

May 7, 1998

VIA OVERNIGHT DELIVERY

Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Application of NXLD Company, Docket No. 980557-TI

Dear Ms. Bayó:

Enclosed for filing on behalf of NXLD Company ("NXLD") are an original and five (5) copies of a supplement to NXLD's Application Form for Authority to Provide Interexchange Telecommunications Service within the State of Florida. NXLD previously filed its Application on April 22, 1998. The supplement, which is being provided at staff request, includes an expanded response to Question #18 on the application as well as a copy of the relevant portions of the 1997 Form 10K for NXLD's parent. Upon advice of staff, no additional verification is provided for the supplement. Also included, at staff request, is a signed and dated Appendix B to the Application, Customer Deposits and Advance Payments. As indicated previously in NXLD's initial application, NXLD does not intend to require deposits, and thus Appendix B is not relevant to NXLD's services.

Please date-stamp the enclosed extra copy of this filing and return it in the self-addressed, postage-paid envelope provided. Should you have any questions concerning this filing, please do

ACK not hesitate to contact us.

AFA

APP

CAF

CMR *William*

CTR

EAG

LEG

LIT Enclosures

OPR cc: Ms. Nancy Pruitt

RDR Mr. David Draper

SEC Floyd Self, Esq.

WAS RECEIVED & FILED

OTH

Very truly yours,

Nancy Killien Spooner

Nancy Killien Spooner

Marcy A. Greene

Counsel for NXLD Company

FPSC BUREAU OF RECORDS

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05253 MAY 11 88

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**** APPENDIX B ****

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

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

- The applicant will not collect deposits nor will it collect payments for service more than one month in advance.
- The applicant will file with the Commission and maintain a surety bond in an amount equal to the current balance of deposits and advance payments in excess of one month. (Bond must accompany application.)

UTILITY OFFICIAL:

Monty

Date

5/7/98

(703) 394-3000
Telephone Number

13. Do you have a marketing program?

Yes.

14. Will your marketing program:

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

15. Explain any of the offers checked in question 14 (to whom, what amount, type of franchise, etc.). **NXLD will pay commissions directly to individuals employed by NXLD to market its services. Commissions are paid for each account or for each line sold. Commissions range from \$5 to \$20 per line depending on the particular applicable incentive program.**

16. Who will receive the bills for your services (check all that apply)?

- | | |
|---|--|
| <input checked="" type="checkbox"/> Residential Customers | <input checked="" type="checkbox"/> Business Customers |
| <input type="checkbox"/> PATS Providers | <input type="checkbox"/> PATS Station End-Users |
| <input type="checkbox"/> Hotels and Motels | <input type="checkbox"/> Hotel and Motel Guests |
| <input type="checkbox"/> Universities | <input type="checkbox"/> Univ. Dormitory Residents |
| <input type="checkbox"/> Other, _____ | |

17. Please provide the following (if applicable):

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

Yes, NXLD's name will appear on bills sent to customers.

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

NXLD will perform its own billing operations.

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

- A. Financial capability.

Regarding the showing of financial capability, the following applies:

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

1. the balance sheet
2. income statement
3. statement of retained earnings for the most recent 3 years.

If available, the financial statements should be audited financial statements.

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

NXLD does not have any audited financial statements available at this time. NXLD is financially qualified to provide interexchange telecommunications services, as demonstrated by the SEC Form 10-K for 1997 for Nextel Communications, Inc. ("Nextel"), NXLD's ultimate parent, attached hereto as Exhibit 2. Nextel will provide financial support for NXLD as NXLD establishes its operations and services.

B. Managerial capability.

See Exhibit 3.

C. Technical capability.

See Exhibit 3.

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

NXLD's proposed tariff is appended hereto as Exhibit 4.

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

MTS with distance sensitive per minute rates

Method of access is FGA

Method of access is FGB

FORM PSC/CMU 31 (3/96)

Required by Commission Rule Nos. 25-24.471 and 25-24.473.

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Originator-Key-Asymmetric:
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FILED AS OF DATE: 19970331
SROS: NONE

FILER:

COMPANY DATA:
COMPANY CONFORMED NAME: NEXTEL COMMUNICATIONS INC
CENTRAL INDEX KEY: 0000824169
STANDARD INDUSTRIAL CLASSIFICATION: RADIO TELEPHONE COMMUNICATIO
IRS NUMBER: 363939651
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

<TABLE>
<C> <S>
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996,
OR
[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE NUMBER 0-19656

Securities registered pursuant to Section 12(g) of the Act: CLASS A COMMON STOCK, \$0.001 PAR VALUE

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

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

Based on the closing sales price on March 1, 1997, the aggregate market value of the voting stock held by nonaffiliates of the registrant was \$2,218,713,158.

On March 1, 1997 the number of shares outstanding of the registrant's Class A Common Stock and Class B non-voting Common Stock, \$0.001 par value was 225,230,943 (including 1,610,868 shares held in treasury) and 17,830,000, respectively.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement relating to the Annual Meeting of Stockholders scheduled to be held on or about May 15, 1997 are incorporated in Part III, Items 10, 11, 12 and 13.

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NEXTEL COMMUNICATIONS, INC.

PART I

ITEM 1. BUSINESS

INTRODUCTION

On July 28, 1995, NEXTEL Communications, Inc., a corporation organized under the laws of the State of Delaware in 1987 ("Old Nextel"), was merged with ESMR, Inc. ("ESMR"), until then a wholly owned subsidiary of Motorola, Inc. ("Motorola"). ESMR was the surviving corporation in the merger (the "Motorola Transaction") and succeeded to Old Nextel's assets and liabilities. ESMR changed its name to Nextel Communications, Inc. ("Nextel" or the "Company"), effective upon the consummation of the Motorola Transaction. References herein to Nextel or the Company for periods prior to July 28, 1995 refer to Old Nextel as the predecessor to the business and operations of Nextel. Unless the context requires otherwise, references to the Company or to Nextel are intended to include Nextel Communications, Inc. and its consolidated subsidiaries.

Information contained herein gives effect to the acquisition of approximately 1,220,000 shares of the Company's Class A Common Stock, par value \$0.001 per share (the "Class A Common Stock"), by Digital Radio L.L.C. (the "McCaw Investor") on April 5, 1995, an additional acquisition of 8,163,265 shares of the Company's Class A Convertible Redeemable Preferred Stock, par value \$0.01 per share (the "Class A Preferred Stock") and 82 shares of the Company's Class B Convertible Preferred Stock, par value \$0.01 per share (the "Class B Preferred Stock") by the McCaw Investor and the consummation of related transactions on July 28, 1995 (the "McCaw Transaction"), the merger of OneComm Corporation ("OneComm") with and into Nextel on July 28, 1995 (the "OneComm Transaction"), the consummation of the Motorola Transaction on July 28, 1995, the merger of a subsidiary of Nextel with American Mobile Systems Incorporated ("AMS") on July 31, 1995 (the "AMS Transaction"), and the merger of Dial Page, Inc. ("Dial Page") with and into Nextel on January 30, 1996 (the "Dial Page Transaction").

GENERAL

Nextel's business consists principally of providing a wide array of digital and analog wireless communications services to its customers in the United States, in each case utilizing frequencies licensed to its subsidiaries by the Federal Communications Commission ("FCC"). Nextel provides a differentiated package of integrated digital wireless communications services under the Nextel brand name to customers of the various networks constructed and operated by Nextel's subsidiaries in and around major metropolitan population centers throughout the country. Collectively, the Company's operations constitute one of the largest integrated wireless communications networks utilizing a single digital transmission technology currently offering commercial service in the United States. Through its digital and analog wireless communications networks, Nextel is the leading provider of specialized mobile radio ("SMR") wireless communications services in nearly all 48 states in the continental United States and in Hawaii. Nextel has significant SMR spectrum holdings in and around virtually every major business and population center in the country, including all of the top 50 metropolitan market areas in the United States.

Nextel's operating revenues primarily arise from its digital and analog wireless communications businesses in the United States, particularly the mobile telephone service and two-way radio service and, to a lesser extent, from sales

and maintenance of related equipment. Nextel's business plans and efforts are to a large extent directed toward replacing the remaining traditional analog SMR systems that it currently operates with advanced mobile communications systems employing digital technology with a multi-site configuration permitting frequency reuse ("Digital Mobile networks"). A customer using Nextel's Digital Mobile network currently is able to access mobile telephone services, two-way dispatch, paging and alphanumeric short-messaging service, and in the future is expected to be able to access data transmission. The Company is implementing its Digital Mobile networks utilizing digital technology developed by Motorola (such technology is referred to as the "integrated Digital Enhanced Network" or "IDEN"). As of December 31, 1996,

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Nextel's Digital Mobile networks were operating in major metropolitan market areas throughout the United States that collectively accounted for approximately 50% of the total United States population.

Prior to the second quarter of 1996, the Company implemented its Digital Mobile networks in its market areas using Motorola's first generation IDEN technology. During that time frame, the Company encountered certain technology and system performance issues relating primarily to the voice transmission quality of the mobile telephone service. In response to these issues, the Company and Motorola took action on several fronts to address system performance issues in general, and voice transmission quality concerns in particular. See "Nextel's Digital Mobile Networks -- Experience with First Generation IDEN Systems Implementation." Additionally, the Company, together with Motorola, in 1995 began pursuing a program directed toward the development and deployment of modifications to the first generation IDEN technology platform, which modifications were targeted specifically at improving the voice transmission quality of the mobile telephone service. The Company commenced the full-scale commercial launch of its first Digital Mobile networks incorporating the modified IDEN technology (referred to herein as "Reconfigured IDEN") in the Chicago metropolitan market area late in the third quarter of 1996. Subsequently, Nextel commenced full-scale commercial launches of the Reconfigured IDEN Digital Mobile networks in the Atlanta, Boston, Denver, Detroit and Las Vegas metropolitan market areas and in the Northern California market area, in each case accompanied by an aggressive, regionally focused marketing campaign.

Recently, Nextel announced the introduction of its national digital network and indicated that it will not charge roaming fees for its customers traveling anywhere on the national digital network. Nextel's national digital network, which covers major metropolitan areas representing approximately 50% of the United States population, will enable Nextel's mobile telephone customers to "roam" throughout the markets covered by the network at the same airtime rate charged in their home markets. The Nextel national digital network provides the same mobile telephone functionality and related features offered to customers in their home markets and eliminates the complex dialing procedures, access fees and higher per-minute airtime rates often encountered by "roaming" customers of cellular providers. Additionally, the Company recently announced a new billing policy, pursuant to which Nextel will bill its mobile telephone service customers based on the actual number of seconds of airtime used after the first minute, in contrast to the cellular industry practice of rounding all calls up to the next minute.

Over the three years ended December 31, 1996, the number of subscriber units in service on Nextel's Digital Mobile network has increased substantially, reflecting acquisitions, the commencement of Digital Mobile network service in certain markets and increased sales in markets in which Digital Mobile network services are provided. As a result, the number of subscriber units in service on Nextel's Digital Mobile network increased from 13,500 at December 31, 1994, to 85,000 at December 31, 1995 and to 300,300 at December 31, 1996. See also "Nextel's Existing Analog SMR Operations." Nextel's business and marketing strategy for its Digital Mobile networks continues to be based on, and reflect, a principal focus on multi-service business users in its markets with Digital Mobile networks.

During 1996 and into early 1997, Nextel also significantly expanded its operations and investments involving wireless communications service providers outside the United States, which are conducted under or are coordinated by or through McCaw International, Ltd. ("McCaw International"), an indirect, wholly owned subsidiary of Nextel. With the exception of the equity interests held by Nextel and by McCaw International in Clearnet Communications, Inc. ("Clearnet"), a major provider of analog and digital SMR wireless communications services throughout Canada, and the holder of one of the two nationwide personal communications services ("PCS") licenses awarded in Canada, McCaw International's subsidiaries or other entities in which McCaw International holds equity or equivalent interests own and operate wireless communications systems in Latin America and Asia. McCaw International's operating companies currently provide a variety of analog or digital wireless communications services (including analog SMR dispatch and interconnect, paging and alphanumeric short-messaging and digital mobile telephone services) in certain major metropolitan areas in Argentina, Brazil, Mexico, the Philippines and Shanghai, China.

Nextel's principal executive and administrative facility is located at 1505 Farm Credit Drive, McLean, Virginia 22102, and its telephone number at that location is (703) 394-3000.

