NYNEX

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Annual Report & Proxy Statement

1995

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

About This Report

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

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

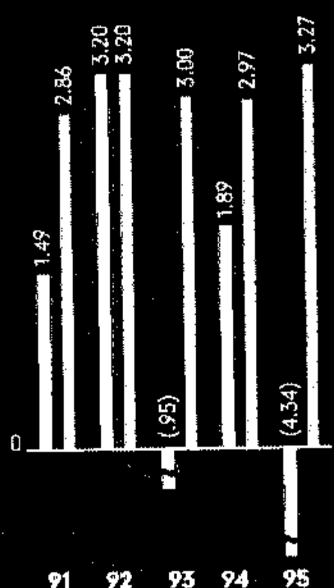
Our Corporate Mission

NYNEX Corporation's mission is to be a world-class leader in helping people communicate using information networks and services. NYNEX is a global communications and media corporation that provides a full range of services in the northeastern United States and high-growth markets around the world, including the United Kingdom, Thailand, Gibraltar, Greece, Indonesia, the Philippines, Poland, Slovakia and the Czech Republic. NYNEX is a leader in telecommunications, wirefree communications, directory publishing and video entertainment and information services.

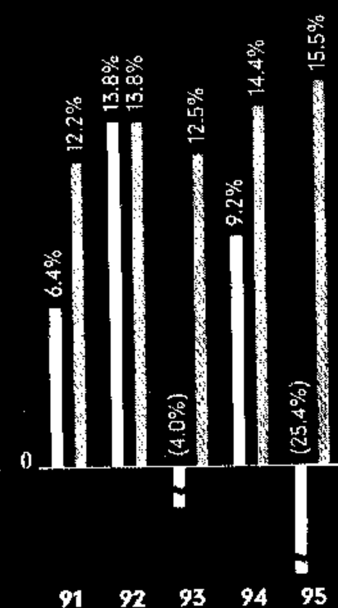
NYNEX in 1995: Our story for the year is a positive one: New services. More customers. Exciting alliances. Strong financial results. Significant growth. And a solid platform for growth for the years to come....

F I N A N C I A L   H I G H L I G H T S

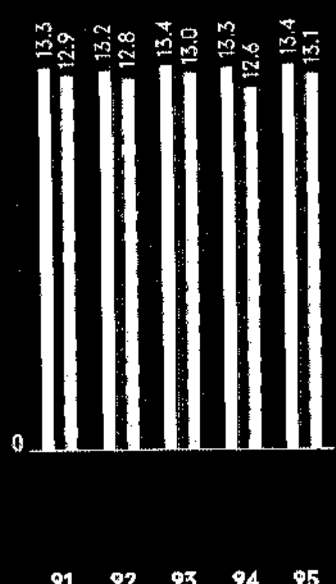
Earnings (Loss) Per Share
(in dollars)



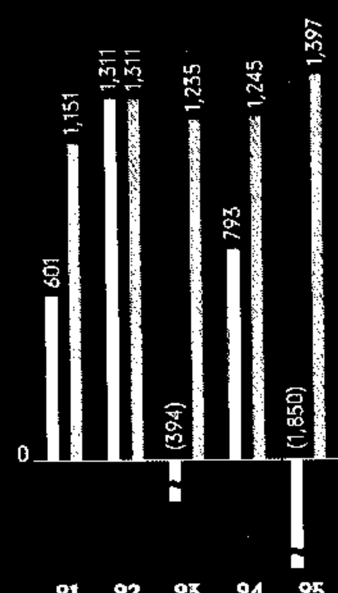
Return to Equity



Operating Revenues
(dollars in billions)



Net Income (Loss)
(dollars in millions)



Excluding restructure and other charges   Reported

As a result of the formation of the Bell Atlantic NYNEX Mobile cellular partnership in the third quarter of 1995, cellular results are now reported on an equity basis rather than a consolidated basis. Revenues adjusted to permit comparison. For 1995, revenues are also adjusted for a change in presentation of gross receipts tax.

December 31, (In millions, except per share data and total employees)	1995	1994	1993
Operating Data			
Operating Revenues	$ 13,407	$ 13,307	$ 13,408
Earnings (Loss) before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	$ 1,069	$ 793	$ (272)
Extraordinary Item for the Discontinuance of Regulatory Accounting Principles, Net of Taxes	$ (2,919)	—	—
Cumulative Effect of Change in Accounting for Postemployment Benefits, Net of Taxes	—	—	(122)
Net Income (Loss)	$ (1,850)	$ 793	$ (394)
Per Share Data			
Earnings (Loss) before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	$ 2.50	$ 1.89	$ (.66)
Extraordinary Item	$ (6.84)	—	—
Cumulative Effect of Change in Accounting Principle	—	—	$ (.29)
Earnings (Loss)	$ (4.34)	$ 1.89	$ (.95)
Dividends	$ 2.36	$ 2.36	$ 2.36
Book Value	$ 14.06	$ 20.26	$ 20.28
Other Data			
Total Assets	$ 26,220	$ 30,068	$ 29,458
Stockholders' Equity	$ 6,079	$ 8,581	$ 8,416
Capital Expenditures*	$ 3,188	$ 3,012	$ 2,717
Network Access Lines in Service	17.1	16.6	16.0
Total Employees	65,800	70,600	76,200

1995 results include an extraordinary charge of $2.9 billion, or $6.84 per share, for discontinuance of accounting under Statement 71 and a net charge of $327.0 million, or $0.77 per share, for the enhanced pension offer and non-recurring gains and charges. 1994 results include after-tax charges for the enhanced pension offer of $452.8 million, or $1.08 per share. 1993 results include after-tax charges of $1.6 billion, or $3.95 per share, for business restructuring and other charges, primarily related to efforts to redesign operations and to force reduction programs.

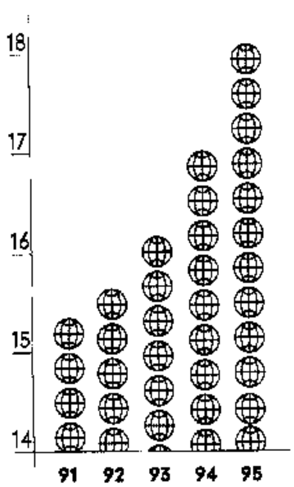
* Excludes additions under capital lease obligations and, prior to the discontinuance of Statement 71, the equity component of allowance for funds used during construction.

Ivan Seidenberg
Chairman and
Chief Executive Officer

To Our Share Owners:

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

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



*Overseas access lines include lines for NYNEX CableComms, TelecomAsia and Gibraltar NYNEX Communications Ltd.

• Net income for the year was up 12.1 percent to $1.4 billion, or $3.27 per share, and included three straight quarters of double-digit earnings growth. These figures are adjusted for certain non-recurring items for 1994 and 1995.**

• Consolidated revenues (which don't include revenues from our Bell Atlantic NYNEX Mobile joint venture) were up 3.8 percent to $13.1 billion — driven by strong volume growth across all businesses.

• Consolidated operating expenses rose 0.9 percent over 1994 to $10.3 billion. This expense growth — significantly lower than our revenue growth — was driven by across-the-board productivity gains. The combination of strong revenue growth and productivity gains expanded operating margins, which rose 2.2 percentage points in 1995 to 21.3 percent.

• The number of access lines in use worldwide rose by more than a million in 1995, to about 18 million. In addition to 17.1 million lines in the Northeast, that includes some 246,800 telecommunications lines for United Kingdom-based NYNEX CableComms; 710,000 lines for TelecomAsia, our strategic alliance to expand Bangkok's telephone network; and 15,800 lines for our Gibraltar partnership.

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

**1995 results exclude an extraordinary charge of $2.9 billion, or $6.84 per share, for discontinuance of accounting under Statement 71 and a net charge of $327.0 million, or $0.77 per share, for the enhanced pension offer and non-recurring gains and charges. 1994 results exclude after-tax charges for the enhanced pension offer of $452.8 million, or $1.08 per share.

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

New Choices, New Freedoms

A Platform for Growth

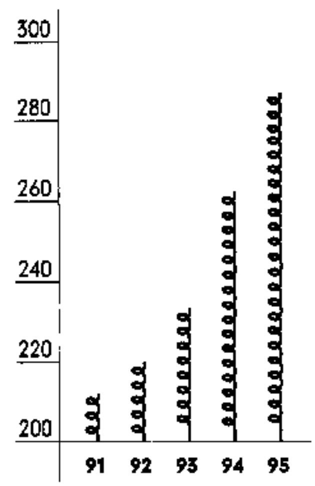
The communications reform bill signed into law by President Clinton in February 1996 helps us grow to our full potential — and lets us take advantage of new freedoms to provide a range of services that include new communications, information and entertainment choices.

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

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

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

Northeast Access Lines per Telecommunications Employee



Serving Our Customers

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

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

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

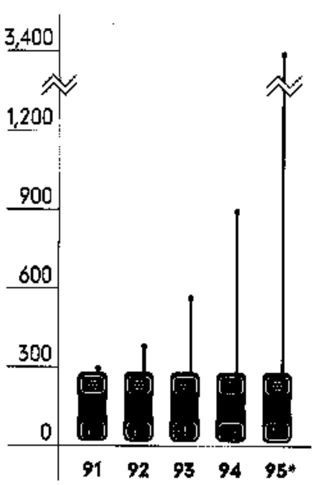
• Private line revenues, led by sales of NYNEX Enterprise Services, rose more than 3 percent in 1995, marking the first year of growth for spe-

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

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

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

Cellular Customers
(in thousands)



*1995 figure reflects the formation of a joint venture with Bell Atlantic's wireless business.

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

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

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

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

Developing New Markets Domestically

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

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

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

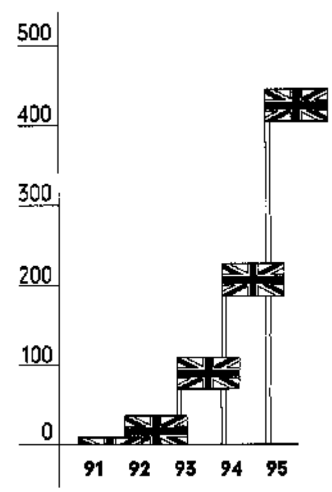
• Our TELE-TV joint venture with Bell Atlantic and Pacific Telesis is getting ready to entertain you, delivering nationally branded entertainment and information services over our networks. As NYNEX and its partners work to deploy full-service broadband networks, we plan to begin offering TELE-TV service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

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

Expanding Our Markets Globally

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

NYNEX CableComms Subscribers*
(in thousands)



*Includes subscribers for residence and business telecommunications services and cable TV. Some customers subscribe to more than one service.

