Boston EquiServe.

Common Stock Price and Dividend Information

- Ticker symbol (NYSE): BEL
- Shareowners of record at December 31, 1996: 870,605

	Market Price		Cash
	High	Low	Dividend Declared
1996			
First Quarter	\$ 74 ⁷ / ₈	\$ 61 ¹ / ₈	\$.72*
Second Quarter	67 ³ / ₄	59	.72
Third Quarter	64	55 ⁵ / ₈	.72
Fourth Quarter	68	58 ¹ / ₂	.72
1995			
First Quarter	\$ 55 ³ / ₄	\$ 48 ³ / ₈	\$.70
Second Quarter	58 ⁷ / ₈	52	.70
Third Quarter	61 ⁷ / ₈	54 ⁷ / ₈	.70
Fourth Quarter	68 ⁷ / ₈	59	.70

* Includes payment of \$.005 per common share for redemption of rights under our Shareholder Rights Plan.

Form 10-K

A copy of our Annual Report on Form 10-K is available by contacting:

Bell Atlantic Investor Relations
1717 Arch Street
31st Floor
Philadelphia, Pennsylvania 19103
215-963-6333

Equal Opportunity Policy

The Company has over 60,000 employees and maintains a long-standing commitment to equal opportunity and valuing the diversity of its employees. The Company strives to create a working environment free of discrimination with respect to age, color, disability, gender, national origin, race, religion, sexual orientation, being a disabled veteran, or a veteran of the Vietnam era. For a summary of annual profile reports filed with the EEOC, contact Mr. Charles Christian, 1717 Arch Street, 28th Floor, Philadelphia, Pennsylvania 19103.



Bell Atlantic Corporation
1717 Arch Street
Philadelphia, PA 19103
215-963-6000
World Wide Web: www.bell-atl.com



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