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BUSINESS STRATEGY

Nextel's principal business objective is to become a leading provider of wireless communications services in major markets throughout the United States and to become a major participant in the global wireless communications business by making selective international investments in wireless communications services companies in emerging markets with strong long-term economic growth prospects. To accomplish its objective in the United States, the Company intends to capitalize upon the opportunity made possible by the February 13, 1991 unanimous FCC decision approving the Company's proposal to create Digital Mobile networks within its six then-existing markets. The Company's initial strategy was to consolidate the fragmented SMR industry in the largest markets in the United States through the acquisition of SMR systems that had achieved minimum FCC loading requirements so as to permit aggregation of frequencies in a single market. See "-- Regulation." The Company has also acquired spectrum through mergers and acquisitions as well as by obtaining licenses from the FCC. More recently, the Company's efforts have focused on the development and deployment of Digital Mobile networks to replace its traditional analog SMR networks. Customers of the Company's Digital Mobile networks currently are able to access mobile telephone, two-way dispatch, paging and alphanumeric short-messaging services using a single, multi-function subscriber unit. In the future, the Digital Mobile network service offerings also are expected to include data transmission capabilities.

The Company currently is considering adopting and implementing a newly developed revised business plan (the "Revised Business Plan"), which would involve a more accelerated and extensive deployment during 1997 and 1998 of the Reconfigured IDEN technology platform throughout the Company's existing and contemplated Digital Mobile networks (including primary connecting routes between affected markets) in the United States. The Company anticipates that deployment of Digital Mobile networks utilizing the Reconfigured IDEN technology platform will enable it to provide potential customers in its markets with an integrated package of wireless communications services competitive with the service packages being offered currently or expected to be offered by other providers of wireless communications services in those markets. The Revised Business Plan does not contemplate a significant increase in the population coverage to be achieved by the Digital Mobile networks in operation at the end of 1998, as compared to the population coverage targets reflected in its current business plan (the "Existing Business Plan"). However, there are significant areas of difference between the Existing Business Plan and the Revised Business Plan in terms of the geographical coverage objectives, the perceived customer demands for and utilization of the relevant wireless services and the positioning of the Company's products and services relative to those of competing wireless communications service providers. The Company believes that the implementation of its Revised Business Plan will better position Nextel both to achieve its strategic objectives and to prepare for emerging competition in the wireless communications industry, especially from certain current operators that, on their existing cellular frequencies or on other frequencies acquired by such operators or their affiliates in the recently concluded PCS spectrum auctions, are in the process of converting their wireless communications systems to digital technology formats and are moving to provide "nationwide coverage" on the resulting systems. The Company believes that a significant strategic advantage may exist in being "first to market," particularly in comparison to the new "entrepreneur block" PCS licensees and other existing or potential regional wireless communications service providers, which may encounter significant financial and other challenges in replicating or overtaking the Company's industry position once the Company successfully concludes its nationwide Digital Mobile network build-out plan and develops a sufficient customer base in its markets. See "-- Revised Business Plan."

Although the Company already has taken a number of significant steps in anticipation of implementing the Revised Business Plan, and further actions currently are underway to reach that objective, several of the actions that must be taken to enable the Company to implement the Revised Business Plan are dependent on certain actions by or responses from third parties, which as yet have not been secured. See "-- Revised Business Plan" and "Risk Factors -- Nextel to Require Additional Financing" and "-- Forward-Looking Statements."

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CURRENT WIRELESS COMMUNICATIONS INDUSTRY

Today's wireless communications industry was created by the FCC in 1970 to provide high-quality, high-capacity communications services to vehicle-mounted and hand-held portable telephones and other two-way radio units. Toward this end, the FCC reallocated 115 MHz of radio spectrum in the 800/900 MHz bands from the federal government and UHF television to land mobile service use. The FCC allocated initially 40 MHz for cellular service (which were allocated in equal blocks to two cellular operators in each Metropolitan Statistical Area ("MSA") or Rural Statistical Area ("RSA")) and 30 MHz for private radio services, including SMR. The FCC later increased the allocations to 50 MHz for cellular service and 46 MHz for private radio services due to capacity constraints. The remaining 19 MHz were divided among six different services. Because of regulatory delays, the first commercial cellular systems were not operational

until 1983. Since then, however, growth in the industry has been rapid, with approximately 44,000,000 mobile telephone units (consisting of analog cellular, digital cellular and PCS units) in service at December 31, 1996. The first SMR systems became operational in 1974, and SMR units in service had grown to approximately 2,300,000 by December 31, 1996. The number of other private radio users is estimated to be approximately 16,500,000 as of December 31, 1996.

SMR AND CELLULAR/PCS TELEPHONY

The cellular telephone industry has been a regulated duopoly. The FCC awarded only two licenses to provide cellular service in the service area of any given cellular MSA or RSA. Additionally, the FCC has allocated 120 MHz spectrum in the 1.8-2.2 GHz band for the provision of PCS, which include mobile wireless communications services similar to those provided over Nextel's Digital Mobile networks. The FCC has awarded three 10 MHz and three 10 MHz licenses for this spectrum on either a Major Trading Area ("MTA") or a Basic Trading Area ("BTA") (each as defined in the Rand McNally Commercial Atlas) market definition through a competitive bidding process. Since August 10, 1996, SMR operators have been subject to the same common carrier obligations as cellular and PCS operators, although the amount of spectrum assigned to a single SMR licensee is less than that assigned to cellular and PCS licensees. See "-- Regulation." Within the limitations of available spectrum and technology, SMR operators are authorized to provide mobile communications services to business and individual users, including mobile telephone, two-way dispatch, paging and mobile data services.

In the past, however, SMR operators have generally not been able to provide mobile telephone service competitive with that provided by cellular operators because of various factors affecting SMR system capacity and quality. The primary factors affecting capacity include: the smaller portion of the radio spectrum allocated to SMR; regulations and procedures that initially served to spread ownership of SMR licenses among a large number of operators in each market, thereby further limiting the amount of SMR spectrum available to any particular operator, and traditional SMR technology, which employs analog transmission and a single site, high-power transmitter configuration, thus precluding the use of any given SMR frequency by more than one caller at a time within a given licensed service area. Partially as a result of these capacity constraints, SMR operators traditionally have emphasized two-way dispatch service, which involves shorter duration communications than mobile telephone service and places less demand on system capacity.

The traditional analog SMR market, therefore, has been oriented largely to customers such as contractors, service companies and delivery services that have significant field operations and need to provide their personnel with the ability to communicate directly with one another, either on a one-to-one or one-to-many basis. As a result of the foregoing, the broader market of wireless communications users that are primarily interested in mobile telephone service has to date been served only on a limited basis by the traditional analog SMR operators.

NEXTEL'S DIGITAL MOBILE NETWORKS

The Company's business objective in constructing its Digital Mobile networks is to enable the Company to offer high-capacity, high-quality, advanced wireless communications services to customers in its markets. A customer using Nextel's Digital Mobile network is able to access mobile telephone services, two-way dispatch,

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paging and alphanumeric short-messaging services using a single, multi-function subscriber unit. In the future, the Digital Mobile network service offerings also are expected to include data transmission capabilities. As of December 31, 1996, Nextel's Digital Mobile networks were activated in major metropolitan market areas throughout the United States that collectively accounted for approximately 50% of the total United States population. As of December 31, 1996, approximately 300,300 subscriber units were operating on Nextel's Digital Mobile networks. Nextel's Existing Business Plan and its Revised Business Plan, both of which are discussed herein, are premised on several key assumptions, including the availability of sufficient funding, continued achievement of satisfactory system performance standards and maintenance of targeted service and subscriber equipment pricing level. Each of the Existing Business Plan and the Revised Business Plan contemplate the deployment of the Reconfigured IDEN technology platform in the Digital Mobile networks constructed or to be constructed in Nextel's major metropolitan market areas. Under both plans, by the end of 1998, the Company expects its Digital Mobile networks will be available in areas covering approximately 85% of the United States population. The Existing Business Plan and the Revised Business Plan, however, differ in certain significant areas, including the speed and scope of such deployment. See "Risk Factors -- Nextel to Require Additional Financing" and "-- Forward-Looking Statements."

Other SMR system operators, including Clearnet and Corporacion Mobilcom S.A. de C.V. ("Mobilcom"), which operate in Canada and Mexico, respectively, have indicated that they plan to employ technology compatible with the IDEN technology used by Nextel. Nextel owns minority equity interests in each of Clearnet and Mobilcom (and has certain rights to control or to influence, in particular circumstances and contexts, Mobilcom's policies and operations) and has entered into interoperability agreements with Clearnet and Mobilcom to provide, among other things, for coordination of customer identification and

128, "Earnings per share" ("SFAS 128"), which supersedes Accounting Principles Board Opinion No. 15. SFAS 128 is effective for 1997 and simplifies the computation of earnings per share by replacing the presentation of primary earnings per share with a presentation of basic earnings per share. The Statement requires dual presentation of basic and diluted earnings per share by entities with complex capital structures. Basic earnings per share includes no dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution of securities that could share in the earnings of an entity, similar to fully diluted earnings per share. Management of the Company does not believe that there will be any material effect of adopting SFAS 128 in 1997.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of the Company are filed under this Item, beginning on page F-1 of this Report. The financial statement schedules required under Regulation S-X are filed pursuant to Item 14 of this Report, beginning on page F-28 of this Report.

ITEM 9. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING FINANCIAL DISCLOSURE

None.

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND
FINANCIAL STATEMENT SCHEDULES

<TABLE>
<CAPTION>

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INDEPENDENT AUDITORS' REPORT.....

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets as of December 31, 1995 and 1996.....

Consolidated Statements of Operations for the Nine Months Ended December 31, 1994 and the Years Ended December 31, 1995 and 1996.....

Consolidated Statements of Changes in Stockholders' Equity for the Nine Months Ended December 31, 1994 and the Years Ended December 31, 1995 and 1996.....

Consolidated Statements of Cash Flows for the Nine Months Ended December 31, 1994 and the Years Ended December 31, 1995 and 1996.....

Notes to Consolidated Financial Statements.....

FINANCIAL STATEMENT SCHEDULES

Schedule I -- Condensed Financial Information of Registrant.....

Schedule II -- Valuation and Qualifying Accounts.....

</TABLE>

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INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of
Nextel Communications, Inc.

We have audited the accompanying consolidated balance sheets of Nextel Communications, Inc. and subsidiaries (the "Company") as of December 31, 1995 and 1996, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the nine months ended December 31, 1994, and the years ended December 31, 1995 and 1996. Our audits also included the financial statement schedules listed in the Index at Item 14(a)(2). These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Nextel Communications, Inc. and subsidiaries at December 31, 1995 and 1996, and the results of their operations and their cash flows for the nine months ended December 31, 1994 and the years ended December 31, 1995 and 1996, in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

DELOITTE & TOUCHE LLP

McLean, Virginia
 March 20, 1997, except for Note 13, as to
 which the date is March 27, 1997

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES

 CONSOLIDATED BALANCE SHEETS
 AS OF DECEMBER 31, 1995 AND 1996
 (DOLLARS IN THOUSANDS)

<TABLE>
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	1995

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ASSETS	
CURRENT ASSETS	
Cash and cash equivalents.....	\$ 340,826
Marketable securities.....	68,443
Accounts and notes receivable, net.....	41,451
Radios and accessories.....	21,220
Other.....	32,721

Total current assets.....	504,661
PROPERTY, PLANT AND EQUIPMENT, net.....	1,192,204
INTANGIBLE ASSETS, net.....	3,549,622
OTHER ASSETS.....	300,769

	\$5,547,256

LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Accounts payable.....	\$ 233,269
Accrued expenses and other.....	130,463
Current portion of long-term debt.....	1,277

Total current liabilities.....	365,009
DEFERRED INCOME TAXES.....	549,277
LONG-TERM DEBT.....	1,687,829

Total liabilities.....	2,602,115

COMMITMENTS AND CONTINGENCIES (Notes 6, 9 and 12)	
STOCKHOLDERS' EQUITY	
Preferred stock, Class A convertible redeemable, 8,163,265 shares issued and outstanding.....	300,000
Preferred stock, Class B convertible, 82 shares issued and outstanding.....	--
Common stock, Class A, 175,749,359 and 211,374,665 shares issued.....	176
Common stock, Class B, non-voting convertible, 17,830,000 shares issued and outstanding.....	18
Paid-in capital.....	3,197,528
Accumulated deficit.....	(579,231)
Treasury shares, at cost, 24,860 and 1,621,568 shares.....	(768)
Unrealized gain on investments.....	32,054
Notes receivable from stockholders.....	(1,018)
Deferred compensation, net.....	(3,618)

Total stockholders' equity.....	2,945,141

	\$5,547,256

</TABLE>

The accompanying notes are an integral part of these consolidated financial
 statements.