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

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

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

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

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

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

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

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

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

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

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

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

Ivan

Ivan Seidenberg
Chairman and
Chief Executive Officer

1995 Financial Results

Corporate Citizenship: Helping the Communities We Serve

As a leading corporate citizen, NYNEX gives high priority to helping people communicate through technology — and helping people enrich their lives. In 1995, we distributed approximately $19.5 million in grants, matching gifts and voluntary recognition program awards. Our grant-making philosophy is guided by three priorities:

1) Improve the quality of education;
2) Promote long-term wellness by supporting health and human-services programs; and
3) Promote diversity by sponsoring cultural and community partnerships.

For information about NYNEX's philanthropic programs, or for a complete list of contributions, write to, call or fax: NYNEX, Corporate Philanthropy, 1095 Avenue of the Americas, New York, NY 10036. Phone: (800) 360-7955; Fax: (212) 398-0951.

The e-mail address for Corporate Philanthropy is notes.sdubose@a50vm1.trg.nynex.com
Information about our philanthropic programs also is featured on NYNEX's World Wide Web site (http://www.nynex.com).

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

Nature of Operations

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

Business Restructuring

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

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

1995 and 1994 Additional Charges

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

Employee Reductions

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

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

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

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

Current Status

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

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

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

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

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

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

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

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

Severance Reserve

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

* 1994 includes $45 million of the 1991 severance reserves remaining at December 31, 1993.

The severance utilization amounts in 1995 and 1994 are comprised of $79 and $315 million, respectively, of severance reserves transferred to the pension liability and $3 and $22 million, respectively, utilized for other retiree costs.

Postretirement Medical Liability

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

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

Process Re-engineering

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

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

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

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

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

Current Status

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

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

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

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

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

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

Other Restructuring Charges

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

An additional $106 million ($69 million after-tax) was recorded in 1993 for write-offs of assets and accrual of loss contingencies directly associated with restructuring at other nontelephone subsidiaries. These reserves were not utilized in 1995, but were utilized in 1994 and 1993 in the amounts of $51 (primarily for the disposition of NYNEX Properties Company) and $9 million, respectively. It is estimated that the remaining balance of $46 million will be substantially utilized in 1996.

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

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

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

Results of Operations

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

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

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

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

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

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

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

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

Operating Revenues

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

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

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

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

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

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

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

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

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

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

Operating Expenses

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

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

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

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

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

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

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

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

Gain on sale of stock by subsidiary

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

Other income (expense) - net

(In millions)	1995	1994	1993
	$ (4.9)	$ (43.8)	$ (97.0)

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

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

Interest expense

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

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

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

Income (loss) from long-term investments

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

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

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

Income taxes

(In millions)	1995	1994	1993
	$ 640.9	$ 303.7	$ (172.7)

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

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

Extraordinary item

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

Capital Resources and Liquidity

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

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

Cash Flows from Operating Activities

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

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

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

Cash Flows from Investing Activities
Net cash used in investing activities was $3.9, $3.2 and $4.3 billion in 1995, 1994 and 1993, respectively.

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

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

Investment in leased assets: In 1995, the $71.6 million increase in investments in leased assets was the result of increased activity in the middle market portfolios at NYNEX Credit Company ("Credit Company").

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

Other investing activities: In 1995, cash flows from other investing activities - net were $518.3 million, $474.7 million higher than in 1994 as a result of investments in: PCS Primeco (a venture to provide national wireless communications services), BANX Partnership (a partnership formed to invest in wireless cable systems), Bayan Telecommunications Holdings Corporation, the Tele-TV Partnerships, FLAG and P.T. Excelcomindo Pratama and from the effect of cash received in 1994 from the exit from the information products and services business, partially offset by $90 million of cash received from the sale of cellular properties overlapping with Bell Atlantic Corporation's cellular properties prior to the formation of BANM.

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

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

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

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

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

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

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

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

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

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

Current and Future Financing Strategies

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

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

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

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

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

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

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

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

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

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

Financial Instruments

Financial Risk Management

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

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

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

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

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

Foreign Exchange Risk and Interest Rate Risk Management

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

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

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

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

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

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

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

Impact on Operations

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

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

Collective Bargaining Agreements

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

Competitive and Regulatory Environment

Competition

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

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

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

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

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

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

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

Significant regulatory developments of 1995 are discussed below.

State Regulatory

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

Massachusetts

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

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

New York

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

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

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

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

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

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

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

Federal Regulatory

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

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

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

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

Selected Financial and Operating Data

(In millions, except per share amounts)	1995	1994	1993	1992	1991
Operating revenues	$ 13,407	$ 13,307	$ 13,408	$ 13,183	$ 13,255
Operating expenses	$ 11,315	$ 11,550	$ 13,075	$ 10,655	$ 11,665
Interest expense	$ 734	$ 674	$ 660	$ 685	$ 726
Earnings (loss) before extraordinary item and cumulative effect of change in accounting principle	$ 1,069	$ 793	$ (272)	$ 1,311	$ 601
Extraordinary item for the discontinuance of regulatory accounting principles, net of taxes	$ (2,919)	$ —	$ —	$ —	$ —
Cumulative effect of change in accounting for postemployment benefits, net of taxes	$ —	$ —	$ (122)	$ —	$ —
Net income (loss)	$ (1,850)	$ 793	$ (394)	$ 1,311	$ 601
Earnings (loss) per share before extraordinary item and cumulative effect of change in accounting principle	$ 2.50	$ 1.89	$ (.66)	$ 3.20	$ 1.49
Extraordinary item per share	$ (6.84)	$ —	$ —	$ —	$ —
Cumulative effect per share of change in accounting principle	$ —	$ —	$ (.29)	$ —	$ —
Earnings (loss) per share	$ (4.34)	$ 1.89	$ (.95)	$ 3.20	$ 1.49
Dividends per share	$ 2.36	$ 2.36	$ 2.36	$ 2.32	$ 2.28
Property, plant and equipment-net	$ 17,055	$ 20,623	$ 20,250	$ 19,973	$ 19,915
Total assets	$ 26,220	$ 30,068	$ 29,458	$ 27,732	$ 27,503
Long-term debt	$ 9,337	$ 7,785	$ 6,938	$ 7,018	$ 6,833
Stockholders' equity	$ 6,079	$ 8,581	$ 8,416	$ 9,724	$ 9,120
Book value per share	$ 14.06	$ 20.26	$ 20.28	$ 23.51	$ 22.38
Capital expenditures†	$ 3,188	$ 3,012	$ 2,717	$ 2,450	$ 2,499
Network access lines in service	17.1	16.6	16.0	15.6	15.3

See Management's Discussion and Analysis of Financial Condition and Results of Operations for the effect of non-recurring items on 1995 results, and restructuring charges on 1995, 1994 and 1993 results of operations. Results of operations for 1991 include $841 million of pretax ($550 million after-tax) restructuring charges.

† Excludes additions under capital lease obligations, and prior to the discontinuance of Statement No. 71, the equity component of allowance for funds used during construction.

Report of Independent Accountants

To the Share Owners and Board of Directors of NYNEX Corporation:

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

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

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

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

Coopers & Lybrand L.L.P.

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

Report of Management

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

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

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

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

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

Ivan Seidenberg

Ivan Seidenberg
Chairman and Chief Executive Officer

Peter M. Ciccone

Peter M. Ciccone
Vice President and Comptroller

Consolidated Statements of Income

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

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

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

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

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

At December 31, 1995, there were 894,833 stockholders of record of common shares.

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the year ended December 31, (In millions)	1995	1994	1993
Cash Flows from Operating Activities:*			
Net income (loss)	$ (1,849.9)	$ 792.6	$ (394.1)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Extraordinary item, net of taxes	2,919.4	—	—
Depreciation and amortization	2,566.8	2,640.6	2,534.0
Amortization of unearned lease income – net	(92.1)	(82.0)	(91.7)
Deferred income taxes – net	156.8	(160.2)	(671.1)
Deferred tax credits – net	(42.0)	(49.8)	(59.7)
Gain on sale of stock by subsidiary	(264.1)	—	—
Changes in operating assets and liabilities:			
Receivables	(212.6)	(93.4)	(56.9)
Inventories	25.9	(4.1)	17.3
Prepaid expenses	(12.3)	(55.0)	14.8
Deferred charges and other current assets	118.3	255.9	(303.7)
Accounts payable	359.4	(190.2)	284.4
Other current liabilities	(257.8)	290.2	(47.7)
Other – net	232.0	355.1	2,424.6
Total adjustments	5,497.7	2,907.1	4,044.3
Net cash provided by operating activities	3,647.8	3,699.7	3,650.2
Cash Flows from Investing Activities:			
Capital expenditures	(3,188.1)	(3,012.2)	(2,717.2)
Investment in leased assets	(245.4)	(173.8)	(241.5)
Cash received from leasing activities	85.9	67.0	57.7
Other investing activities – net	(518.3)	(43.6)	(1,349.5)
Net cash used in investing activities	(3,865.9)	(3,162.6)	(4,250.5)
Cash Flows from Financing Activities:			
Issuance of commercial paper and short-term debt	13,940.3	18,230.0	14,438.6
Repayment of commercial paper and short-term debt	(13,981.2)	(19,905.6)	(11,985.6)
Issuance of long-term debt	136.4	1,556.2	2,410.9
Repayment of long-term debt and capital leases	(144.5)	(127.9)	(141.3)
Debt refinancing and call premiums	—	—	(3,120.3)
Issuance of common stock	222.7	213.2	98.3
Purchase of treasury stock	—	—	(92.3)
Dividends paid	(899.4)	(882.5)	(944.1)
Minority interest	289.2	359.2	5.0
Proceeds from sale of stock by subsidiary – net	610.3	—	—
Net cash provided by (used in) financing activities	173.8	(557.4)	669.2
Net (decrease) increase in Cash and temporary cash investments	(44.3)	(20.3)	68.9
Cash and temporary cash investments at beginning of year	137.5	157.8	88.9
Cash and temporary cash investments at end of year	$ 93.2	$ 137.5	$ 157.8

* Excludes non-cash effects of deconsolidation of cellular subsidiary in 1995. (See Note F.)

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

A Accounting Policies

Nature of Operations

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

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

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

Basis of Presentation

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

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

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

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

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

Cash and Temporary Cash Investments

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

Inventories

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

Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

B Discontinuance of Regulatory Accounting Principles

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

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

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

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

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

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

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

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

	Average lives (in years)	
	Composite Regulator-Approved Asset Lives	Economic Asset Lives
Digital Switching	16.5	12.0
Circuit – Other	10.5	8.0
Aerial Metallic Cable	21.0	17.0
Underground Metallic Cable	25.0	15.0
Buried Metallic Cable	24.0	17.0
Fiber	26.0	20.0

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

C Income Tax

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

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

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

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

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

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

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

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

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

* A valuation allowance was established in 1993 primarily for capital losses generated from the exit from the information products and services business. During 1995 and 1994, the valuation allowance decreased by $12.5 and $71.7 million, respectively, primarily due to tax planning strategies.