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES

 CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE NINE MONTHS ENDED DECEMBER 31, 1994, AND THE
 YEARS ENDED DECEMBER 31, 1995 AND 1996
 (DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
 <CAPTION>

	1994	1995
	-----	-----
<S>	<C>	<C>
REVENUES		
Radio service revenue.....	\$ 50,155	\$ 135,753
Analog equipment sales and maintenance.....	24,702	35,950

	74,857	171,703
OPERATING EXPENSES		
Cost of radio service revenue.....	33,195	123,496
Cost of analog equipment sales and maintenance.....	18,211	28,222
Selling, general and administrative.....	85,077	193,321
Expenses related to corporate reorganization.....	--	17,372
Depreciation and amortization.....	94,147	236,178
	230,630	598,589
OPERATING LOSS.....	(155,773)	(426,886)
OTHER INCOME (EXPENSE)		
Interest expense.....	(69,491)	(115,034)
Interest income.....	28,037	25,525
Other.....	33	(15,372)
	(41,421)	(104,881)
LOSS BEFORE INCOME TAX BENEFIT.....	(197,194)	(531,767)
INCOME TAX BENEFIT.....	71,345	200,602
NET LOSS.....	\$ (125,849)	\$ (331,165)
NET LOSS PER COMMON SHARE.....	\$ (1.25)	\$ (2.31)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING.....		
	100,639,000	143,283,000

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED DECEMBER 31, 1994 AND THE
YEARS ENDED DECEMBER 31, 1995 AND 1996
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	CLASS A PREFERRED STOCK		CLASS B PREFERRED STOCK		
	SHARES	AMOUNT	SHARES	AMOUNT	
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE March 31, 1994.....	--	\$ --	--	\$ --	8
Issuance of common stock:					
Exercise of options and warrants.....					
NTT purchase.....					
Acquisitions.....					1
Conversion of Class B common stock.....					
Deferred compensation.....					
Collection of notes receivable, net of accrued interest.....					
Unrealized loss on investments.....					
Net loss.....					--
BALANCE December 31, 1994.....	--	--	--	--	10
Issuance of common stock:					
Exercise of options and warrants.....					
Digital Radio purchase.....	8,163,265	300,000	82		
Acquisitions.....					6
Deferred compensation.....					
Collection of notes receivable, net of accrued interest.....					
Unrealized gain on investments.....					
Net loss.....					--
BALANCE December 31, 1995.....	8,163,265	300,000	82	--	17
Issuance of common stock:					
Exercise of options and warrants.....					
Employee stock purchase plan.....					
Acquisitions.....					2
Comcast purchase.....					
Exercise of anti-dilutive rights.....					
Deferred compensation.....					

Interest on notes receivable.....					
Unrealized loss on investments.....					
Net loss.....					
BALANCE December 31, 1996.....	8,163,265	\$300,000	82	\$--	21

<CAPTION>

	PAID-IN CAPITAL	ACCUMULATED DEFICIT	TREASURY SHARES	UNREALI (LOSS GAIN INVESTM
<S>	<C>	<C>	<C>	<C>
BALANCE March 31, 1994.....	\$ 972,499	\$ (122,217)	\$ (1,613)	\$
Issuance of common stock:				
Exercise of options and warrants.....	8,366		827	
NTT purchase.....	73,498			
Acquisitions.....	468,796			
Conversion of Class B common stock.....				
Deferred compensation.....	(2,837)			
Collection of notes receivable, net of accrued interest.....				
Unrealized loss on investments....				(1,2
Net loss.....		(125,849)		
BALANCE December 31, 1994.....	1,520,322	(248,066)	(786)	(1,2
Issuance of common stock:				
Exercise of options and warrants.....	5,722		18	
Digital Radio purchase.....	12,644			
Acquisitions.....	1,654,440			
Deferred compensation.....	4,400			
Collection of notes receivable, net of accrued interest.....				
Unrealized gain on investments....				33,2
Net loss.....		(331,165)		
BALANCE December 31, 1995.....	3,197,528	(579,231)	(768)	32,0
Issuance of common stock:				
Exercise of options and warrants.....	16,836		(1,242)	
Employee stock purchase plan....	(112)		227	
Acquisitions.....	341,984		(37,009)	
Comcast purchase.....	99,897			
Exercise of anti-dilutive rights.....	(842)		7,392	
Deferred compensation.....	17,617			
Interest on notes receivable.....				
Unrealized loss on investments....				(17,0
Net loss.....		(556,020)		
BALANCE December 31, 1996.....	\$3,672,908	\$ (1,135,251)	\$ (31,400)	\$14,9

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED DECEMBER 31, 1994 AND THE
YEARS ENDED DECEMBER 31, 1995 AND 1996
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	1994	1995
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss.....	\$ (125,849)	\$ (331,165)
Adjustments to reconcile net loss to net cash used in operating activities--		
Amortization of debt issuance costs.....	2,490	3,739
Depreciation and amortization.....	94,147	236,178
Deferred income taxes.....	(71,730)	(201,427)
Accretion of senior redeemable notes, net of capitalization.....	60,175	90,691
Other.....	(407)	18,339
Change in current assets and liabilities, net of effects from acquisitions:		
Accounts and notes receivable.....	(2,971)	(20,484)
Radios and accessories.....	(6,448)	(1,179)

Other current assets.....	109	(18,936)
Accounts payable, accrued expenses and other.....	42,429	86,483
Net cash used in operating activities.....	(8,055)	(137,761)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for acquisitions, net of cash acquired.....	(81,457)	(75,917)
Other investments and advances to affiliates.....	(63,576)	(51,605)
Payments for acquisitions of FCC licenses.....	(1,780)	(10,000)
Capital expenditures (Note 1).....	(340,715)	(270,943)
Maturities of marketable securities.....	252,586	112,095
Other.....	(10,883)	9,162
Net cash used in investing activities.....	(245,825)	(287,208)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under credit agreements.....	--	--
Borrowings (repayments) on revolving line of credit, net.....	--	154,134
Other (repayments) borrowings, net.....	(2,623)	(6,357)
Debt issuance costs.....	--	--
Common stock issued.....	74,685	16,112
Preferred stock issued.....	--	300,000
Treasury stock issued.....	--	--
Notes receivable from stockholders.....	14	227
Net cash provided by financing activities.....	72,076	464,116
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS.....	(181,804)	39,147
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD.....	483,483	301,679
CASH AND CASH EQUIVALENTS, END OF PERIOD.....	\$ 301,679	\$ 340,826

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS -- Nextel Communications, Inc., and its subsidiaries ("Nextel" or the "Company") provide wireless communications services to their customers utilizing specialized mobile radio ("SMR") frequencies licensed to them by the Federal Communications Commission ("FCC"). The Company is principally engaged in the acquisition and operation of SMR communications systems in the United States and the sale and servicing of related equipment. Through its subsidiaries McCaw International, Ltd. ("MIL") and Nextel Investment Company ("NIC"), and other subsidiaries that are involved in the international wireless investments and business activities managed and/or coordinated through MIL, Nextel has interests in wireless operations in Canada, Mexico, Brazil, Argentina, the Philippines, and Shanghai, China. The Company's initial strategy was to consolidate the fragmented SMR industry in the largest markets in the United States through the acquisition of SMR systems that had achieved minimum FCC loading requirements so as to permit the aggregation of frequencies in a single market. Subsequently, the Company's business plan has been focused on the development and deployment of Digital Mobile networks to replace its traditional analog SMR networks.

The Company's principal business objective is to become a leading provider of wireless telecommunications services in major markets throughout the United States. The Company's efforts to accomplish its principal objective have consisted largely of acquiring spectrum and implementing wireless communications services in its markets by constructing and operating advanced mobile communications systems employing digital technology with a multi-site configuration permitting frequency reuse ("Digital Mobile networks"). The Company has acquired spectrum domestically and internationally through mergers and acquisitions.

CONCENTRATIONS OF RISK -- The Company believes that the geographic and industry diversity of its customer base minimizes the risk of incurring material losses due to concentrations of credit risk.

The Company is party to certain equipment purchase agreements with Motorola (see Notes 6 and 12). For the foreseeable future the Company expects that it will need to rely on Motorola for the manufacture of a substantial portion of the equipment necessary to construct its Digital Mobile networks.

USE OF ESTIMATES -- The preparation of financial statements in conformity with generally accepted accounting principles 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.

PRINCIPLES OF CONSOLIDATION AND CHANGE IN FISCAL YEAR -- The consolidated

financial statements include the accounts of the Company and its majority-owned subsidiaries. Investments in companies in which ownership interests range from twenty to fifty percent and in which the Company exercises significant influence over operating and financial policies are accounted for using the equity method. Other investments are accounted for using the cost method. All significant intercompany transactions and balances have been eliminated in consolidation.

Effective December 31, 1994, the Company changed its fiscal year end from March 31 to December 31.

CASH AND CASH EQUIVALENTS -- Cash equivalents consist of time deposits and highly liquid investments with original maturities of three months or less.

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Supplemental disclosures of cash flow information and non-cash investing and financing activities are as follows:

<TABLE>
<CAPTION>

	NINE MONTHS ENDED DECEMBER 31, 1994	YEAR EN DECEMBER 1995
	(IN THOUSANDS)	
<S>	<C>	<C>
CASH PAID:		
Interest paid.....	\$6,628	\$8,454
	*****	*****
Income taxes paid.....	\$ 519	\$ 389
	*****	*****

</TABLE>

Under its previous vendor financing agreements (see Note 6), the Company directly financed certain of its equipment purchases. During the nine months ended December 31, 1994 and the years ended December 31, 1995 and 1996 the total equipment acquired under these vendor financing agreements was \$104.6 million, \$117.8 million and \$102.5 million, respectively, resulting in total cash and non-cash capital expenditures of \$466.6 million, \$419.7 million and \$570.0 million, respectively. Total capital expenditures include interest capitalized in connection with the construction and development of the Digital Mobile networks of approximately, \$21.3 million, \$31.0 million and \$32.9 million during the nine months ended December 31, 1994 and the years ended December 31, 1995 and 1996, respectively.

INVESTMENTS -- Marketable debt securities and certificates of deposits with maturities greater than three months are classified as marketable securities. Marketable equity securities intended to be held more than one year are classified as other long-term assets.

The Company accounts for investments in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." All of the Company's marketable investments are classified as available-for-sale as of the balance sheet date and are reported at fair value, with unrealized gains and losses, net of tax, recorded as a component of stockholders' equity. Realized gains or losses and declines in value, if any, judged to be other than temporary on available-for-sale securities are reported in other income or expense. Investments that are not considered marketable instruments are recorded at the lower of cost or market and included in other assets. Management of the Company believes its investment policy limits exposure to concentrations of credit risk.

RADIOS AND ACCESSORIES -- Radios and accessories are valued at the lower of cost or market. Cost is determined by the first-in, first-out method.

PROPERTY, PLANT AND EQUIPMENT -- Property, plant and equipment, including improvements that extend useful lives, are recorded at cost, while maintenance and repairs are charged to operations as incurred. Depreciation and amortization are computed using the straight-line method based on estimated useful lives of 31 years for buildings, 3 to 10 years for equipment, and 3 years for furniture and fixtures. Leasehold improvements are amortized over the shorter of the respective lives of the leases or the useful lives of the improvements.

Construction in Progress includes labor, material, transmission and related equipment, engineering, site development, interest and other costs relating to the construction and development of the Digital Mobile networks.

INTANGIBLE ASSETS -- Intangible assets are recorded at cost and are amortized using the straight-line method based on estimated useful lives of 20 years for FCC licenses and the excess of purchase price over fair value of net assets acquired, 10 years for customer lists, and up to 20 years for other intangibles. Noncompetition covenants are amortized over the lives of the covenants.

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

LONG-LIVED ASSETS -- Effective January 1, 1996, the Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to Be Disposed of" ("SFAS 121"). Long-lived assets and identifiable intangibles to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is measured by comparing the carrying value of the long-lived asset to the estimated undiscounted future cash flows expected to result from use of the assets and their eventual disposition. The Company determined that as of December 31, 1996, there had been no impairment in the carrying value of long-lived assets.

INTEREST RATE SWAP AGREEMENTS -- The Company entered into interest rate swap agreements as a means of managing its interest rate exposure. These agreements have the effect of converting certain of the Company's variable rate obligations to fixed rate obligations. Net amounts paid or received are reflected as adjustments to interest expense.

REVENUE RECOGNITION -- Revenue is recognized for air-time and other services over the period earned and for sales of equipment when delivered.

DIGITAL MOBILE NETWORK EQUIPMENT SALES AND RELATED COSTS -- Effective January 1, 1996, the Company classified equipment sales revenue and related costs of its Digital Mobile network operations within selling, general and administrative expenses. The loss on the sale of subscriber units used in the Digital Mobile networks results from the Company's subsidy of Digital Mobile unit sales and represents marketing costs for the Digital Mobile networks. The statements of operations for the nine months ended December 31, 1994 and the year ended December 31, 1995 have been reclassified to conform with this presentation. Equipment sales and related costs of the Company's Digital Mobile network operations are as follows:

<TABLE>
<CAPTION>

	NINE MONTHS ENDED DECEMBER 31, 1994	YEAR DECEMBER 1995
	-----	-----
		(IN THOUSANDS)
<S>	<C>	<C>
Equipment Sales.....	\$ 8,820	\$ 53,515
Cost of Equipment Sales.....	14,852	67,274
	-----	-----
	\$ (6,032)	\$ (13,759)
	-----	-----

</TABLE>

INCOME TAXES -- Deferred tax assets and liabilities are determined based on the temporary difference between the financial reporting and tax bases of assets and liabilities applying enacted statutory tax rates in effect for the year in which the differences are expected to reverse. Future tax benefits, such as net operating loss carryforwards, are recognized to the extent that realization of such benefits is considered to be more likely than not.

FOREIGN CURRENCY TRANSLATION -- Results of operations for foreign investments are translated using average exchange rates during the period, while assets and liabilities are translated at the exchange rate in effect at the reporting date. Gains or losses from translating foreign currency financial statements are accumulated in a separate component of stockholders' equity. There were no material foreign currency translation gains or losses for the periods presented.

NET LOSS PER SHARE -- Net loss per share is based on the weighted average number of common shares outstanding during the period and does not include common equivalent shares since their effect would be anti-dilutive.

RECLASSIFICATIONS -- Certain prior year amounts have been reclassified to conform to the current year presentation.

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NEW ACCOUNTING PRONOUNCEMENTS -- In March 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 128, "Earnings per share" ("SFAS 128"), which supersedes Accounting Principles Board Opinion No. 15. SFAS 128 is effective for 1997 and simplifies the computation of earnings per share by replacing the presentation of primary earnings per share with a presentation of basic earnings per share. The Statement requires dual presentation of basic and diluted earnings per share by entities with complex capital structures. Basic earnings per share includes no dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted

earnings per share reflects the potential dilution of securities that could share in the earnings of an entity, similar to fully diluted earnings per share. Management of the Company does not believe that there will be any material effect from adopting SFAS 128 in 1997.

2. BUSINESS COMBINATIONS AND OTHER TRANSACTIONS

BUSINESS COMBINATIONS

NINE MONTHS ENDED DECEMBER 31, 1994 -- During the nine months ended December 31, 1994, the Company consummated various acquisitions of SMR operations in Florida with an aggregate purchase price of approximately \$52.3 million.

In April 1994, the Company acquired PowerFone Holdings, Inc. ("PowerFone"), an operator of SMR systems in Detroit, Cleveland, Cincinnati, Indianapolis, St. Louis, Pittsburgh and upstate New York, for approximately 7.6 million shares of Class A Common Stock, having an aggregate market value of approximately \$266.0 million at closing.

In August 1994, the Company completed the acquisition of Questar Telecom, Inc. ("QTI"), a wholly-owned subsidiary of Questar Corporation, and certain subsidiaries of Advanced Mobilcomm, Inc. (collectively "AMI-West"). QTI and AMI-West operated SMR systems in the Western regions of the United States. The Company issued approximately 3.9 million and 1.9 million shares of Class A Common Stock to the stockholders of QTI and AMI-West, respectively, having an aggregate market value of approximately \$153.0 million at closing.

In a series of transactions, the Company completed the acquisition of Saber Communications, Inc., an operator of SMR systems in Alabama, Louisiana and Mississippi, for approximately \$48.0 million in cash.

YEAR ENDED DECEMBER 31, 1995 -- On July 28, 1995, the Company acquired from Motorola, Inc. ("Motorola") substantially all of its owned or managed 800 MHz SMR licenses and related assets located throughout the continental United States (the "Motorola SMR Business") in exchange for approximately 41.7 million shares of Class A Common Stock and 17.8 million shares of Class B Non-voting Common Stock (the "Motorola Transaction"), having an aggregate market value of approximately \$1,160.0 million at closing.

On July 28, 1995, the merger with OneComm Corporation ("OneComm") was consummated (the "OneComm Merger") whereby the stockholders of OneComm received approximately 22.5 million shares of Class A Common Stock (or rights to receive such stock), having an aggregate market value of approximately \$402.0 million at closing. OneComm is an operator of SMR systems in the Rocky Mountain, Pacific Northwest, Midwest, North Central and Ohio Valley areas.

On July 31, 1995, the merger with American Mobile Systems Incorporated ("AMS"), an operator of SMR systems in Florida, was consummated (the "AMS Transaction"), whereby the stockholders of AMS received approximately 4.2 million shares of Class A Common Stock (or rights to receive such stock), having an aggregate market value of approximately \$81.3 million at closing.

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

In October 1995, the Company acquired certain SMR Properties from Comcast Corporation (see Note 10) in exchange for approximately 463,000 shares of Class A Common Stock, having an aggregate market value of approximately \$7.2 million at closing.

As a result of the business combinations consummated in 1995, the Company began to implement a plan to consolidate, resize and relocate the corporate headquarters and certain other functions of the various combining entities (the "Corporate Reorganization"). Accordingly, the Company accrued certain estimated expenses directly related to such Corporate Reorganization activities, including employee severance and closure of duplicate facilities. The charge to operations relating to the Corporate Reorganization (\$17.4 million) represents costs with respect to employees, facilities and related items of the Company prior to the consummation of such business combinations. Corporate Reorganization costs related to the acquired entities (\$9.9 million) have been included in the cost of the respective business combinations. As of December 31, 1995 and 1996, approximately \$361,000 and \$13.9 million, respectively, of such costs have been paid relating to the Company and \$1.5 million and \$9.9 million, respectively, of such costs have been paid relating to acquired entities.

YEAR ENDED DECEMBER 31, 1996 -- On January 10, 1996, the merger with Dial Page, Inc. ("Dial Page"), was consummated (the "Dial Page Merger"), whereby the stockholders of Dial Page received approximately 26.8 million shares of Class A Common Stock (or rights to receive such stock), having an aggregate value of approximately \$277.9 million on the contract date. Dial Page is an operator of analog SMR systems in the Southeastern United States.

The following presents the unaudited pro forma consolidated results of operations for the nine months ended December 31, 1994 and the year ended December 31, 1995, as if the acquisitions described above, had occurred at the beginning of each period presented. The 1995 pro forma results include

acquisitions consummated during the years ended December 31, 1995 and 1996 and the 1994 pro forma results include acquisitions consummated during the nine months ended December 31, 1994 and the year ended December 31, 1995. The pro forma effects of acquisitions consummated in 1996 were not material. The pro forma results are not necessarily indicative of the actual results of operations that would have occurred had the transactions been consummated as indicated nor are they intended to indicate results that may occur in the future.

<TABLE>
<CAPTION>

	NINE MONTHS ENDED DECEMBER 31, 1994	YEAR DECEM 1995
	(IN THOUSANDS)	
<S>	<C>	<C>
Revenues.....	\$ 172,631	\$ 2
Net loss.....	\$ (289,252)	\$ 15
Net loss per share.....	\$ (1.37)	\$

</TABLE>

In 1996, the Company also acquired several other businesses at a net cost of \$20.0 million. The results of operations of these businesses were not material in relation to the Company's consolidated results of operations.

All of the acquisitions described above were accounted for by the purchase method. Accordingly, assets and liabilities have been reflected at fair value at the date of acquisition. The operating results of the acquired companies are included in the consolidated statements of operations from their respective acquisition dates.

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The total purchase price and net assets acquired for acquisitions completed are as follows:

<TABLE>
<CAPTION>

	NINE MONTHS ENDED DECEMBER 31, 1994	YEAR DECEM 1995
	(IN THOUSANDS)	
<S>	<C>	<C>
Direct cost of acquisitions:		
Cash and accrued transaction costs.....	\$ 91,780	\$ 89,626
Note payable.....	132	--
Common stock, warrants and options.....	418,195	1,654,525
Expenses related to corporate reorganization.....	--	9,915
	\$ 510,107	\$ 1,754,066
Net assets acquired:		
Working capital -- net.....	\$ 1,923	\$ (44,992)
Property, plant and equipment.....	26,948	207,070
Intangible assets.....	629,024	2,278,310
Other assets.....	14,020	37,790
Long-term debt.....	(837)	(215,835)
Deferred income taxes.....	(160,971)	(508,277)
	\$ 510,107	\$ 1,754,066

</TABLE>

OTHER TRANSACTIONS

In 1994, the Company invested an aggregate of approximately \$18.1 million in cash and exchanged 2.5 million shares of Class A Common Stock for an equity interest in Clearnet Communications Inc. ("Clearnet") that as of December 31, 1996 represented an approximately 19.5% equity interest (representing approximately 1.7% of voting interest) in Clearnet. Such equity interest in Clearnet had an aggregate market value of approximately \$69.0 million at closing. The Company's investment in Clearnet (classified as other long-term assets in the accompanying consolidated balance sheets) is accounted for at fair market value.

In 1995, the Company, through MIL, invested approximately \$10.0 million for an approximate equity-equivalent interest of 25.2% and committed an additional \$13.2 million in loan funding in the initial phase of a newly created Group Special Mobile ("GSM") digital cellular telephone system operating in Shanghai, China. During 1996, MIL advanced a total of \$10.4 million of such loan funding

to the Shanghai operations.

On March 2, 1995, the Company, through NIC, acquired approximately a 16.5% interest in Corporacion Mobilcom S.A. de C.V. ("Mobilcom"), a Mexican SMR operator, for \$10.0 million and the conversion of \$42.5 million in principal amount of notes, representing funds advanced to Mobilcom in 1994. In August 1995, the Company acquired an additional 1.5% equity interest in Mobilcom for approximately \$4.7 million. During the year ended December 31, 1995, the Company recorded a \$15.0 million charge to operations representing an other than temporary decline in this investment as a result of the decline in the Mexican peso during 1995. The investment was accounted for using the cost method as of December 31, 1995.

On August 23, 1996, the Company, through NIC, entered into certain agreements to purchase up to 19.8% of additional equity interest in Mobilcom from the selling stockholders and Grupo Comunicaciones San Luis, S.A. De C.V. ("Grupo"), the associated company of Mobilcom, in two tranches. An additional 11.6% equity interest in Mobilcom was acquired on October 24, 1996 in exchange for 1.3 million shares of Class A Common Stock valued at \$23.1 million. On January 24, 1997, the Company acquired an additional 8.2% equity interest in Mobilcom from the selling stockholders in exchange for 1.3 million shares of Class A Common Stock valued at \$16.5 million bringing the Company's aggregate interest in Mobilcom to

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

approximately 38%. Upon the closing of the first tranche, the ownership interest increased from 18.5% to 30.1% requiring a change in the accounting method used to account for the investment from the cost method to the equity method, resulting in a \$10.8 million charge to other expenses.

The Company, through NIC, has the right to appoint a majority of Mobilcom board members. In order to retain the contractual right to designate a majority of the board of directors of Mobilcom, the Company must invest approximately \$76.8 million in Mobilcom through certain qualified capital transactions by March 1998. As of January 31, 1997, the Company had invested \$43.6 million in such qualified capital transactions. The Company has the option to purchase before March 1998, up to an additional 29.5% of Mobilcom's common stock. Certain shareholders of Mobilcom retain the right to approve certain significant transactions such as acquisitions and dispositions, and the approval of business plans of Mobilcom. In addition, beginning on October 24, 1997, holders of approximately 33% of the outstanding capital stock of Mobilcom have the right for two years to put (the "Mobilcom Put") the entire amount of their holdings to the company at its appraised fair market value of cash upon occurrence of certain events. The Mobilcom Put is automatically exercisable on October 24, 1999.

NIC has agreed under certain circumstances to attempt to provide Grupo with liquidity with respect to its 21% equity interest in Mobilcom. At any time after January 1, 1999, NIC, if requested by Grupo, will cause Mobilcom to undertake a U.S. registered public offering or sale for cash to a third party of Grupo's shares at their appraised fair market value within one year of such request. If Mobilcom fails to provide Grupo with liquidity through either of these methods, Grupo has the right to cause Mobilcom to file a registration statement in the United States covering Grupo's Mobilcom shares.

On June 14, 1996, the Company, through MIL, invested \$16.0 million in cash to obtain a 30% interest in Infocom Communications Network, Inc. ("Infocom"), a wireless communications company located in the Philippines. This investment is accounted for by the equity method.