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

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

D Employee Benefits

Pensions

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

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

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

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

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

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

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

Postretirement Benefits Other Than Pensions

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

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

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

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

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

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

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

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

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

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

Regulatory Treatment

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

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

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

Postemployment Benefits

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

E Property, Plant and Equipment – Net

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

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

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

F Long-term Investments

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

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

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

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

Bell Atlantic NYNEX Mobile Cellular Partnership

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

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

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

Other Long-term Investments

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

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

G Financial Commitments and Guarantees

As of December 31, 1995, NYNEX had invested approximately $46.5 million in FLAG. NYNEX is the managing sponsor of FLAG and holds a 38% equity interest and a 41% funding obligation in the venture. Under the terms of the FLAG project documentation and the related financing agreements, NYNEX's obligation to furnish its pro rata share of funding would require additional cash contributions of approximately $181 million to FLAG. The contributions are anticipated to be completed by the end of 1997.

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

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

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

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

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

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

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

H Long-term Debt

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

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

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

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

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

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

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

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

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

I Short-term Debt

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

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

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

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

J Minority Interest

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

Financing of Operations in the United Kingdom

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

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

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

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

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

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

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

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

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

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

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

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

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

NYNEX's policy is to recognize in income any gains or losses related to the sale of stock by an investee. NYNEX recognized an after-tax gain on the IPO of $155.1 million in the second quarter of 1995, net of $109.0 million in deferred taxes, in recognition of the net increase in the value of NYNEX's investment in CableComms.

Other Financing

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

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

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

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

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

K Stockholders' Equity

Preferred Stock

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

Common Stock

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

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

Dividends Declared from Additional Paid-In Capital

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

Shareholder Rights Agreement

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

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

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

Leveraged Stock Ownership Plan

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

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

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

L Stock Option Plans

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

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

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

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

Stock Options	Shares	Price Range Per Share
Outstanding at December 31, 1992	9,453,140	$27.60 to $88.13
Granted prior to stock split	806,891	$70.63 to $88.88
Exercised prior to stock split	(644,196)	$31.34 to $88.13
Canceled prior to stock split	(79,473)	$69.13 to $88.13
Stock split	9,519,950	
Granted after stock split	16,595	$42.32 to $46.07
Exercised after stock split	(281,500)	$16.50 to $44.07
Canceled after stock split	(106,605)	$21.91 to $44.07
SSI net activity*	(16,412)	$13.80 to $18.98
Outstanding at December 31, 1993	18,668,390	$13.80 to $46.07
Granted	14,724,360	$37.94 to $39.88
Exercised	(261,131)	$21.91 to $36.13
Canceled	(716,391)	$32.97 to $44.07
Outstanding at December 31, 1994	32,415,228	$24.69 to $46.07
Granted	3,169,470	$33.00 to $50.19
Exercised	(3,559,057)	$24.69 to $42.66
Canceled	(353,216)	$35.32 to $44.07
Outstanding at December 31, 1995	31,672,425	$32.75 to $50.19

* NYNEX acquired Stockholder Systems, Inc. ("SSI") in 1990, and SSI employees could exercise SSI options for NYNEX common stock. SSI was sold in 1994, and SSI options are no longer exercisable.

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

There were 20,977,556 and 16,604,260 stock options exercisable at December 31, 1995 and 1994, respectively. In January 1996, options to purchase approximately 11 million shares of common stock were granted under the stock option plans established on March 31, 1992, and options to purchase approximately 5 million shares of common stock were granted under the 1995 Stock Option Plan.

M Leases

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

(In millions)	Operating	Capital
1996	$ 142.0	$ 19.7
1997	113.4	15.8
1998	102.8	14.9
1999	86.4	11.5
2000	69.0	11.3
Thereafter	389.7	381.6
Total minimum lease payments	$ 903.3	454.8
Less: executory costs	—	11.4
Net minimum lease payments	—	443.4
Less: interest	—	370.8
Present value of net minimum lease payments	—	$ 72.6

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

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

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

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

N Financial Instruments

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

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

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

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

Fair Value of Financial Instruments

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

	1995		1994	
(In millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Non-Derivatives:				
Long-term investments:				
Practicable to estimate fair value	$ 492.1	$1,055.8	$ 492.2	$ 990.8
Not practicable	1,296.6	1,296.6	1,206.0	1,206.0
Long-term debt	7,336.3	7,712.9	7,714.6	7,083.5
Derivatives:*				
Assets	11.4	18.2	11.8	18.3
Liabilities	(36.9)	(50.0)	(7.5)	(100.5)

*The carrying amounts in the table are included in Deferred charges and other assets, Other current liabilities, and Other long-term liabilities and deferred credits.

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

Long-term investments

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

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

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

O Additional Financial Information

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

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

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

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

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

P Supplemental Cash Flow Information

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

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

Q Revenues Subject to Possible Refund

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

R Business Restructuring

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

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

S Litigation and Other Contingencies

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

Supplementary Information

Quarterly Financial Data (Unaudited)

(In millions, except per share amounts)	For the quarter ended March 31,	June 30,	September 30,	December 31,
1995				
Operating revenues	$ 3,354.2	$ 3,495.6	$ 3,252.8	$ 3,304.3
Operating income	$ 573.0	$ 396.7	$ 627.9	$ 494.6
Earnings before extraordinary item	$ 250.2	$ 240.8	$ 342.9	$ 235.6
Extraordinary item for the discontinuance of regulatory accounting principles, net of taxes	$ —	$(2,919.4)	$ —	$ —
Net income (loss)	$ 250.2	$(2,678.6)	$ 342.9	$ 235.6
Earnings per share before extraordinary item	$ .59	$ .56	$ .80	$ .55
Extraordinary item per share	$ —	$ (6.84)	$ —	$ —
Earnings (loss) per share	$ .59	$ (6.28)	$ .80	$ .55
Dividends per share	$ .59	$ .59	$ .59	$ .59
Market price:*				
High	$ 41.500	$ 43.125	$ 48.750	$ 54.000
Low	$ 35.875	$ 39.375	$ 39.250	$ 46.000
1994				
Operating revenues	$ 3,273.3	$ 3,311.6	$ 3,330.8	$ 3,390.9
Operating income	$ 595.5	$ 129.2	$ 583.0	$ 448.5
Net income	$ 290.6	$ 1.2	$ 302.5	$ 198.3
Earnings per share	$ .70	$ —	$ .72	$ .47
Dividends per share	$ .59	$ .59	$ .59	$ .59
Market price:*				
High	$ 41.375	$ 39.750	$ 39.125	$ 39.750
Low	$ 34.250	$ 33.250	$ 35.625	$ 36.250

* Market price obtained from the New York Stock Exchange-Composite Transactions Index.

Results for the first, second, third and fourth quarters of 1995 include $83.8, $165.9, $38.0 and $226.4 million, respectively, of pretax charges for pension enhancements, which were reflected in operating expenses. The after-tax effect of these charges was $53.8, $106.2, $23.7 and $143.1 million, respectively.

Results for the second quarter of 1995 include the effects of the discontinuance of regulatory accounting principles, recorded as an extraordinary item (see Note B); a $264.1 million ($155.1 million after-tax) "Gain on sale of stock by subsidiary" related to an initial public offering of equity in NYNEX CableComms (see Note J); and $210.5 million ($155.0 million after-tax) of special charges to meet various tax, benefit and legal obligations and contingencies, $199.0 million of which was included in operating expenses and $11.5 million of which was in Other income (expense) - net. Results for the third quarter of 1995 include a $123.8 million ($65.8 million after-tax) net gain resulting primarily from the sale of certain NYNEX Mobile assets and actuarial changes associated with BANM, and $102.6 million ($66.0 million after-tax) of special charges to meet various tax and legal obligations and contingencies. The third quarter pretax effect was distributed as follows: a $62.0 million gain in Other income (expense) - net, $39.0 million in operating expenses, and $1.8 million in interest expense. Results for the fourth quarter of 1995 include a net $33.8 million of pretax credits in operating expenses ($22.0 million after-tax) primarily due to revised estimates associated with benefit accruals, and a $13.7 million ($8.9 million after-tax) reduction in Interest expense on the revenue set aside as ordered by the NYSPSC, partially offset by a $15.0 million ($9.7 million after-tax) charge in operating expenses for a gross receipts tax settlement and a $17.4 million charge in Other income (expense) - net for an unrealized mark to market valuation adjustment on a financial instrument.

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

In the third quarter of 1995, there was a change in the presentation of gross receipts taxes that were collected from customers. In the first two quarters of 1995, these taxes were included in operating revenues and expenses. In the last two quarters, as a result of a tax law change, these taxes were no longer required to be collected.

Results for the second, third and fourth quarters of 1994 include $449.3, $31.2 and $213.0 million, respectively, of pretax charges for pension enhancements, which were reflected in operating expenses. The after-tax effect of these charges was $291.5, $20.5 and $140.8 million, respectively.

Results for the fourth quarter of 1994 include $51.9 million of pretax credits to pension and medical expense associated with plan amendments and favorable plan experience, and $30.1 million for research tax credits and federal and state tax credits, partially offset by a $10.8 million pretax charge for costs associated with planned exits from media communication ventures. The total pretax effect was distributed as follows: a $41.8 million benefit in operating expenses, a $30.1 million benefit in income taxes and a $0.7 million charge in Other income (expense) - net. The after-tax effect of these net benefits was an increase in net income of $55.9 million, of which $1.2 million was applicable to the fourth quarter.

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

Proxy Statement

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Notice of Annual Meeting of Share Owners

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

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

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

Morrison DeS. Webb

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

March 18, 1996

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

Proxy Statement

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

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

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

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

Voting of Shares

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

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

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

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

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

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

Security Ownership of Certain Beneficial Holders and Management

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

	Total Number of Shares(1)	Shares Subject to Options (included in total)(2)	Percent of Class
FMR Corp., 82 Devonshire Street, Boston, MA 02109	30,296,289(3)	N/A	7.05(3)
John Brademas	1,300	0	*
Randolph W. Bromery	1,020	0	*
Richard L. Carrion	125	0	*
Lodewijk J.R. de Vink	83	0	*
Stanley P. Goldstein	2,500	0	*
Richard A. Jalkut	175,229(4)	146,661	*
Helene L. Kaplan	2,500	0	*
Elizabeth T. Kennan	1,345	0	*
Edward E. Phillips	1,851	0	*
Hugh B. Price	42	0	*
Donald B. Reed	95,431(4)	83,795	*
Frederic V. Salerno	218,669(4)	177,789	*
Ivan G. Seidenberg	206,223(4)	164,731	*
Alan Z. Senter	54,657(4)	38,858	*
Walter V. Shipley	2,500	0	*
John R. Stafford	4,200	0	*
All Executive Officers and Directors (as a group)	1,454,521(4)	1,137,481	*

* Less than 1% of outstanding Shares of NYNEX Common Stock.