On August 6, 1996, the Company, through MIL, acquired all of the outstanding shares of Com Control Comunicacion Controlada S.A. (renamed McCaw Argentina S.A.), an Argentine company with 800 MHz SMR licenses, for \$15.0 million in the form of cash and equipment.

SUBSEQUENT TRANSACTIONS -- On January 30, 1997, Nextel acquired 81% of the outstanding shares of Wireless Ventures of Brazil, Inc., an operator of SMR systems in Brazil ("WVB"), for a purchase price of \$186.3 million, which was paid with Class A Common Stock, through a merger of WVB with a wholly-owned subsidiary of Nextel. Nextel simultaneously contributed its interest in WVB, which was renamed McCaw International ("Brazil"), Ltd., to MIL.

PENDING TRANSACTIONS -- In October 1996, the Company entered into a definitive agreement with Pittencrieff Communications, Inc. ("Pittencrieff"), an SMR operator with licenses in Texas, Oklahoma, New Mexico and Arizona, providing for the merger of Pittencrieff with a wholly-owned indirect subsidiary of the Company (the "Pittencrieff Transaction"). Pursuant to the Pittencrieff Transaction, the Company will issue a maximum of 8,782,403 shares of Class A Common Stock, subject to certain adjustments, in exchange for all of the outstanding shares (or rights to acquire shares) of Pittencrieff common stock. The maximum dollar value of the shares of Class A Common Stock to be issued to the Pittencrieff stockholders is set at \$170.0 million (subject to certain adjustments). Accordingly, if the price of the Class A Common Stock exceeds \$19.36 at the closing of the Pittencrieff Transaction, the number of shares to be issued to the Pittencrieff stockholders would be decreased so that the total

maximum dollar value threshold would not be exceeded. The closing of the Pittencrieff Transaction, which is subject to certain conditions, including regulatory approval and the approval of the Pittencrieff stockholders, is expected to occur in 1997.

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

3. ACCOUNTS AND NOTES RECEIVABLE

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1995	199
	(IN THOUSANDS)	
	<C>	<C>
<S>		
Trade:		
Billed.....	\$34,855	\$ 68.
Unbilled.....	6,267	12.
Reserve for doubtful accounts.....	(5,232)	(10.
	35,890	69.
Notes receivable.....	--	12.
Other.....	5,561	8.
	\$41,451	\$ 90.
	*****	*****

</TABLE>

Notes receivable, all due within one year, primarily consist of advances to foreign investees bearing interest at rates from 6% - 14.5%.

4. PROPERTY, PLANT AND EQUIPMENT

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1995	199
	(IN THOUSANDS)	
	<C>	<C>
<S>		
Land.....	\$ 980	\$ 1
Buildings and improvements.....	15,267	78
Equipment.....	972,063	1,287
Furniture and fixtures.....	71,603	98
Construction in progress.....	271,592	652
	1,331,505	2,118
Less accumulated depreciation and amortization.....	139,301	314
	\$1,192,204	\$1,803
	*****	*****

</TABLE>

5. INTANGIBLE ASSETS

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1995	199
	(IN THOUSANDS)	
	<C>	<C>
<S>		
FCC licenses.....	\$2,762,502	\$3,300
Excess of purchase price over fair value of net assets acquired.....	867,639	1,083
Customer lists.....	137,519	134
Noncompetition covenants.....	93,248	85
Other.....	32,204	38
	3,893,112	4,642
Less accumulated amortization.....	343,490	566
	\$3,549,622	\$4,076
	*****	*****

</TABLE>

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

6. LONG-TERM DEBT

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1995	199
	(IN THOUSANDS)	
<S>	<C>	<C>
11.5% Senior redeemable discount notes due 2003, interest payable semi-annually beginning March 1, 1999, net of unamortized discount of \$143,835 and \$89,024.....	\$ 390,569	\$ 436
9.75% Senior redeemable discount notes due 2004, interest payable semi-annually beginning August 15, 1999, net of unamortized discount of \$307,329 and \$205,773.....	837,102	920
10.125% Senior redeemable OneComm discount notes due 2004, interest payable semi-annually beginning July 15, 1999, net of unamortized discount of \$193,638 and \$151,810.....	224,122	258
12.25% Senior redeemable Dial Page discount notes due 2004, interest payable semi-annually beginning October 15, 1999, net of unamortized discount of \$186,584.....	--	355
10.25% Senior redeemable Dial Page discount notes due 2005, interest payable semi-annually beginning June 15, 1999, net of unamortized discount of \$45,192....	--	69
Bank credit facility, interest payable quarterly at an adjusted rate calculated either on the prime rate or LIBOR (8% to 9.75%).....	--	590
Vendor credit facility, interest payable quarterly at 2% over the prime rate (10.25%).....	--	150
Equipment notes payable, interest at 2% over corporate base rate as defined (10.5%).....	235,075	
Other.....	2,238	3
	1,689,106	2,784
Less current portion.....	1,277	1
	\$1,687,829	\$2,783

</TABLE>

SENIOR REDEEMABLE DISCOUNT NOTES -- In August 1993, the Company completed the issuance of \$525.9 million principal amount of senior redeemable discount notes due 2003 (the "2003 Notes"). The 2003 Notes, which are unsecured obligations and noncallable until September 1, 1998, generated \$300.0 million of gross proceeds.

In February 1994, the Company completed the issuance of \$1,126.4 million principal amount of senior redeemable discount notes due 2004 (the "2004 Notes"). The 2004 Notes, which are unsecured obligations and noncallable until February 15, 1999, generated \$700.0 million of gross proceeds.

The \$409.9 million principal amount of OneComm's senior redeemable discount notes due 2004 (the "OneComm 2004 Notes") are unsecured obligations and noncallable until January 15, 1999. The OneComm 2004 Notes were assumed in connection with the OneComm Merger and were adjusted to fair value at the date of acquisition at an annual yield to stated maturity of approximately 14.2%.

The \$541.8 million principal amount of Dial Page's senior redeemable discount notes due 2004 (the "Dial Page 2004 Notes") are unsecured obligations and noncallable until April 15, 1999. The Dial Page 2004 Notes were assumed in connection with the Dial Page Merger and were adjusted to fair value at the date of acquisition at an annual yield to stated maturity of approximately 14.3%.

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The \$115.2 million principal amount of Dial Page's senior redeemable discount notes due 2005 (the "Dial Page 2005 Notes") are unsecured obligations and noncallable until December 15, 1998. The Dial Page 2005 Notes were assumed in connection with the Dial Page Merger and were adjusted to fair value at the date of acquisition at the annual yield to stated maturity of approximately 14.3%.

The indentures governing the 2003 Notes, 2004 Notes, OneComm 2004 Notes, Dial Page 2004 Notes, and Dial Page 2005 Notes (collectively the "Notes") contain substantially similar covenants which, among other things, restrict the ability of the Company and certain of its subsidiaries to: incur additional indebtedness; pay dividends or make distributions in respect of its capital stock or make certain other restricted payments; create liens; enter into transactions with affiliates or related persons; sell certain assets; engage in any business other than the telecommunications business; or consolidate, merge or sell all or substantially all of its assets. Additionally, the indentures

governing the 2003 Notes restrict the Company from encumbering the ability of certain of its restricted subsidiaries, as defined in the Notes, to pay dividends or make certain payments to the Company. Assets of the restricted subsidiaries may not be transferred to Nextel except for payments of overhead services, taxes or principal and interest on Notes. Also under these indentures, the Company and its restricted subsidiaries may only incur debt other than certain categories of permitted debt (as defined in the indentures), if the aggregate amount of its debt does not exceed 30% of its total market capitalization or if its ratio of consolidated debt to annualized operating cash flow does not exceed certain levels.

Prior to the consummation of the Motorola Transaction and the OneComm and Dial Page Mergers, the Company received consents of holders of the 2003 Notes, 2004 Notes, the OneComm 2004 Notes and the Dial Page 2004 and 2005 Notes that were required under terms of the respective indentures. In exchange for the consents, the Company agreed to pay each consenting holder of the respective notes an amount equal to \$10.00 per \$1,000 of principal amount at maturity of the respective notes. The Company, OneComm and Dial Page paid approximately \$26.9 million for these consents, which is included in transaction costs related to the Motorola Transaction and the OneComm and Dial Page Mergers, as appropriate (see Note 2).

BANK AND VENDOR CREDIT FACILITIES -- On September 30, 1996, Nextel, Nextel Finance Company ("NFC"), a wholly-owned subsidiary of Nextel, and certain other subsidiaries of Nextel entered into definitive agreements with respect to a secured credit facility arranged by a group of banks (the "Bank Credit Facility"). The Bank Credit Facility provides for up to \$1,655.0 million of secured financing, consisting of \$1,085.0 million in revolving loans and \$570.0 million in term loans. The commitments to make revolving loans are reduced beginning March 31, 2001 with final maturities of the revolving loans occurring on March 31, 2003. Quarterly principal payments on the term loans commence March 31, 2001 with final maturities on June 30, 2003. Concurrently therewith, Nextel, NFC and certain other subsidiaries of Nextel entered into definitive agreements, which also became effective on September 30, 1996, with respect to the amendment, restatement and consolidation of the previously existing financing arrangements with Motorola and NTFC Capital Corporation ("NTFC") (the "Vendor Credit Facility"). The Vendor Credit Facility supersedes the previous financing agreements and provides for up to \$345.0 million of secured financing, consisting of a \$195.0 million revolving loan and \$150.0 million in term loans, with revolving credit commitment reductions and term loan payments parallel to those of the Bank Credit Facility.

Borrowings under the Bank Credit Facility and the Vendor Credit Facility (collectively, the "Facilities") are ratably secured by liens on assets of Nextel's subsidiaries that are "restricted" subsidiaries under the terms of Nextel's public indentures. As of December 31, 1996, Nextel had drawn \$590.0 million of its available financing under the Bank Credit Facility, leaving an aggregate of \$1,065.0 million available for borrowing under such facility. Additionally, Nextel had drawn \$150.0 million of its available financing under the Vendor Credit Facility, leaving an aggregate of \$195.0 million available for borrowing under such facility. The proceeds from these borrowings were used primarily to repay the outstanding principal and accrued interest under the previous financing agreements with Motorola and NTFC and to fund operations. Commitment fees of 0.5% are payable quarterly based on the average unused balance of the Bank Credit Facility. However, the

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

maximum permitted indebtedness (excluding indebtedness represented by the Notes) pursuant to the indentures relating to the Notes is limited to \$1,560.0 million as of December 31, 1996.

The Facilities agreements contain similar covenants which limit the ability of the Company and certain of its subsidiaries to incur additional indebtedness; create liens; pay dividends or make distributions in respect of its capital stock or make certain other restricted payments; consolidate, merge or sell all or substantially all of its assets or engage in certain acquisitions; guarantee obligations of other entities; enter into hedging agreements; enter into transactions with affiliates or related persons; or engage in any business other than the telecommunications business. Additionally, the agreements require compliance with various financial ratios and the attainment of certain operating results during the terms of the credit facilities. The Facilities are secured by certain assets and capital stock of Nextel's restricted subsidiaries. At December 31, 1996, substantially all of the Company's assets were pledged in connection with these facilities.

PREVIOUS VENDOR FINANCING -- In 1991, the Company entered into agreements, as amended, with Motorola for the purchase, installation and maintenance of the Company's Digital Mobile networks infrastructure and related subscriber equipment. In addition, the Company and certain of its subsidiaries entered into financing and security agreements with Motorola which provided and secured equipment financing totaling \$685.0 million (the "Motorola Financing"). Borrowings under these facilities were limited to the cost of equipment and services provided by Motorola (excluding subscriber equipment) and evidenced by individual promissory notes. At December 31, 1995, approximately \$225.1 million was outstanding under these facilities. On September 30, 1996, the agreements

relating to this facility were amended and restated to become the Vendor Credit Facility and the balances outstanding under the Motorola Financing were refinanced with the Vendor Credit Facility discussed above.

The Company entered into a warrant agreement with Motorola providing for the issuance of warrants for the purchase of 3.0 million shares of Class A Common Stock as an inducement to enter into certain of the aforementioned agreements. The exercise price of the warrants is \$15.00 per share, the market value of the stock at the date of grant. The warrants are issuable in varying installments corresponding with the commencement date of commercial service of Digital Mobile networks in certain regional market areas. At December 31, 1995 and 1996, warrants for approximately 2.1 million shares and 2.7 million shares, respectively, were issued and exercisable, and such warrants expire at various dates ranging from October 1999 to December 2000.

In 1991, the Company entered into a financing agreement, as amended, with the NTFC providing for a \$40.0 million line of credit for the purchase of six Northern Telecom Corporation switching systems and related services. The terms and conditions of the agreement were substantially identical to the Motorola Financing agreements. At December 31, 1995, \$10.0 million was outstanding under this facility. On September 30, 1996, the agreements relating to this facility were amended and restated to become the Vendor Credit Facility and the balances outstanding under the NTFC financing were refinanced with the Vendor Credit Facility discussed above.

For the years subsequent to December 31, 1996, annual maturities of long-term debt are as follows (in thousands):

<TABLE>

<S>	<C>
1997.....	\$ 1.52
1998.....	1.10
1999.....	53.85
2000.....	98.96
2001.....	207.19
Thereafter.....	3,100.31

Less unamortized discount.....	1,462.94
	678.38

	\$2,784.56

</TABLE>

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

INTEREST RATE SWAPS -- In October 1996, NFC entered into an interest rate swap agreement with a notional amount of \$120.0 million which will convert floating rate debt into fixed rate obligations with an effective interest rate of 5.9%. This swap commenced on October 2, 1996 for a one-year period expiring on October 2, 1997. As of December 31, 1996 based on estimates obtained from dealers, the Company would be obligated to pay \$872,000 to settle this contract.

In December 1996, NFC entered into an interest rate swap agreement with a notional amount of \$100.0 million which will convert floating rate debt into fixed rate obligations with an effective interest rate of 5.36%. This swap commenced on December 13, 1996 and will terminate either on December 13, 1999 or on the first day of the quarterly interest payment period when the floating rate is equal to or exceeds 6.25%, whichever comes first. As of December 31, 1996 based on estimates obtained from dealers, the Company would receive \$142,000 to settle this contract.

SUBSEQUENT TRANSACTION -- On March 3, 1997, MIL completed a private placement of 951,463 units yielding \$500.0 million of gross proceeds. Each unit is comprised of a 10-year senior discount note and a warrant to purchase 0.10616 shares of MIL common stock. The notes have a 13% yield to maturity, are noncallable for five years, and require no coupon payments for the first five years. The warrants are exercisable at a price of \$36.45 and entitle the holders to purchase in the aggregate 1%, on a fully diluted basis, of the common stock of MIL.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments." The estimated fair value amounts have been determined by the Company, using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

<TABLE>

<CAPTION>

	DECEMBER 31,		
	1995		
	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT
			(IN THOUSANDS)
<S>	<C>	<C>	<C>
Marketable securities (including equity securities classified within other long-term assets).....	\$ 183,544	\$ 183,544	\$ 97.
Other assets.....	\$ 56,117	\$ 65,007	\$ 10.
Long-term debt.....	\$1,687,829	\$1,386,808	\$2,783.

CASH AND CASH EQUIVALENTS, ACCOUNTS AND NOTES RECEIVABLE, ACCOUNTS PAYABLE AND ACCRUED EXPENSES -- The carrying amounts of these items are a reasonable estimate of their fair value.

MARKETABLE SECURITIES -- The fair value of these securities are estimated based on quoted market prices.

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

At December 31, 1995 and 1996, marketable securities (including equity securities classified within other long-term assets) consist of the following:

<TABLE>
<CAPTION>

	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
		(IN THOUSANDS)	
<S>	<C>	<C>	<C>
1995			
Available for sale:			
Debt securities.....	\$69,679	\$ 68,443	
Equity securities.....	\$59,618	\$115,101	
1996			
Available for sale:			
Debt securities.....	\$ 4,991	\$ 5,000	
Equity securities.....	\$69,159	\$ 92,344	

At December 31, 1996, the net unrealized gain on investments of approximately \$15.0 million included in stockholders' equity is net of a related deferred income tax liability of approximately \$8.2 million.

OTHER ASSETS -- The fair value of other assets, consisting primarily of investments in promissory notes and escrow deposits, are estimated by discounting future cash flows using current rates at which similar notes would be issued to similar borrowers and quoted market prices, as applicable. At December 31, 1995 and 1996, it was not practicable to value investments in nonmarketable equity securities of foreign entities with a carrying value of approximately \$55.5 million and \$19.7 million, respectively. Accordingly, these investments are excluded from the above table.

LONG-TERM DEBT -- The fair value of these securities are estimated based on quoted market prices of the 2003 Notes, 2004 Notes, OneComm 2004 Notes, Dial Page 2004 Notes, and Dial Page 2005 Notes. Interest rates that are currently available to the Company for issuance of debt with similar terms and remaining maturities are used to estimate fair value for debt issues for which no market quotes are available.

8. INCOME TAXES

The components of the income tax (benefit) provision were as follows:

<TABLE>
<CAPTION>

	NINE MONTHS ENDED DECEMBER 31, 1994	YEAR ENDED DECEMBER 31, 1995
		(IN THOUSANDS)
<S>	<C>	<C>
Current:		
State.....	\$ 385	\$ 825
Deferred:		
Federal.....	(59,612)	(161,700)
State.....	(12,118)	(39,727)

	(71,730)	(201,427)
Income tax benefit.....	\$(71,345)	\$(200,602)

</TABLE>

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The reconciliation of taxes computed at the statutory rate to the income tax benefit is as follows:

<TABLE>
<CAPTION>

	NINE MONTHS ENDED DECEMBER 31, 1994	YEAR ENDED DECEMBER 31, 1995	
			(IN THOUSANDS)
<S>	<C>	<C>	<C>
Income tax benefit at statutory rate.....	\$(69,018)	\$(186,118)	\$(
State tax benefit -- net.....	(7,626)	(25,286)	
Amortization of goodwill.....	4,766	8,400	
Other.....	533	2,402	
	\$(71,345)	\$(200,602)	\$(

</TABLE>

Deferred tax assets and liabilities consist of the following:

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1995	1996
		(IN THOUSANDS)
<S>	<C>	<C>
Deferred tax assets:		
Operating loss carryforwards.....	\$405,784	\$ 725
Deferred interest.....	20,098	61
Other.....	24,196	28
	450,078	815
Valuation allowance -- net operating losses.....	--	(41)
	450,078	774
Deferred tax liabilities:		
Property, plant and equipment.....	66,348	112
Intangibles.....	910,814	1,103
Unrealized gain.....	22,193	22
Other.....	--	42
	999,355	1,280
Net deferred tax liability.....	\$549,277	\$ 505

</TABLE>

At December 31, 1996, the Company had approximately \$1,511.0 million of consolidated net operating loss carryforwards for Federal income tax purposes which expire through 2011, and approximately \$326.0 million of separate return net operating loss carryforwards which expire through 2011. The utilization of tax net operating losses may be subject to certain limitations.

During the years ended December 31, 1995 and 1996, tax benefits of approximately \$1.1 million and \$7.4 million, respectively, related to the exercise of employee stock options, were credited to stockholders' equity.

9. COMMITMENTS AND CONTINGENCIES

OPERATING LEASE COMMITMENTS -- The Company leases various equipment and office facilities under operating leases. Leases for analog antenna sites are generally a one year term or month-to-month; digital antenna sites are generally five year terms but are cancelable after a short notice period under certain circumstances. Future rental payments for such antenna site leases will approximate \$30.5 million for the year ending December 31, 1997, including amounts due to Motorola of approximately \$25.9 million (see Note 12).

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Office facilities and equipment other than antenna sites are leased under agreements with terms ranging from 1 to 10 years. The leases normally provide for the payment of minimum annual rentals and certain leases include provisions for renewal options of up to ten years.

For years subsequent to December 31, 1996, future minimum payments for all lease obligations that have initial noncancellable lease terms exceeding one year are as follows (in thousands):

<TABLE>

<S>	<C>
1997.....	\$ 74,957
1998.....	58,826
1999.....	40,694
2000.....	28,849
2001.....	18,982
Thereafter.....	41,649

	\$263,957

</TABLE>

Total rental expense was approximately \$37.0 million, \$58.9 million and \$84.5 million for the nine months ended December 31, 1994, and the years ended December 31, 1995 and 1996, respectively.

LEGAL CONTINGENCIES -- On July 10, 1995, a lawsuit titled In Re Nextel Communications Securities Litigation was filed in the United States District Court in the District of New Jersey. This litigation, which is being pursued as a class action suit, amends and consolidates three previously filed class action complaints and seeks damages allegedly incurred by certain stockholders and claimed to result from defendants' alleged violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The litigation also makes claims of fraud and deceit. Specifically, plaintiffs claim that such damages resulted from defendants' certain alleged false and misleading statements regarding the digital communications technology developed by Motorola and deployed by Nextel in its Digital Mobile networks. While Nextel cannot predict the outcome of this litigation, Nextel believes that the claims against it are without merit and intends to vigorously defend against them.

On September 19, 1994, a lawsuit titled Charles Dascal v. Morgan O'Brien, Becker, Gurman, Lukas, Meyers, O'Brien and McGowan, P.C. and Nextel Communications, Inc., was filed in the Circuit Court of Dade County, Florida. The lawsuit, which has been transferred to the United States District Court for the Southern District of Florida, seeks compensatory damages, lost profits and special damages based on the defendants' alleged breach of fiduciary duty, misappropriation of trade secrets, negligent misrepresentation, fraud, conversion, civil theft, breach of good faith and fair dealing and unjust enrichment. The claims, which primarily concern alleged conduct by Nextel's current Vice-Chairman and former Chairman of the Board, Morgan O'Brien, in the 1970s and early 1980s prior to the formation of Nextel, assert that business plans allegedly formulated by the plaintiff relating to the development of a wireless communications system were disclosed to, and have been improperly used by, the defendants. While Nextel cannot predict the outcome of this litigation, Nextel believes that the claims against it are without merit, and intends to vigorously defend against them. On September 13, 1994, the Board of Directors determined that Morgan O'Brien, in his capacities as an officer, director and authorized representative of Nextel, was entitled to indemnification in respect of this matter.

Unless otherwise indicated, the relevant plaintiffs have not specified amounts of damages being sought. Given the Company's assessment of the claims asserted against it in each such lawsuit, the Company does not believe that such lawsuits, individually or in the aggregate, will have a material adverse effect on the Company's financial condition, results of operations or liquidity.

The Company and its subsidiaries are involved in certain other administrative proceedings and matters concerning legal issues arising in the ordinary course of business. Management can not predict the final

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

disposition of such issues, but believes that adequate provision has been made for probable losses and that the ultimate resolution of these proceedings will not have a material adverse effect on the accompanying financial statements.

REGULATORY CONTINGENCIES -- On December 15, 1995, the FCC released new 800 MHz SMR licensing rules intended to provide for the auction of geographic-area based SMR licenses in the top 200 SMR channels on an Economic Area ("EA") basis. The 200 channels will be auctioned in blocks of 120 channels, 60 channels and 20 channels in an auction that the FCC has announced will occur in 1997. Once an upper 200-channel EA license is obtained, the licensee will have the authority to construct, operate and modify its systems within the licensed geographic area without first obtaining FCC approval. To ensure proper construction and use of the spectrum, EA licensees will be required to provide services to one-third of

the population within two years, and two-thirds of the population within five years using more than 50% of the EA licensee's channels. Failure to meet these build out requirements will result in loss of the EA license.

Because the upper 200 channels in the 800 MHz SMR service are licensed to existing SMR providers, the EA licensee will have the authority to relocate incumbents within the EA to the lower 230 SMR channels. Consequently, Nextel may be subject to relocation in an EA for which it currently holds licenses but fails to obtain the EA geographic-area license. Any incumbent not relocated out of the EA licensed area must be provided co-channel protection by the EA licensee, and will be permitted to make only those system modifications that do not expand their current interference contour. The incumbent licenses will also be provided an opportunity to convert their current site-by-site licenses to a single license encompassing their existing authorized service area contours.

In addition to promulgating new rules for the upper 200 800 MHz channels, the FCC proposed on December 15, 1995 to license the lower 230 SMR channels on an EA basis. The FCC has proposed to auction the lower channels as an "entrepreneur block" thus limiting auction participation to small businesses which would likely exclude Nextel from eligibility to bid on the lower channels. The FCC proposal would not permit lower EA licensees to relocate incumbents.

10. STOCKHOLDERS' EQUITY

During 1995, the Company increased its authorized shares to 613.9 million of which \$15.0 million shares are authorized as Class A Common Stock (par value \$.001 per share), 35.0 million shares as Class B nonvoting convertible common stock (par value \$.001 per share), and 63.9 million shares as Preferred Stock (par value \$.01 per share). The Class B Common Stock is convertible on a one-to-one basis into Class A Common Stock at the option of the holder subject to certain restrictions on the holder.