(1) Except as otherwise noted, all persons listed in the table have sole voting and investment power with respect to their Shares.

(2) Shares subject to acquisition through exercise of stock options within 60 days.

(3) Based on Schedule 13G dated February 14, 1996, filed with the SEC by FMR Corp. The Schedule 13G filing was made on behalf of FMR Corp., Edward C. Johnson III, Chairman of FMR Corp., and who, together with family members and trusts, represents a controlling group of FMR Corp., Fidelity Management & Research Company ("FMRC"), a wholly owned subsidiary of FMR Corp., Fidelity Management Trust Company ("FMTC"), a wholly owned subsidiary of FMR Corp., and Fidelity International Limited ("FIL"), an independent Bermudian joint stock company affiliated with Mr. Johnson and members of his family. The Schedule 13G reports that as of December 31, 1995: FMR Corp. had sole voting power with respect to 2,986,280 Shares, shared voting power with respect to no Shares, sole dispositive power with respect to 30,296,289 Shares and shared dispositive power with respect to no Shares; Mr. Johnson had sole dispositive power with respect to 30,296,289 Shares, shared dispositive power with respect to no Shares, sole voting power with respect to 2,986,280 Shares and shared voting power with respect to no Shares; FMRC was the beneficial owner of 25,800,109 Shares as a result of acting as investment advisor to certain investment companies; FMTC was the beneficial owner of 4,204,130 Shares as a result of serving as investment manager of certain institutional accounts; and FIL was the beneficial owner of 292,050 Shares as the result of providing investment advisory and management services to a number of non-U.S. investment companies and certain institutional investors.

(4) Includes Shares held in the NYNEX Corporation Savings Plan for Salaried Employees.

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

Board of Directors

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

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

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

Committees of the Board

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

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

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

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

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

Compensation of Directors

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

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

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

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

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

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

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

Election of Directors

(Item A on Proxy Card)

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

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

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

Nominees for Election at this Meeting

Class III–Terms expiring at 1999 Annual Meeting

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

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

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

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

Incumbent Members of Board of Directors

Class I–Terms expiring at 1997 Annual Meeting

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

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

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

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

Class II –Terms expiring at 1998 Annual Meeting

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

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

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

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

Ratification of Appointment of Auditors

(Item B on Proxy Card)

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

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

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

Your Board of Directors recommends a vote FOR ratification.

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

(Item C on Proxy Card)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Your Board of Directors recommends a vote FOR this proposal.

Share Owners' Proposals

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

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

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

The supporting statement by the proponent is:

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

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

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

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

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

Your Board of Directors recommends a vote AGAINST this proposal.

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

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

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

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

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

Share Owner Proposal 2:
Mr. Hans R. Reinisch, 155 West 68th Street, New York, New York 10023, record owner of 800 shares of NYNEX Common Stock, has submitted the following proposal:

"RESOLVED: 'That the NYNEX Corporation specifically list in its annual report all donations and contributions made to charitable and not-for-profit organizations by NYNEX and any subsidiaries, and that the total amount contributed during the course of the year be stated as a separate item in the financial tables of the annual report — especially since this is a very large amount nearing the $20 million mark!'"

"SUPPORTING STATEMENT: 'At recent annual meetings a number of fellow shareholders strongly supported my contention that a list of charitable contributions could easily be printed on one page of the annual report, except for smaller matching contributions for employees' donations. Despite the usual misguided opposition by the Board of Directors and management to this and other shareholder resolutions, the number of shares voted in favor of my resolution has nearly doubled during the past few years.

'On one hand NYNEX claims that its charitable contributions are of vital importance to the corporation because these donations enhance its standing in the community and improve its public image! Why then exclude this vital information from the annual report and try to hide it from the shareholders?

'Nevertheless, the Board and management continue to claim that it would be too "costly" and "burdensome" to provide only a one page listing of contributions in the annual report. What utter nonsense! In the annual report and other corporate publications dozens of pages of photography and art work are printed at far greater cost, providing no particular useful information to shareholders or potential investors.

'And as to NYNEX's offer to send a listing of contributions to shareholders requesting this information, shareholders have communicated to me that either they never received a response or that only a summary of the largest contributions was sent.

'One particularly outrageous contribution made by NYNEX and which the Board of Directors has refused to explain for the past several years is why a senior NYNEX officer was provided with a $100,000 donation upon her retirement to start her own foundation. Unless there is full public disclosure questionable donations will be made on an ongoing basis.

'Yet NYNEX refuses to contribute to Planned Parenthood because its policies are too controversial. Nevertheless, it is willing to support equally controversial religious institutions which are strongly opposed to a woman's right to choose.

'No, it is not our intention to question each and every contribution and decision made by the NYNEX Foundation. However, under a veil of secrecy lasting many years, a clear pattern of favoritism and questionable donations has emerged. Full disclosure in the annual report may induce the Foundation to be more even-handed and equitable in the distribution of funds, which after all belong to the shareholders.

'The $20 million distributed annually to charities in behalf of NYNEX shareholders should be done more equitably and better reflect the diversity of the shareholders and customers of the corporation.

'If the $20 million distributed annually to charities in behalf of NYNEX and its shareholders, is so useful for enhancing our public image and standing in the community this information must be included in the annual report!'"

Your Board of Directors recommends a vote AGAINST this proposal.

The NYNEX contributions process is conducted in an entirely open manner with full disclosure. The Board has long recognized that contributions information should be available to NYNEX Share Owners and NYNEX has made that information available. However, the Annual Report to Share Owners is intended to be a synopsis of business activity in a given year rather than a detailed accounting. Therefore, we have consistently highlighted and described NYNEX's philanthropic programs and contributions in a detailed Corporate Responsibility Report available to all Share Owners upon request. This report describes the grant programs and the contribution guidelines pursuant to which these programs are selected. Moreover, specific listings of corporate contributions are fully disclosed, as required, to federal and state regulatory agencies and are available to the public on request. The Board of Directors believes that to go beyond the aforementioned policy, that is, to provide detailed information to the over one million NYNEX Share Owners, when not more than a few hundred have expressed an interest, would not be prudent or practical.

In 1995, the NYNEX family of companies made charitable grants totaling approximately $19.5 million, reflecting NYNEX's strong commitment to corporate social responsibility. In addition, NYNEX has instituted programs that encourage and recognize employee participation in community service, resulting in many thousands of employee hours devoted to charitable work without compensation. The Board of Directors is justifiably proud of NYNEX's philanthropic efforts and will continue to share this information with interested parties.

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

Share Owner Proposal 3:
Mr. John J. Gilbert and Mrs. Margaret R. Gilbert, 29 East 64th Street, New York, New York 10121-7043, co-trustees of family trusts holding 3,058 shares of NYNEX Common Stock and owning of record an additional 252 shares, and Ms. Edith Rudy and Mr. Edward Rudy, owners of 413 shares of NYNEX Common Stock, have stated that they intend to have the following proposal presented at the Meeting:

"RESOLVED: 'That the stockholders of NYNEX Corporation, assembled in annual meeting in person and by proxy, hereby request the Board of Directors to take the steps necessary to provide for cumulative voting in the election of directors, which means each stockholder shall be entitled to as many votes as shall equal the number of shares he or she owns multiplied by the number of directors to be elected, and he or she may cast all of such votes for a single candidate, or any two or more of them as he or she may see fit.'"

"REASONS: 'A California law provides that all state pension holdings and state college funds, invested in shares must be voted in favor of cumulative voting proposals, showing increasing recognition of the importance of this democratic means of electing directors.

'The National Bank Act provides for cumulative voting. In many cases companies get around it by forming holding companies without cumulative voting. Banking authorities have the right to question the capability of directors to be on banking boards. In many cases authorities come in after and say the director or directors were not qualified. We were delighted to see the SEC has finally taken action to prevent bad directors from being on boards of public companies. The SEC should have hearings to prevent such persons becoming directors before they harm investors.

'We think cumulative voting is the answer to find new directors for various committees.

'Some recommendations have been made to carry out the CERES 10 points. The 11th should be, in our opinion, having cumulative voting and ending staggered boards.

'When Alaska became a state it took away cumulative voting over our objections. The Valdez oil spill might have been prevented if environmental directors were elected through cumulative voting. The huge derivative losses might have also been prevented with cumulative voting.

'Many successful corporations have cumulative voting. Example, Penzoil defeated Texaco in that famous case. Ingersoll-Rand also having cumulative voting won two awards. *Fortune* magazine ranked it second in its industry as "America's Most Admired Corporations" and the *Wall Street Transcript* noted "on almost any criteria used to evaluate management, Ingersoll-Rand excels." In 1994 and 1995 they raised their dividend.

'Lockheed-Martin, as well as VWR Corporation now have a provision that if anyone has 40% of the shares cumulative voting applies, it applies at the latter company.

'In 1995 American Premier adopted cumulative voting. Allegheny Power Systems tried to take away cumulative voting, as well as put in a stagger system, and stockholders defeated it, showing stockholders are interested in their rights.

'If you agree, please mark your proxy for this resolution; otherwise it will automatically be cast against it, unless you have marked to abstain.'"

Your Board of Directors recommends a vote AGAINST this proposal.

The Board of Directors believes that the present system of electing Directors, in which those Directors receiving a plurality of votes cast by the Share Owners as a whole are elected, best represents the interests of all NYNEX Share Owners. Electing Directors in this manner avoids the aggravated conflicts that can occur in Board activities when a Director is elected by a narrow constituency, which cumulative voting rules would foster.

Cumulative voting is a device that can be used by relatively small factions of Share Owners to elect a Director through 'stacking' of their votes. Directors elected in such a manner may have their loyalty and judgement compromised and directed toward the interests of the particular constituency responsible for their election. This may lead to partisanship among Directors and interfere with each Director's fiduciary responsibility to act in the best interest of all NYNEX Share Owners. Furthermore, cumulative voting can be employed as a coercive tactic, such as threatening to obtain Board representation, in an effort to unduly influence management.

The majority of companies listed on the New York Stock Exchange elect their directors in a fashion similar to NYNEX. The Board of Directors believes that the present electoral method is the most universally accepted, appropriate and democratic practice available and should be retained.

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

Other Matters To Come Before the Meeting

An address by the Chairman is planned, followed by a general discussion period during which Share Owners will have an opportunity to ask questions about the business of NYNEX.

If any matter not described herein should come before the Meeting, the Proxy Committee of the Board of Directors will vote the Shares represented by it in accordance with its best judgment. At the time this proxy statement went to press, NYNEX knew of no other matters which might be presented for Share Owner action at the Meeting, with the exception of matters omitted from this proxy statement pursuant to the rules and regulations of the SEC.

Submission of Director Nominations, Proposals or Other Business at Share Owner Meetings

Proposals intended for inclusion in next year's proxy statement should be sent to the Secretary of NYNEX Corporation, 1095 Avenue of the Americas, New York, New York 10036, and must be received by November 18, 1996.