STOCK ISSUANCES -- In 1992, the Company entered into a Stock Purchase Agreement (the "Comcast Agreement") and related Option Agreement (the "Comcast Option"), as amended, with Comcast Corporation and/or its wholly-owned subsidiary, Comcast FCI, Inc. (collectively, "Comcast") whereby Comcast agreed to purchase \$100.0 million of Class A Common Stock. The first \$50.0 million was purchased for cash in 1992 at \$14.00 per share. The second \$50.0 million, was comprised of \$35.0 million which was subject to a contingent purchase opportunity for a cash price set on June 30, 1995 at 90% of the then prevailing market price (such contingent purchase opportunity was not exercised) and \$15.0 million which was deemed to be satisfied upon the Company's purchase of Comcast SMR properties located in Philadelphia (see Note 2). Under the terms of the Comcast Option, Comcast purchased for \$20.0 million a five-year option to acquire an additional 25.0 million shares of Class A Common Stock at an exercise price of \$16.00 per share. The option price was paid in the form of a \$20.0 million five-year promissory note which accrued interest at 5% per annum. On June 30, 1995, the rights and obligations of the Company and Comcast with respect to the potential \$35.0 million equity investment expired, and on July 18, 1995, Comcast repaid the \$20.0 million note, plus accrued interest. On March 20, 1997, Nextel entered into arrangements with Comcast that provided for the purchase by Unrestricted Subsidiary Funding Company, a wholly-owned subsidiary of Nextel

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

("USFC"), of the Comcast rights pursuant to the options described above for a purchase price of \$25.0 million (the "Comcast Repurchase Option"). The terms of the agreement relating to such option purchases provided for the termination of a number of previously existing relationships between Nextel and Comcast, including the Comcast Agreement and related documents.

Pursuant to the Comcast Agreement, Comcast was granted certain rights to purchase additional shares of Class A Common Stock upon any public or private issuances of such shares by the Company as specified in the Comcast Agreement (the "Comcast Purchase Right"). On May 1, 1995, Comcast exercised its right to purchase shares in connection with the Dial Page Merger (see Note 2). Under the terms of the Company's agreement with Comcast, the rights with respect to the issuance of shares in the transactions with Motorola, OneComm and Digital Radio, L.L.C. ("Digital Radio") (as described below) lapsed on April 30, 1995. On February 9, 1996, Comcast purchased approximately 8.2 million shares of Class A Common Stock for approximately \$99.9 million, pursuant to Comcast's exercise of its anti-dilutive rights with respect to the Dial Page Merger. The Comcast Purchase Right was terminated in connection with the Comcast Option Repurchase.

On July 28, 1995, the Company consummated a securities purchase agreement with Digital Radio and Craig O. McCaw ("McCaw") (the "McCaw Securities Purchase Agreement" or the "McCaw Transaction") pursuant to which Digital Radio purchased for an aggregate price of \$300.0 million, Nextel units (the "Units") consisting of approximately 8.2 million shares of a newly created Class A Convertible Redeemable Preferred Stock and 82 shares of a newly created Class B Convertible Preferred Stock. The Units are convertible into approximately 24.5 million shares of the Class A Common Stock and are redeemable under certain circumstances solely at the Company's option. The Preferred Stock only pays dividends under certain limited circumstances. In addition, pursuant to three separate option agreements, Digital Radio may purchase for cash up to 35.0

million shares of Class A Common Stock at exercise prices ranging from \$15.50 to \$21.50 per share for periods of two to six years from July 28, 1995. On April 5, 1995, Digital Radio purchased approximately 1.2 million shares of Class A Common Stock for an aggregate purchase price of approximately \$14.9 million (\$12.6 million net of applicable expenses attributable to both such initial investment and the additional investments described above).

Pursuant to the McCaw Securities Purchase Agreement, the McCaw Investor was granted anti-dilutive rights with respect to certain Nextel share issuances, which rights and related terms are largely comparable to the Comcast Purchase Right ("McCaw Purchase Right"). In November 1996, upon the issuance of shares in connection with an acquisition, the McCaw Investor exercised its anti-dilutive rights, which resulted in the sale of 373,846 treasury shares of Nextel Class A Common Stock to the McCaw Investor for \$6.5 million.

In connection with the McCaw Transaction, the Company also entered into a management support agreement with Eagle River, Inc. ("Eagle River"), an affiliate of Digital Radio, to provide management and consulting services from time to time as requested. In consideration for these services, the Company entered into an incentive option agreement granting Eagle River an option to purchase an aggregate of up to 1.0 million shares of Class A Common Stock at an exercise price of \$12.25 per share, exercisable over two, four and six years. For the years ended December 31, 1995 and 1996 approximately \$905,000 and \$1.8 million of compensation expense was charged to operations in connection with these agreements. During the years ended December 31, 1995 and 1996, the Company paid Eagle River approximately \$247,000 and \$348,000 under the terms of this agreement for reimbursement of expenses.

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

WARRANT ISSUANCES -- The following is a summary of issued and outstanding warrants for the purchase of the Company's Class A Common Stock:

<TABLE>
<CAPTION>

<S>	SHARES COVERED BY WARRANTS	
	<C>	<C>
Issued and outstanding, April 1, 1994 and December 31, 1994.....	32,614,485	\$0.001
Acquired.....	497,139	
Exercised.....	(580,000)	0.001
Issued and outstanding, December 31, 1995.....	32,531,624	2.00
Acquired.....	2,160,067	12.14
Issued and outstanding, December 31, 1996.....	34,691,691	\$ 2.00
Exercisable, December 31, 1996.....	34,391,691	\$ 2.00

</TABLE>

On March 20, 1997, an option to acquire 25.0 million shares, covered by warrants outstanding as of December 31, 1996, was repurchased pursuant to the Comcast Option Repurchase described above.

11. STOCK AND EMPLOYEE BENEFIT PLANS

EMPLOYEE STOCK OPTION PLANS -- The Company's Incentive Equity Plan (the "Plan") provides for the issuance of up to 24.0 million shares of Class A Common Stock to officers and key employees. Generally, options outstanding under the Company's stock option plan: (1) are granted at prices equal to or exceeding the market value of the stock on the grant date; (2) vest ratably over either a four or five year service period; and (3) expire ten years subsequent to award.

A summary of the Plan activity is as follows:

<TABLE>
<CAPTION>

<S>	SHARES	OPTION PRICE RANGE	
		<C>	<C>
Outstanding, March 31, 1994.....	5,497,777	\$ 1.25	- \$40.75
Granted.....	288,600	13.50	- 40.25
Acquired.....	38,026	14.20	- 14.20
Canceled.....	(118,088)	3.50	- 40.25
Exercised.....	(248,694)	1.25	- 15.87
Outstanding, December 31, 1994.....	5,457,621	1.25	- 40.75
Granted.....	3,246,050	12.25	- 19.38
Acquired.....	1,382,835	2.82	- 19.09
Canceled.....	(141,417)	3.50	- 40.25

Exercised.....	(728,766)	1.25	15.00
Outstanding, December 31, 1995.....	9,216,323	1.25	40.75
Granted.....	5,332,995	13.50	19.75
Acquired.....	2,198,192	10.28	42.97
Canceled.....	(2,969,568)	1.75	40.25
Exercised.....	(1,522,873)	1.25	15.00
Outstanding, December 31, 1996.....	12,255,069	\$ 1.75	\$42.97
Exercisable, December 31, 1996.....	4,912,535	\$ 1.75	\$42.97

</TABLE>

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Following is a summary of the status of stock options outstanding at December 31, 1996:

<TABLE>
 <CAPTION>

EXERCISE PRICE RANGE	NUMBER OF SHARES	OPTIONS OUTSTANDING		AVERAGE EXERCISE PRICE	OPTIONS EXERCISED
		WEIGHTED-AVERAGE LIFE REMAINING (YEARS)	NUMBER OF SHARES		
<S>	<C>	<C>		<C>	<C>
\$1.75 - \$5.00	1,422,227	3.7		\$ 4.50	1,361,981
7.00 - 10.28	1,358,120	5.3		9.30	1,358,120
13.08 - 18.38	7,729,357	8.7		15.19	1,562,915
19.09 - 25.63	242,776	8.6		21.99	42,060
30.75 - 42.97	1,502,589	6.9		40.17	587,459
	12,255,069	7.5		16.50	4,912,535

</TABLE>

The Plan also provides for the grant of deferred shares at no cost to the participants in consideration of services performed. Generally, these deferred shares vest over a three-year period. An accelerated vesting schedule may be triggered in the event of a change in control of the Company. During the nine months ended December 31, 1994, and the years ended December 31, 1995 and 1996, the Company granted deferred shares of 29,000, 77,000, and 1,100,000, respectively. Compensation expense of \$160,000, \$1.7 million and \$4.2 million has been recognized in relation to the deferred share grants for the nine months ended December 31, 1994 and the years ended December 31, 1995 and 1996, respectively.

In connection with the nationwide construction of the Digital Mobile network, the Company entered into a stock performance compensation arrangement covering certain senior managers and granted options covering 578,500 shares of Class A Common Stock with an exercise price of \$16.125. Vesting is based upon completion of the buildout by certain dates; one-third of the options vest immediately upon completion, one-third vest 12 months after completion, and the remainder vest 24 months after completion.

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). This Statement encourages but does not require companies to account for employee stock compensation awards based on their estimated fair value at the grant date with the resulting cost charged to operations. The Company has elected to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. If the Company had elected to recognize compensation expense based on the fair value of the awards granted in 1995 and 1996, consistent with the provisions of SFAS 123, the Company's net loss and net loss per common share would have been increased to the pro forma amounts indicated below:

<TABLE>
 <CAPTION>

	YEAR ENDED DECEMBER 31,	
	1995	1996
	(IN THOUSANDS)	
<S>	<C>	<C>
Net loss		
As reported.....	\$ (331,165)	\$ (556,000)
Pro forma.....	\$ (337,271)	\$ (570,000)

Loss per common share:		
As reported.....	\$ (2.31)	\$ (2)
	-----	-----
Pro forma.....	\$ (2.35)	\$ (2)
	-----	-----
Weighted average fair value of options granted.....	\$ 14.79	\$ 10
	-----	-----

</TABLE>

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The effects of applying SFAS 123 in this pro forma disclosure are not necessarily indicative of the effect on future amounts. SFAS 123 does not apply to awards granted prior to 1995.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

<TABLE>
<CAPTION>

	1995	1996
	-----	-----
<S>	<C>	<C>
Expected stock price volatility.....	55%	55%
Risk-free interest rate.....	5.9% - 7.9%	5.7% - 7%
Expected life of options.....	8 years	8 year
Expected dividend yield.....	0.00%	0.00%

</TABLE>

The Company's stock options are not transferable, and the actual value of the stock options that an employee may realize, if any, will depend on the excess of the market price on the date of exercise over the exercise price. The Company has based its assumption for stock price volatility on the variance of weekly closing prices of the Company's stock from its initial offering date to the present. The risk-free rate of return used equals the yield on ten-year zero-coupon U.S. Treasury issues on the grant date. No discount was applied to the value of the grants for non-transferability or risk of forfeiture.

NOTES RECEIVABLE FROM STOCKHOLDERS -- As of December 31, 1995 and 1996, notes receivable from stockholders of approximately \$1.0 million and \$1.1 million were outstanding. These notes, included in stockholders' equity, represent advances to certain former officers for the exercise of options, are non-interest bearing and are payable on the expiration dates of the option grants.

STOCK APPRECIATION RIGHTS -- On November 1, 1996, MIL adopted a Stock Appreciation Rights Plan, which was effective as of November 1, 1995, whereby selected employees and agents of MIL may be granted rights to share in the future appreciation in the value of MIL. Such rights do not represent an equity interest in MIL, only a right to compensation under the terms of the plan.

MIL retroactively granted 1,160,000 rights under the plan, at an exercise price of \$10.00 per right, on dates ranging from October 1, 1995 to October 28, 1996, with vesting periods of 4 years. Rights under the plan may not be exercised until the employee has vested in 50% of the grants. As of December 31, 1995 and 1996, there were 755,000 and 1,240,000 rights outstanding, respectively. None of those rights were exercisable under the terms of the plan. MIL had no commitment to make payments under the plan at December 31, 1995 and 1996 and no compensation expense had been recognized because there had been no appreciation in the value of the rights from the time of issuance to December 31, 1995 and 1996.