Share Owners who do not submit proposals for inclusion in the proxy statement but who intend to present a proposal, nomination for Director, or other business for consideration at any meeting of Share Owners are required to notify the Secretary of NYNEX of their intentions and provide certain other information in advance of such meeting, in accordance with the procedures detailed in the NYNEX By-Laws. Share Owners interested in making any nomination or proposal should request a copy of the By-Laws from the Secretary of NYNEX.

Committee on Benefits Report on Executive Compensation

To our Share Owners:

A primary role of the Committee on Benefits ("Committee") is to determine and oversee the administration of compensation for NYNEX's Executive Officers. In this capacity, the Committee is dedicated to ensuring that NYNEX's compensation policies and practices are used effectively to support the achievement of NYNEX's short and long term business objectives. In carrying out its responsibilities, the Committee reviews the recommendations of compensation consulting firms engaged by NYNEX. There are several principles that guide the Committee in its decision-making capacity. The Committee:

- Emphasizes a pay-for-performance philosophy, ensuring that overall compensation paid to Executive Officers reflects the fulfillment of NYNEX's key goals.
- Reinforces the central importance of Share Owner value creation through the use of several key compensation plans, each of which provides Executive Officers with value when Share Owners realize corresponding gains.
- Encourages NYNEX stock ownership by Executive Officers with the objective of strengthening the common interests of management and Share Owners, thereby promoting the maximization of Share Owner value.

• Targets executive compensation levels at rates that are consistent with levels at comparable companies ("Comparable Companies"), consisting of the six other Regional Holding Companies, as well as 123 large industrial companies with revenues in excess of $1 billion, and 24 industrial companies with sales of approximately $15 billion, selected by compensation consulting firms advising the Committee.

• Maintains a total compensation perspective on executive pay in judging the appropriateness of rewards for NYNEX's Executive Officers.

In 1995, the Committee approved a completely new compensation program for NYNEX's Executive Officers. This program is characterized by long intervals between salary adjustments; a strong and direct connection between compensation and NYNEX's stock price; a single, streamlined compensation plan to replace the prior Executive and Senior Management Short and Long Term Incentive Plans; mandatory deferral of a portion of incentive earnings; and an enhanced emphasis on stock options.

The Committee believes that the new compensation program will serve as a powerful catalyst for directing Executive Officer activities in support of NYNEX's goal achievement and that it will appropriately recognize the contributions of the Executive Officer group.

Description of Executive Compensation Policies
It is NYNEX's policy to target levels of Executive Officer compensation to reflect pay rates that are typical at Comparable Companies. Consistent with NYNEX's pay-for-performance orientation, actual compensation levels may lead or lag target rates, but under the terms of the new compensation framework, such variances depend on NYNEX's stock price appreciation and demonstrated operating success.

The principal elements of the new compensation program are a merit-driven base salary; a single, value creation based, variable compensation opportunity; and stock options. In addition, NYNEX has terminated its supplemental executive defined benefit pension plan and replaced it with a defined contribution plan in which one-half of all annual contributions to an Executive Officer's account must be invested in shares of NYNEX Common Stock.

During 1994, the compensation consulting firm provided the Committee with survey information comparing NYNEX's Executive Officer compensation to median 1994 executive compensation at Comparable Companies. This data indicated that NYNEX Executive Officers' salaries paid in 1994 and total compensation were approximately at the median paid by Comparable Companies. The Committee has used this comparison to assist it in setting 1995 salary levels, variable compensation award target levels, and stock option grants.

Section 162(m) of the Internal Revenue Code of 1986 (the "Code") generally denies a tax deduction to any publicly-held corporation for compensation that exceeds $1 million paid to any proxy-named executive in a taxable year, subject to an exception for "performance-based compensation" as defined in the Code and subject to certain transition provisions. Base salaries paid to such NYNEX Executive Officers for 1995 will continue to be tax-deductible since no such amount will exceed the $1 million limit. Compensation for such NYNEX Executive Officers for 1995 received under the variable compensation plan also should qualify for the "performance-based compensation" exception since the Share Owner-approved terms of the Executive Officer Short Term Incentive Plan comply with the stipulated requirements of Section 162(m) governing the tax deductibility of such income. Gains on the exercise of non-qualified stock options granted through December 31, 1995 should be fully deductible since the Share Owner approved terms of the 1995 Stock Option Plan also comply with the stipulated requirements of Section 162(m). Notwithstanding the Committee's belief that Executive Officer compensation will be fully deductible, the Committee reserves the right to pay compensation that is not tax-deductible if it is determined to be in the best interests of NYNEX and its Share Owners.

Salary. In 1995, the Committee changed its policy of annual salary reviews to one of considering the salary level of each Executive Officer once every 18 months. The longer intervals between salary actions allow the Committee to assess more accurately the contributions of each Executive Officer and to make salary decisions accordingly.

NYNEX's executive compensation policy is to establish new Executive Officer salaries at levels that reflect the median salaries paid by Comparable Companies. In determining salary levels paid by Comparable Companies, NYNEX reviews a number of executive compensation surveys conducted by various consulting firms which include information regarding salaries paid by the companies shown in the Share Owner Return Performance Graph contained in this proxy statement.

Salaries for experienced Executive Officers are expected to vary from those of entry level Executive Officers, reflecting the incumbent's demonstrated contributions to NYNEX's goal achievement. In assessing whether salary increases are warranted, the Committee's principal consideration is the Executive Officer's performance on the job, including the impact such Executive Officer has had on effecting strategic change. The Committee also reviews any or all of the following factors in assessing salary actions:

- Internal compensation equity;
- Compensation practices for Comparable Companies; and
- The Executive Officer's level of responsibility, experience, and expertise.

Executive Officer Short Term Incentive Plan. The Committee believes that the new Executive Officer Short Term Incentive Plan ("Short Term Plan") is a cornerstone in reinforcing NYNEX's pay-for-performance philosophy. Beginning in 1995, awards from this program represent the only cash-based incentive compensation opportunity available to Executive Officers. The Short Term Plan is characterized by its method of solely rewarding accomplishments that create value for all NYNEX Share Owners.

The Short Term Plan provides Executive Officers with the opportunity to earn incentive compensation from two sources:

- Achievement of annual performance goals that correlate with value creation; and
- NYNEX's Total Share Owner Return compared to the returns generated by the Comparable Companies.

The sum of the awards earned relative to these accomplishments comprises an Executive Officer's overall incentive compensation reward. Payment of one-half of the incentive award is mandatorily deferred, and deferred account balances are credited with interest each year at a rate equal to NYNEX's annualized Total Share Owner Return over the preceding three-year period. One-half of an Executive Officer's deferred account balance is distributed after the end of each year; the remaining deferred account balance carries over to future years. The account balance is paid out in full only upon the Executive Officer's retirement or other termination from service.

Annual Performance Goals. Each year, the Committee reviews management's suggestions and recommends for Board of Directors' ("Board") approval performance goals, the achievement of which will enhance NYNEX's value. The Committee also reviews and recommends to the Board maximum levels of performance for determining the ultimate payment of awards. For this purpose, maximum means the level of performance above which no incremental incentive awards will be paid. Achievement of the maximum performance level results in an award that is equal to one-half of the maximum possible incentive compensation payment.

For Executive Officers in 1995, the approved goals were exclusively financial and related to pre-established levels of NYNEX Net Income and Cash Flow Return on Investment. The Committee also recommended, and the Board approved, Service Quality standards at each organization level, the achievement of which were intended to modify incentive award levels for every Executive Officer. In 1995, there were no other factors the Committee considered in determining Executive Officer incentive compensation awards.

Total Share Owner Return. Executive Officers also earn incentive awards based on NYNEX's Total Return to Share Owners (stock price growth and dividends paid over the previous twelve-month period) compared to the returns generated by the six other Regional Holding Companies. Top relative ranking by NYNEX yields awards equal in size to one-half of the maximum incentive payment permissible for the Executive Officer under the plan. Lower NYNEX rankings generate proportionally smaller awards.

The levels of incentive compensation earned by the proxy-named executives for the 1995 fiscal year are reflected in the "Bonus" column of the Summary Compensation Table contained in this proxy statement. For the 1995 performance year, the Committee determined that the Corporate Net Income goal had been achieved, the Cash Flow Return on Investment had been achieved, and taking into account performance against Service Quality imperatives, the Committee awarded Executive Officers 41% of their maximum incentive awards. The Committee also determined that NYNEX's Total Share Owner Return for the year placed it fourth relative to the Comparable Companies and, therefore, awarded 25% of the maximum incentive award for this factor for a total award of 66% of the maximum award payable to Executive Officers. One-half of these awards were automatically deferred in accordance with the terms of the Short Term Plan.

Senior Management Long Term Incentive Plan. No grants were made under this plan in 1995, and no future grants are planned; however, the payout of the 1992-1995 performance period is reflected in the Summary Compensation Table. In addition, any payouts for the 1993-1996 and the 1994-1997 performance periods will be contained in future proxy statements as these performance periods are completed.

Each year, the Committee recommends to the Board for approval grants of long term incentive awards to Executive Officers. The Committee establishes a maximum award based on an assessment of the average long term award levels at Comparable Companies. Long term incentive opportunities reinforce NYNEX's policy of requiring stock ownership by Executive Officers in support of building Share Owner value. Plan participants have the opportunity to earn incentive compensation over a four-year performance period based on two factors, each accorded equal weight:

- Return to Share Owners
- Corporate achievement of strategic objectives

Return to Share Owners. Payment of one-half of the maximum award is determined by reference to NYNEX's Total Return to Share Owners (stock price growth and dividends paid over a four-year period) as compared with the returns generated by the six other Regional Holding Companies. A top relative ranking of NYNEX yields awards equal in size to one-half of the maximum long term incentive awards payable under this plan. Lower rankings of NYNEX generate proportionally smaller awards.

Strategic Objectives. Payment of the remaining one-half of the maximum award reflects the Committee's assessment of management's effectiveness during the four-year period in positioning NYNEX for future success. In conducting its assessment, the Committee considers: regulatory and legislative progress, business growth and focus, customer service and quality, and employee-related issues, each accorded approximately equal weight. The Committee can recommend to the Board for its approval payment of up to one-half of the maximum long term incentive award payable under this plan for strategic accomplishments.

Awards are paid at the completion of each performance period in a combination of cash and shares of NYNEX stock. Participants may elect the extent to which they are paid in stock. However, to encourage stock ownership among Executive Officers, a minimum of one-half of the value of the award must be paid in NYNEX stock.

For the 1992-1995 performance period, the Committee determined that NYNEX's Total Return to Share Owners over the period relative to the other six Regional Holding Companies was below the target level and, therefore, awarded 16.7% of the maximum long term incentive award for this factor. The Committee also determined that there was significant progress in implementing NYNEX's strategic objectives and that the target objective level had been exceeded and, therefore, awarded to Executive Officers a payout of 50% of the maximum long term award for this factor, for a total payout of 66.7% of the maximum award payable to Executive Officers.

Stock Option Plan. Each year, the Committee recommends to the Board for approval grants of stock options to Executive Officers. Stock options provide Executive Officers with the opportunity to acquire an equity interest in NYNEX and to participate in the creation of Share Owner value as reflected in growth in the price of NYNEX Common Stock. Under the terms of the plan, the option exercise price is equal to 100% of the fair market value of NYNEX Common Stock on the date of option grant, thereby ensuring that plan participants will derive benefits only as Share Owners realize corresponding gains. To ensure a long term perspective, options have a ten-year term and become exercisable at the cumulative rate of one-third per year for the first three years.

The number of options the Committee may grant in a plan year to the Chief Executive Officer and other proxy-named Executive Officers is limited by the plan, in each case, to 250,000 options. The actual number of options granted is based upon competitive compensation practices, as reflected in the surveys of Comparable Companies as prepared by the consulting firm and the individual Executive Officer's performance as compared to the performance of the other Executive Officers.

The Committee believes that the practice of granting stock options annually reinforces NYNEX's policy of requiring stock ownership by Executive Officers. Furthermore, options only provide value to Executive Officers when Share Owners realize positive returns on their investment in NYNEX. In this way, stock option grants reward Executive Officers only in conjunction with value creation for Share Owners.

Restricted Stock Award Plan. The Committee also administers the Restricted Stock Award Plan and determines the key employees to whom Restricted Stock awards will be granted, the number of shares of NYNEX Common Stock with respect to which Restricted Stock awards will be made, the applicable restriction periods and any other terms and conditions of each award. The purpose of the plan is to attract and retain selected individuals of exceptional skill. The grant criteria reflect the Committee's assessment of the requirements for hiring and retaining the particular individual. Restricted Stock awards were granted in 1995 to certain newly appointed NYNEX Officers, but none to the proxy-named Executive Officers.

Rationale for Chief Executive Officer ("CEO") Compensation in Last Fiscal Year

Salary. The CEO's salary is based solely upon competitive compensation practices. Mr. Seidenberg was named President and CEO of NYNEX on January 1, 1995. On January 1, 1995, his annual salary rate was increased to $640,000 to give recognition to his new position and to bring it more in line with compensation of other CEOs in Comparable Companies.

Short Term Incentive Compensation. Mr. Seidenberg's variable incentive award for 1995 reflected NYNEX's financial performance discussed above. In accordance with the terms of the plan, the Committee recommended to the Board that it approve an award for Mr. Seidenberg equal to 66% of his maximum possible award.

Long Term Incentive Compensation. Mr. Seidenberg's available long term incentive awards are also a function of salary and are based on compensation practices for similar jobs in Comparable Companies. As discussed above under the heading Senior Management Long Term Incentive Plan, Return to Share Owners and strategic objectives are each accorded equal weight in determining long term incentive compensation. In 1996, the Committee recommended to the Board a long term award for the 1992-1995 performance period under the Senior Management Long Term Incentive Plan. It was the Committee's assessment that there was significant progress in implementing NYNEX's strategic objectives. The Committee believes that such strategic accomplishment should serve as a platform for future business success and resultant appreciation of Share Owners' investment over the long term. The Committee also considered Total Return to Share Owners, which was below the target level over the period relative to the other six Regional Holding Companies.

Stock Options. In January 1995, the Committee awarded Mr. Seidenberg options to purchase 105,727 shares of NYNEX Common Stock at a price of $36.32 per share, which was the fair market value at that time. The number of options granted reflected the Committee's assessment of competitive compensation practices and Mr. Seidenberg's individual contribution toward the achievement of NYNEX's strategic objectives.

Summary

The Committee is responsible for reviewing, monitoring and approving for presentation to the non-employee Directors of the Board, for their approval, all compensation decisions affecting NYNEX Executive Officers. The Committee endeavors to ensure that the entire remuneration paid to Executive Officers is consistent with NYNEX's interest in providing market competitive compensation opportunities, reflective of its pay-for-performance philosophy, and supportive of its business mission. We will continue to actively monitor the effectiveness of NYNEX's executive compensation plans and assess the appropriateness of executive pay levels to assure prudent use of NYNEX's resources.

John R. Stafford, Chairperson   Richard L. Carrion

Lodewijk J.R. de Vink   Helene L. Kaplan

Compensation Committee Interlocks and Insider Participation

Mr. Ivan Seidenberg, Chairman of the Board and Chief Executive Officer of NYNEX, is a Director of Melville Corporation and serves as a member of its Compensation Committee. Mr. Stanley Goldstein, Chairman of the Board and Chief Executive Officer of Melville Corporation, serves on the NYNEX Board of Directors but does not serve on NYNEX's Committee on Benefits.

Summary Compensation Table

The following table shows, for the fiscal years ending December 31, 1993, 1994, and 1995, the cash compensation, as well as certain other compensation, paid or accrued to the named Executive Officers by NYNEX and its subsidiaries.

		Annual Compensation			Long Term Compensation			
					Awards		Payouts	
Name and Principal Position (1) at December 31, 1995	Year	Salary($)	Bonus($)(2)	Other($)(3)	Restricted Stock Awards ($)(4)	Securities Underlying Options(#)	Long Term Incentive Payouts($)	All Other Compensation($)(5)
Ivan G. Seidenberg	1995	640,000	844,800	50,613	0	105,727	288,480	369,552
Chairman of the Board and	1994	540,000	189,000	62,598	380,520	40,248	231,312	26,371
Chief Executive Officer	1993	474,000	222,000	46,267	0	38,892	37,170	20,052
Frederic V. Salerno	1995	530,000	699,600	48,332	0	87,555	289,438	305,330
Vice Chairman of the Board –	1994	491,000	278,000	64,636	380,520	40,248	233,478	26,967
Finance and Business Development	1993	474,000	313,500	47,459	0	38,892	57,326	20,661
Richard A. Jalkut	1995	500,000	620,000	47,090	0	82,599	334,561	276,393
President and Group Executive –	1994	464,000	153,000	58,888	359,520	37,302	215,353	24,566
NYNEX Telecommunications	1993	416,000	209,500	45,262	0	18,018	36,746	19,960
Alan Z. Senter	1995	411,000	396,000	49,747	0	60,573	0	222,108
Executive Vice President and	1994	133,000	100,000	11,183	600,000	56,000	0	1,500
Chief Financial Officer	1993							
Donald B. Reed	1995	370,000	429,600	29,028	0	55,011	152,344	199,783
President and Group Executive –	1994	341,000	194,000	32,599	272,500	27,420	99,647	18,355
External Affairs & Communications	1993	293,000	139,500	23,514	0	8,190	29,832	13,815
William C. Ferguson	1995	200,000	264,000	156,137	0	132,158	625,971	13,103
Retired Chairman of the Board	1994	800,000	885,000	210,194	0	87,126	511,351	32,751
and Chief Executive Officer	1993	773,000	526,000	103,446	0	84,180	120,605	31,671

(1) Mr. Seidenberg was elected Chief Executive Officer, effective January 1, 1995, and to the additional office of Chairman of the Board, effective April 1, 1995. Mr. Ferguson retired as Chairman of the Board, effective April 1, 1995. Mr. Senter joined NYNEX on September 1, 1994.

(2) As described in the Committee on Benefits Report on Executive Compensation, effective January 1, 1995, one half of the Short Term Incentive award is mandatorily deferred under the Senior Management Account Balance Deferral Plan; however, the amount shown above includes the deferral.

(3) These amounts include dividend equivalents paid pursuant to the Senior Management Long Term Incentive Plan; dividends pursuant to the 1987 Restricted Stock Award Plan; amounts reimbursed for the payment of taxes in connection with personal benefits; and, in the case of Mr. Ferguson only, perquisites and other personal benefits of which $18,730 was for financial counselling and $24,014 for the personal use of the corporate aircraft.

(4) On December 29, 1995, the number and value of all outstanding grants of restricted NYNEX Shares held by named Executive Officers were as follows: Mr. Seidenberg 10,535/$557,126; Mr. Salerno 10,535/$557,126; Mr. Jalkut 9,954/$526,380; Mr. Senter 15,609/$825,404 and Mr. Reed 7,545/$399,002. Except in the case of Mr. Senter, these figures include dividends that have been reinvested in additional restricted NYNEX Shares. These NYNEX Shares were awarded pursuant to the Executive Retention Agreements, effective January 3, 1994, and for Messrs. Salerno and Senter, employment agreements effective August 1, 1994 and September 1, 1994, respectively. Dividends are paid on Mr. Senter's restricted NYNEX Shares and are included in the Other Annual Compensation column for 1995.

(5) These amounts include company contributions to tax qualified and non-qualified savings plans; company contributions to Executive Retirement Accounts (described under the heading Retirement Plans on page 70 of the proxy statement); plus the value of premiums paid by NYNEX for split-dollar life insurance coverage. The company contributions to the tax qualified savings plan for Messrs. Seidenberg, Salerno, Jalkut, Senter, Reed and Ferguson were: $7,793, $6,750, $6,750, $9,921, $6,750, and $6,750, respectively. The company contributions to the Non-Qualified Savings Plan for Messrs. Seidenberg, Salerno, Jalkut, Senter, Reed and Ferguson were: $19,654, $15,245, $15,596, $10,474, $8,831 and $2,000, respectively. Company contributions to the Executive Retirement Account for Messrs. Seidenberg, Salerno, Jalkut, Senter and Reed were $333,700, $269,900, $242,500, $201,713 and $176,285, respectively. The amount of the dollar benefit for 1995 projected on an actuarial basis which represents the excess of the amount needed to fund the death benefit under the split-dollar life insurance policy for Messrs. Seidenberg, Salerno, Jalkut, Reed and Ferguson were: $8,406, $13,435, $11,547, $7,917 and $4,353, respectively.

Aggregated Option Exercises in Fiscal Year 1995 and 1995 FY-End Option Values

The following table shows information with respect to the named Executive Officers concerning the exercise of options to purchase Shares of NYNEX Common Stock during 1995 and unexercised stock options held as of the end of 1995.

Name of Individual	Shares Acquired on Exercise	Value Realized($)	Number of Securities Underlying Unexercised Options at 1995 Fiscal Year-End		Value of Unexercised In-the-Money Options at 1995 Fiscal Year-End($)(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Ivan G. Seidenberg	4,750	50,208	103,108	145,523	1,480,713	2,232,147
Frederic V. Salerno	0	0	122,224	127,351	1,761,415	1,931,219
Richard A. Jalkut	12,286	87,649	92,455	121,706	1,300,393	1,831,702
Alan Z. Senter	0	0	18,667	97,906	269,551	1,542,178
Donald B. Reed	0	0	50,858	78,751	626,873	1,204,423
William C. Ferguson	0	0	278,836	218,302	4,081,505	3,230,401

(1) Amounts reflect potential gains on outstanding options based upon the December 29, 1995 average NYNEX Common Stock price of $52.88.

Option Grants in Fiscal Year 1995

The following table contains information concerning the grant of options under the NYNEX 1995 Stock Option Plan to the named Executive Officers during 1995.

Name of Individual	Number of Securities Underlying Options Granted (#)(1)	% of Total Options Granted to Employees in 1995	Exercise or Base Price ($/Share)(2)	Expiration Date(3)	Grant Date Present Value($)(4)
Ivan G. Seidenberg	105,727	3.338	36.32	1/12/05	441,939
Frederic V. Salerno	87,555	2.764	36.32	1/12/05	365,980
Richard A. Jalkut	82,599	2.608	36.32	1/12/05	345,264
Alan Z. Senter	60,573	1.913	36.32	1/12/05	253,195
Donald B. Reed	55,011	1.737	36.32	1/12/05	229,945
William C. Ferguson	132,158	4.173	36.32	3/30/00	552,420

(1) The date of grant for options subject to this footnote is January 13, 1995.

(2) The exercise price of the option is equal to the fair market value of NYNEX Common Stock on the date of grant of the options. The exercise price may be paid in cash, or by tendering already owned NYNEX Shares with a fair market value on the date of exercise equal to the exercise price. For exercises where NYNEX Shares have been tendered in payment of the exercise price, a new grant of options will be made equal to the number of Shares tendered. A grant made under these circumstances will have an exercise price equal to the fair market value on the date of such exercise and grant.

(3) Options expire ten years from date of grant or in case of retirement, the fifth anniversary date of the cessation of employment. Options become one-third exercisable one year after the date of grant, two-thirds exercisable two years after the date of grant, and fully exercisable three years after the date of grant. To the extent not already exercisable, the options become fully exercisable in the event of a "change in control", as defined in the NYNEX 1995 Long Term Incentive Program.

(4) As permitted by SEC rules, the Black-Scholes method of option valuation has been used to determine grant date present value. The assumptions used in the Black-Scholes option valuation calculation are: estimated future annual stock price volatility of 0.153; risk-free rate of return 7.83%; and estimated future dividend yield of 6.50%. NYNEX does not advocate or necessarily agree that the Black-Scholes method, or any other method permitted by the SEC, can properly determine the value of an option. However, no gain to the optionees is possible without an increase in the stock price, which will benefit all Share Owners. Thus, a zero increase or decrease in stock price, compared to the exercise price, will not produce any gain for the optionee.

Retirement Plans

During 1995, NYNEX terminated its supplemental executive defined benefit non-qualified pension plan and replaced it with a defined contribution plan. The value of the pension accrued for years prior to 1995 under the supplemental defined benefit plan was converted into a starting balance for the defined contribution plan. The annual company contribution to the defined contribution plan is determined as 25% of base salary that exceeds $150,000, plus 25% of bonus. This amount is included in the All Other Compensation column of the Summary Compensation Table on page 68 of this proxy statement.

Pension Table

This table provides the estimated annual benefits payable upon retirement under the NYNEX qualified pension plan. Pensions are computed on a straight-life annuity basis and are not reduced for Social Security or other offset amounts except in cases where a joint or survivor annuity is selected. Participants receive a pension based upon average compensation up to $150,000 multiplied by 1.6%. Average compensation is determined as five-year average base pay for the period January 1, 1986 to December 31, 1990, times years of service on December 31, 1990, plus all future base pay. The Executive Officers named below receive a benefit under this table, plus the annual credit under the defined contribution plan which has been included in the All Other Compensation column of the Summary Compensation Table.

	Years of Service				
Average Compensation	15	20	25	30	35
$ 300,000	$36,000	$48,000	$60,000	$72,000	$84,000
400,000	36,000	48,000	60,000	72,000	84,000
500,000	36,000	48,000	60,000	72,000	84,000
600,000	36,000	48,000	60,000	72,000	84,000
700,000	36,000	48,000	60,000	72,000	84,000
800,000	36,000	48,000	60,000	72,000	84,000

Name of Individual	Current Base Compensation*	Credited Years of Service*
Ivan G. Seidenberg**	$640,000	29
Frederic V. Salerno	530,000	30
Richard A. Jalkut	500,000	29
Alan Z. Senter**	411,000	1
Donald B. Reed	370,000	29

* as of 12/31/95

**Although not currently service pension-eligible under the age and/or service requirements of the NYNEX pension plans, the amounts shown for Messrs. Seidenberg and Senter are as if they were pension-eligible. In addition, pensions are subject to a reduction for retirement prior to age 60.

Note: Benefits shown in this table may be further limited under the Internal Revenue Code of 1986, as amended.

Under the prior executive non-qualified pension plan, executives retiring during 1995 received an annual benefit based upon average compensation multiplied by the number of years service, times 1.6%. Average compensation was determined by adding the average of the five highest Short Term Incentive Plan awards received during the last ten years of employment, plus the total of the last sixty full months of salary divided by five. Pensions may not exceed 60% of the average compensation used in the pension formula. In connection with his retirement on March 31, 1995, Mr. Ferguson elected and received a lump sum payment of $4,671,468 under the Senior Management Non-Qualified Pension Plan. Mr. Ferguson also receives an annual pension of $268,747 from the NYNEX Management Pension Plan.

Employment Contracts, Termination of Employment and Change in Control Arrangements

On December 16, 1993, the Board of Directors approved the NYNEX Executive Severance Pay Plan (the "Severance Plan") and the Executive Retention Agreement (the "Agreement") to be entered into with certain NYNEX Executive Officers as well as certain other Officers of NYNEX companies. The purpose of the Severance Plan and the Agreement is to enable NYNEX and its subsidiaries to remain competitive in attracting and retaining the very best executive talent. The Agreement provides the Executive Officer with certain benefits, pursuant to the Severance Plan, upon termination of employment under specified conditions.

Certain NYNEX Executive Officers, including Messrs. Seidenberg, Jalkut and Reed but excluding Messrs. Salerno and Senter, entered into an Agreement with NYNEX, effective January 3, 1994, for a term of employment to continue day to day. Mr. Salerno entered into an employment agreement with NYNEX on terms substantially similar to those in the Agreement, but for a minimum term commencing August 1, 1994 through December 31, 1996. A retention award consisting of a grant of restricted stock was made to each such NYNEX Executive Officer at the time of signing the Agreement. The value of the retention award equals 50% of the sum of the Executive Officer's 1994 annual salary and the standard award granted under the NYNEX Senior Management Short Term Incentive Plan for 1994 performance.

During the term of the Agreement, dividends on the restricted stock will be reinvested in additional NYNEX restricted stock. The retention award restrictions on the restricted stock shall lapse at the time of termination of employment only if the Executive Officer voluntarily separates from employment with the consent of the Chairman and Chief Executive Officer of NYNEX (or, in the case of Mr. Seidenberg, with the consent of the Board of Directors); dies; or is terminated by NYNEX without cause during the term of the Agreement. In the case of all other terminations, the restricted stock will be forfeited by the Executive Officer.

An Executive Officer who separates from active service with the consent of the Chairman of the Board and Chief Executive Officer (or, in the case of Mr. Seidenberg, with the consent of the Board of Directors) or is separated from active service pursuant to the terms of the NYNEX Force Management Plan, and in either case signs a separation agreement and release, or dies during the term of the Agreement, shall be entitled to a severance payment. The severance payment will be the value of the restricted stock, including reinvested dividends, which is designated as the retention award in the Executive Officer's Agreement, plus an additional three times salary as of July 1, 1996 for Mr. Seidenberg and two times such salary for Messrs. Salerno, Jalkut and Reed and certain other NYNEX Executive Officers and one times such salary for certain other Officers of NYNEX companies, plus interest accrued based upon the earnings of the Global Balanced Fund investment option of the NYNEX Corporation Savings Plan for Salaried Employees. An Executive Officer will not receive benefits or payment under the Severance Plan if he or she is separated from active service for cause; is separated from active service with an Employing Company that is sold and the Employing Company hires or offers employment within 60 days of the Executive Officer's separation from the Employing Company; or if the Executive Officer has an employment agreement other than the Agreement with the Employing Company.

Mr. Senter entered into a three-year employment agreement with NYNEX commencing September 1, 1994. The agreement provides for a sign-on bonus of $600,000 in restricted NYNEX Shares which vest at the rate of one-third per year, subject to certain conditions. Under terms of the agreement, if NYNEX terminates Mr. Senter's employment without cause prior to the third anniversary of the commencement of his employment, he will continue to receive monthly payments equal to his base salary until the end of the term of his agreement. In addition, Mr. Senter is entitled to receive a severance payment equal to two times his salary as of July 1, 1996, on substantially the same terms and conditions as contained in the Agreement described above.

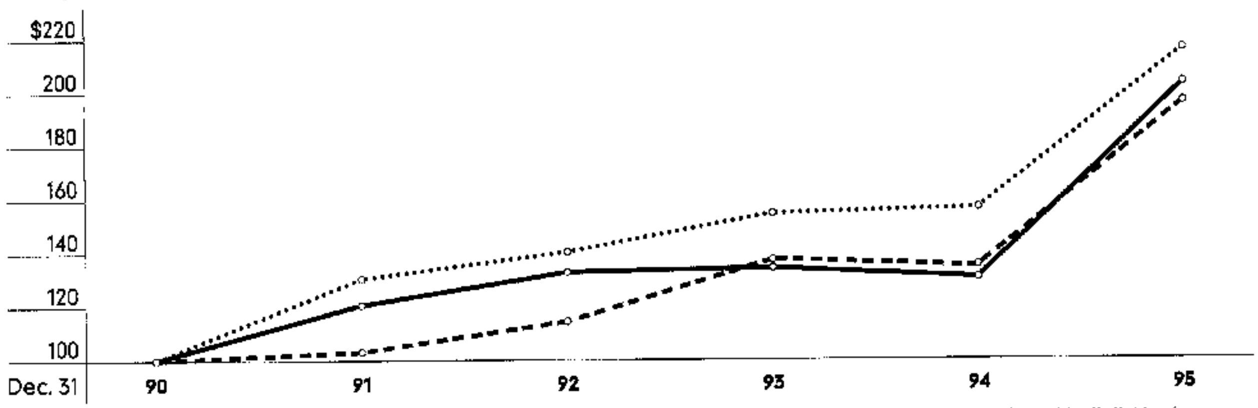
NYNEX maintains various plans pursuant to which NYNEX Executive Officers and certain other Officers of NYNEX companies defer (on a voluntary and, in certain cases, involuntary basis) the receipt of all or part of certain specified compensation payments. NYNEX also maintains certain non-qualified pension, savings and retirement plans for such individuals. Amounts credited to the accounts of such individuals accrue earnings based upon various investment options selected by such individuals. To safeguard these benefits and other non-qualified benefits for other Officers, NYNEX will establish a trust which would become fully funded and irrevocable upon a Change of Control. As defined in the trust, a Change of Control occurs if (a) any person (other than a trustee or other fiduciary of securities held under an employee benefit plan of NYNEX) becomes the beneficial owner of 15% or more of the NYNEX voting stock, (b) a tender offer is made and the offerer owns or has accepted payment for 15% or more of the NYNEX voting stock, or (c) during any period of twenty-four consecutive months members of the Board at the beginning of such period, together with new Directors nominated or appointed during that period by a vote of at least two-thirds of such existing Directors (or of Directors whose election or nomination for election was previously so approved), cease to comprise a majority of the Board of Directors. The assets in the trust, however, remain subject to the claims of NYNEX's general creditors in the event of insolvency.

In the event of a Change in Control (defined substantially identical to "Change of Control" above), NYNEX's 1995 Long Term Incentive Program provides that all stock options and stock appreciation rights previously granted will become fully exercisable, the restrictions on restricted stock previously granted will terminate, and performance units under the Senior Management Long Term Incentive Plan will be immediately valued based on the highest fair market value of NYNEX Common Stock during the period beginning thirty days prior to and ending thirty days after the Change in Control.

Share Owner Return Performance Graph

The following line graph compares the yearly percent change in the cumulative Total Share Owner Return of NYNEX Common Stock against the cumulative total return of the Standard & Poor's 500 Stock Index and the Regional Holding Company peer group stock index for the period of five fiscal years (1991-1995).

Comparison of 5-Year Cumulative Total Return*



*Assumes $100 invested on December 31, 1990 in NYNEX Common Stock, Standard & Poor's 500 Index and Peer Group Index, with all dividends reinvested; also assumes retention by Pacific Telesis Group stockholders of the AirTouch Communications stock spin-off, effective April 1, 1994, and conversion of U S WEST's common stock into Communications Stock and Media Stock effective November 1, 1995.

NYNEX	100.0	120.7	132.8	134.2	130.5	202.9
PEER's**	100.0	103.1	114.4	137.3	134.7	195.9
S&P 500	100.0	130.5	140.4	154.6	156.7	215.6

**Composite of 6 Regional Holding Companies: Ameritech Corporation, Bell Atlantic Corporation, BellSouth Corporation, Pacific Telesis Group, SBC Communications Inc., U S WEST, Inc.

Other Information

As required by SEC rules, it is herein noted that in August 1995 four separate transactions in Shares of NYNEX Common Stock by a retired NYNEX Executive Officer, Raymond F. Burke, were not timely reported.

Solicitation of proxies is being made by management through the mail, in person and by telephone and telegraph. NYNEX will be responsible for costs associated with this solicitation. NYNEX has retained Kissel-Blake Inc., to aid in the solicitation of proxies at a cost of approximately $21,000, plus reimbursement of reasonable out-of-pocket expenses.

By order of the Board of Directors,

Morrison DeS. Webb

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

March 18, 1996

NYNEX Corporate Officers

Ivan Seidenberg
Chairman and Chief Executive Officer

Frederic V. Salerno
Vice Chairman
Finance & Business Development

Alan Z. Senter
Executive Vice President and Chief Financial Officer

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

Robert T. Anderson
Vice President
Business Development

President
NYNEX Network Systems Company

Jeffrey A. Bowden
Vice President
Strategy & Corporate Assurance

Peter M. Ciccone
Vice President
Financial Operations and Comptroller

John M. Clarke
Vice President
Law

Saul Fisher
Vice President
Law

Patrick F.X. Mulhearn
Vice President
Public Relations

Donald J. Sacco
Vice President
Human Resources

Thomas J. Tauke
Vice President
Government Affairs

Colson P. Turner
Vice President and Treasurer

President
NYNEX Capital Funding Company

Officers of Principal Operating Groups

Richard W. Blackburn
President and Group Executive
NYNEX Worldwide Communications & Media Group

Richard A. Jalkut
President and Group Executive
NYNEX Telecommunications

Donald B. Reed
President and Group Executive
External Affairs & Corporate Communications

Arnold J. Eckelman
Executive Vice President and Group Executive
Quality Assurance & Operations Support

Joseph C. Farina
Vice President and Group Executive
Process Re-engineering & Assurance

Mel Meskin
Vice President
Finance and Treasurer
NYNEX Telecommunications

NYNEX Asia Communications
Arthur J. Troy
President

NYNEX Asset Management Company
William F. Heitmann
President

NYNEX CableComms Group
John F. Killian
President and Chief Executive Officer

NYNEX Credit Company
Richard E. Lucey
President

NYNEX Entertainment & Information Services Company
Walter I. Rickard
President

NYNEX Global Systems Company
Daniel C. Petri
President

NYNEX Information Resources Company
Matthew J. Stover
President and Chief Executive Officer

NYNEX Science & Technology, Inc.
Casimir S. Skrzypczak
President

Vice President
Network & Technology Planning

NYNEX Trade Finance Company
Richard W. Frankenheimer
President

Share Owner Information

Corporate Headquarters:
NYNEX Corporation
1095 Ave. of the Americas
New York, NY 10036
(212) 395-2121

1996 Annual Meeting:
NYNEX will hold its annual meeting at the John Hancock Hall in Boston, Mass., on May 1, 1996, at 10:30 a.m.

Share Owner Services:
Let NYNEX Share Owner Services help with your account needs:

Dividend Reinvestment and Stock Purchase Plan (DRISPP): Provides you with a convenient way to increase your stock holdings at a minimal cost.

Direct Deposit of Dividends: Deposit your dividends via electronic funds transfer to a designated account at your bank or financial institution.

Odd-Lot Sales Program: Provides share owners owning less than 100 shares with a convenient way to sell their NYNEX stock at a reasonable cost.

Inquiries on these stock-related matters, as well as dividend payments, stock transfers and requests for Form 10-K reports for NYNEX and its telephone subsidiaries, should be directed to NYNEX's transfer agent and registrar, The First National Bank of Boston ("Bank of Boston"):

NYNEX Corporation
c/o Bank of Boston
P.O. Box 9175
Boston, MA 02205-9175
1 (800) 358-1133

From outside the continental United States, call collect on (617) 575-2407. Hearing-impaired share owners with access to a Telecommunications Device for the Deaf (TDD) may dial 1 (800) 368-0328 toll free for account information.

General Information:
If you have questions or comments regarding NYNEX, or would like to receive the NYNEX "1995 Profile and Statistics," additional copies of the Annual Report or the Annual Report on audiocassette, direct your requests to:

NYNEX Corporation
Share Owner Communications
19th Floor
1095 Ave. of the Americas
New York, NY 10036

Investor Relations:
Institutional investors, financial analysts and portfolio managers should direct questions to:

Allen F. Pattee
Corporate Director
Investor Relations
NYNEX Corporation
1095 Ave. of the Americas
New York, NY 10036
(212) 730-6350

(continued on back cover)

Governmental Relations:
NYNEX Government Affairs
Suite 400 West
1300 I Street, N.W.
Washington, DC 20005
(202) 336-7900

Independent Accountants:
Coopers & Lybrand L.L.P.
1301 Ave. of the Americas
New York, NY 10019

Stock Exchange Listings:
Boston Stock Exchange
Chicago Stock Exchange
New York Stock Exchange
Pacific Stock Exchange
Philadelphia Stock Exchange
Amsterdam Stock Exchange
Basel Stock Exchange
Geneva Stock Exchange
The International Stock Exchange, London
Zurich Stock Exchange

Ticker Symbol: NYN

NYNEX is fully committed to equal employment opportunity for all employees and applicants for employment.

We have a duty to ensure that there is no unlawful discrimination in recruitment, hiring, termination, promotions, salary treatment or any other condition of employment or career development, and that there is no harassment of any employee on the basis of race, color, religion, national origin, sex, age, marital status, sexual preference or orientation, disability, or status as a special disabled veteran or veteran of the Vietnam era.

NYNEX Board of Directors

John Brademas
Dr. Brademas is president emeritus of New York University. He has been a NYNEX director since 1991 and serves on the Audit Committee and the Public Responsibility Committee.

Randolph W. Bromery
Dr. Bromery is president of Springfield College and commonwealth professor emeritus of the University of Massachusetts at Amherst, and president of Geoscience Engineering Corporation. He has been a NYNEX director since 1986 and serves on the Audit Committee, Executive Committee and Public Responsibility Committee.

Richard L. Carrion
Mr. Carrion is chairman, president and chief executive officer of BanPonce Corporation. He has been a NYNEX director since 1995 and is a member of the Audit Committee and Committee on Benefits.

Lodewijk J.R. de Vink
Mr. de Vink is president and chief operating officer of Warner-Lambert Company. A NYNEX director since 1995, he is a member of the Committee on Benefits.

Stanley P. Goldstein
Mr. Goldstein is chairman and chief executive officer of Melville Corporation. He was elected to the NYNEX board in 1990 and serves on the Audit Committee and the Finance Committee.

Helene L. Kaplan
Mrs. Kaplan is of counsel to Skadden, Arps, Slate, Meagher & Flom, a New York City law firm. She was elected to the NYNEX board in 1990 and is a member of the Committee on Benefits and the Public Responsibility Committee.

Elizabeth T. Kennan
Mrs. Kennan is president emeritus of Mount Holyoke College and has been a NYNEX director since 1984. She serves on the Nominating and Board Affairs Committee and chairs the Audit Committee.

Edward E. Phillips
Mr. Phillips is retired chairman of New England Mutual Life Insurance Company. He has served on the NYNEX board since 1983 and is a member of the Executive Committee and Finance Committee and chairs the Nominating and Board Affairs Committee.

Hugh B. Price
Mr. Price is president and chief executive officer of the National Urban League. Elected to the NYNEX board in 1995, he is a member of the Audit Committee and the Public Responsibility Committee.

Frederic V. Salerno
Mr. Salerno is vice chairman - Finance and Business Development of NYNEX. He has been a NYNEX director since 1991 and serves on the Finance Committee.

Ivan Seidenberg
Mr. Seidenberg is chairman and chief executive officer of NYNEX. He has been a NYNEX director since 1991 and chairs the Executive Committee.

Walter V. Shipley
Mr. Shipley is chairman and chief executive officer of Chemical Banking Corporation. A NYNEX board member since 1983, he serves on the Executive Committee and Nominating and Board Affairs Committee and chairs the Finance Committee.

John R. Stafford
Mr. Stafford is chairman, president and chief executive officer of American Home Products Corporation. He has been a NYNEX director since 1989, is a member of the Finance Committee and chairs the Committee on Benefits.

NYNEX

1095 Avenue of the Americas
New York, NY 10036