EMPLOYEE STOCK PURCHASE PLAN -- Under the 1996 Employee Stock Purchase Plan ("ESPP"), eligible employees may subscribe to purchase shares of the Company's Class A Common Stock through payroll deductions up to 10% of eligible compensation. The purchase price is the lower of 85% of market value at the beginning or the end of each quarter. The aggregate number of shares purchased by an employee may not exceed \$25,000 of fair market value annually (subject to limitations imposed by Section 42) of the Internal Revenue Code). A total of 5.0 million shares are available for purchase under the plan. The plan will terminate on the tenth anniversary of its adoption. During 1996, 7,360 treasury shares were issued pursuant to the plan at a price per share of \$15.725.

EMPLOYEE BENEFIT PLAN -- The Company has defined contribution plans pursuant to Section 401(k) of the Internal Revenue Code covering all eligible officers and employees. The Company provides a matching contribution of \$.50 for every \$1.00 contributed by the employee up to 4% of each employee's salary. Such contributions were approximately \$287,000, \$997,000 and \$2.0 million for the nine months ended December 31, 1994 and the years ended December 31, 1995 and 1996, respectively. At December 31, 1996, the Company had no other pension or postemployment benefit plans.

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

12. RELATED PARTY TRANSACTIONS

At December 31, 1996, Motorola owned approximately 19% and 100% of the Company's outstanding Class A and Class B Common Stock, respectively.

During the years ended December 31, 1995 and 1996, the Company acquired approximately \$217.2 million and \$490.8 million of infrastructure and other equipment, handsets, warranties, rent and services from Motorola. At December 31, 1995 and 1996, amounts payable to Motorola, classified within accounts payable, accrued expense and other, approximated \$179.4 million and \$61.0 million. Under certain agreements, as amended, the Company is committed to purchase from Motorola a significant amount of system infrastructure equipment through 1999. Motorola is the principal supplier of the Company's Digital Mobile infrastructure equipment and handsets.

On June 28, 1996 the Company completed the acquisition of certain 800 MHz trunked SNR systems, located in Hawaii, from Motorola for approximately \$5.4 million in cash.

On August 23, 1996, the Company through NIC loaned Grupo \$12.0 million. The principal and accrued interest outstanding as of December 31, 1996 was approximately \$3.4 million.

13. SUBSEQUENT EVENTS

On March 27, 1997, Nextel and Motorola reached agreement on terms and conditions pursuant to which Nextel could access up to an additional \$450.0 million of equipment financing through Motorola. In order to access such additional financing, Nextel would be required to procure certain consents, waivers and/or participation commitments from a number of third parties, and to obtain modifications to the terms of the Bank and Vendor Credit Facilities, the related security documents and the Nextel indentures and to satisfy certain other conditions.

14. QUARTERLY FINANCIAL DATA (UNAUDITED)

<TABLE>
<CAPTION>

	FIRST	SECOND	THIRD
	(IN THOUSANDS, EXCEPT PER SHARE A		
<S>	<C>	<C>	<C>
1996			
Revenues.....	\$ 68,318	\$ 77,619	\$ 91,040
Operating loss.....	(146,944)	(160,420)	(159,638)
Net loss.....	(118,718)	(130,028)	(148,883)
Net loss per common share.....	(0.56)	(0.58)	(0.66)
1995			
Revenues.....	\$ 29,501	\$ 30,177	\$ 51,074
Operating loss.....	(70,139)	(73,223)	(133,440)
Net loss.....	(53,199)	(56,982)	(102,134)
Net loss per common share.....	(0.50)	(0.53)	(0.61)

</TABLE>

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NEXTEL COMMUNICATIONS, INC.
(PARENT ONLY)

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT
CONDENSED BALANCE SHEETS
AS OF DECEMBER 31, 1995 AND 1996
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	1995
<S>	<C>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents.....	\$ 204,048
Marketable securities.....	64,685
Accounts receivable.....	311
Other.....	151
Total current assets.....	269,195
PROPERTY, PLANT AND EQUIPMENT, net.....	1,602
INTANGIBLE ASSETS, net.....	587
DEFERRED INCOME TAXES.....	32,263
INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES.....	4,063,337
OTHER ASSETS.....	65,676
	\$4,432,660

LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Accounts payable, accrued expenses and other.....	\$ 35,039
Current portion of long-term debt.....	517
Total current liabilities.....	35,556
LONG-TERM DEBT	1,451,963
COMMITMENTS AND CONTINGENCIES (NOTE 1)	
STOCKHOLDERS' EQUITY	2,945,141
	\$4,432,660

</TABLE>

The accompanying notes are an integral part of these condensed financial statements.

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NEXTEL COMMUNICATIONS, INC.
(PARENT ONLY)

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT -- (CONTINUED)

CONDENSED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED DECEMBER 31, 1994
AND THE YEARS ENDED DECEMBER 31, 1995 AND 1996
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	1994	1995
<S>	<C>	<C>
OPERATING EXPENSES		
Selling, general and administrative.....	\$ 11,846	\$ 28,293
Expenses related to corporate reorganization.....	--	6,379
Depreciation and amortization.....	2,053	1,770
	13,899	36,442
OTHER INCOME (EXPENSE)		
Interest expense.....	(80,465)	(116,034)
Interest income (\$43,219, \$96,485 and \$131,997 intercompany).....	60,626	113,501
Intercompany management fee.....	14,811	23,413
Other.....	20	(30)
	(5,008)	20,850
LOSS BEFORE INCOME TAX BENEFIT AND EQUITY IN NET LOSSES OF SUBSIDIARIES	(18,907)	(15,592)
INCOME TAX BENEFIT	7,000	46,232
INCOME (LOSS) BEFORE EQUITY IN NET LOSSES OF SUBSIDIARIES	(11,907)	30,640
EQUITY IN NET LOSSES OF SUBSIDIARIES	(113,942)	(361,805)
NET LOSS	\$(125,849)	\$(331,165)

</TABLE>

The accompanying notes are an integral part of these condensed financial statements.

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NEXTEL COMMUNICATIONS, INC.
(PARENT ONLY)

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT -- (CONTINUED)

CONDENSED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED DECEMBER 31, 1994
AND THE YEARS ENDED DECEMBER 31, 1995 AND 1996
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	1994	1995
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss.....	\$(125,849)	\$(331,165)
Adjustment to reconcile net loss to net cash provided by (used in) operating activities.....	150,885	334,021

Net cash provided by (used in) operating activities.....	25,036	2,854
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in and advances to subsidiaries.....	(622,928)	(335,399)
(Increase) decrease in other assets.....	(6,246)	(4,495)
Payments for acquisitions, net of cash acquired.....	(13,011)	(48,577)
Capital expenditures.....	(4,968)	1925
Decrease in marketable securities.....	257,576	102,616
Net cash (used in) provided by investing activities.....	(389,577)	(286,780)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt financing activities -- other.....	(768)	(611)
Common stock issued.....	74,685	16,112
Preferred stock issued.....	--	300,000
Treasury stock issued.....	--	--
Notes receivable -- incentive equity plan.....	14	227
Net cash provided by financing activities.....	73,931	315,728
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS.....	(290,610)	31,804
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD.....	462,854	172,244
CASH AND CASH EQUIVALENTS, END OF PERIOD.....	\$ 172,244	\$ 204,048

</TABLE>

The accompanying notes are an integral part of these condensed financial statements.

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NEXTEL COMMUNICATIONS, INC.
(PARENT ONLY)

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT -- (CONTINUED)

NOTES TO CONDENSED FINANCIAL STATEMENTS

- For accounting policies and other information, see the Notes to the Consolidated Financial Statements of Nextel Communications, Inc and Subsidiaries, included elsewhere herein.
- The parent company accounts for its investments in subsidiaries by the equity method of accounting.
- The parent company income tax benefit represents the difference between taxes computed on a consolidated basis and taxes calculated by the subsidiaries on a separate return basis.
- Certain net assets and related operations of the parent company were contributed to a wholly-owned subsidiary. The accompanying condensed financial statements for 1994 and 1995 have been reclassified as a result of these contributions.
- The parent company has an agreement with each of its wholly-owned subsidiaries whereby the parent company provides administrative services for each of its subsidiaries and charges the subsidiaries a fee equal to the actual costs incurred in performing these administrative services. The fees charged to the subsidiaries for the performance of administrative services totaled approximately \$14.8 million, \$23.4 million and \$80.6 million for the nine months ended December 31, 1994 and the years ended December 31, 1995 and 1996, respectively.

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NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)<TABLE>
<CAPTION>

	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS (1)
	-----	-----	-----
<S>	<C>	<C>	<C>
Nine Months Ended December 31, 1994			
Allowance for Doubtful Accounts.....	\$ 642	\$1,139	\$ 377
	-----	-----	-----
Year Ended December 31, 1995			
Allowance for Doubtful Accounts.....	\$1,823	\$1,936	\$2,538
	-----	-----	-----
Year Ended December 31, 1996			
Allowance for Doubtful Accounts.....	\$5,232	\$2,768	\$2,477

</TABLE>

(1) Allowances of acquired companies.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required herein regarding directors is incorporated herein by reference from the definitive Proxy Statement for Nextel's 1997 Annual Meeting, which is scheduled to be filed on or before April 29, 1997, under the caption "Election of Directors." The information required herein regarding executive officers required is set forth in Part I hereof under the heading "Executive Officers of the Registrant," which information is incorporated herein by reference. The information required herein regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") by the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities is incorporated herein by reference from the definitive Proxy Statement for Nextel's 1997 Annual Meeting, which is scheduled to be filed on or before April 29, 1997, under the caption "Compliance with Section 16(a) of the Securities Exchange Act of 1934 by Company Officers, Directors and 10% Stockholders."

ITEM 11. EXECUTIVE COMPENSATION

The information required herein regarding compensation of executive officers and directors is incorporated herein by reference from the definitive Proxy Statement for Nextel's 1997 Annual Meeting, which is scheduled to be filed on or before April 29, 1997, under the captions "Executive Compensation" And "Election of Directors -- Compensation of Directors."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required herein is incorporated herein by reference from the definitive Proxy Statement for Nextel's 1997 Annual Meeting, which is scheduled to be filed on or before April 29, 1997, under the caption "Securities Ownership of Management and Certain Beneficial Owners."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required herein is incorporated herein by reference from the definitive Proxy Statement for Nextel's 1997 Annual Meeting, which is scheduled to be filed on or before April 29, 1997, under the caption "Certain Relationships and Related Transactions."

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 10-K

(a) (1) The following Financial Statements are included in Part II Item 8:

<TABLE>
<CAPTION>

<S>	Independent Auditors' Report.....
	Consolidated Balance Sheets, December 31, 1995 and 1996.....
	Consolidated Statements of Operations, Nine Months Ended December 31, 1994 and Years Ended December 31, 1995 and 1996.....
	Consolidated Statements of Changes in Stockholders' Equity, Nine Months Ende December 31, 1994 and Years Ended December 31, 1995 and 1996.....
	Consolidated Statements of Cash Flows, Nine Months Ended December 31, 1994 and Years Ended December 31, 1995 and 1996.....
	Notes to Consolidated Financial Statements.....

</TABLE>

(2) Financial Statement Schedules are submitted herewith and are included herein in 14(d):

<TABLE>

<S>	Schedule I.....
	Schedule II.....

</TABLE>

(3) List of Exhibits -- Refer to Exhibit Index on pages 54-59, which is incorporated herein by reference.

(b) Reports on Form 8-K:

(1) The Registrant filed a Current Report on Form 8-K dated September 30, 1996 and filed with the Commission on October 1, 1996 reporting under Item 5 the execution of the Bank and Vendor Credit Facility.

(2) The Registrant filed a Current Report on Form 8-K dated and filed with the Commission on October 3, 1996 reporting under Item 5 thereof the execution of an agreement of merger and plan of reorganization dated October 2, 1996 between the Company and PCI providing for the merger of PCI with a wholly owned subsidiary of the Company.

(3) The Registrant filed a Current Report on Form 8-K dated and filed with the Commission on November 4, 1996 reporting under Item 5 thereof the execution of an agreement and plan of merger between the Company and WVB providing for the merger of WVB with a wholly owned subsidiary of the Company.

(4) The Registrant filed a Current Report on Form 8-K dated November 22, 1996 and filed with the Commission on November 26, 1996 reporting under Item 5 thereof the execution of an amendment to the Registration Agreement dated as of August 23, 1996 and filed as an Exhibit to the Company's Registration on Form S-3 (File No. 333-11733).

(c) Exhibits listed above in Item 14(a)(3) are included herein.

(d) Financial Statement Schedules listed above in Item 14(a)(2) are incorporated herein by reference herein.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of McLean, Commonwealth of Virginia.

NEXTEL COMMUNICATIONS, INC.

By: /s/ STEVEN M. SHINDLER

March 31, 1997

Steven M. Shindler
Senior Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1934, this report has been signed by the following persons in the capacities indicated below.

<TABLE>
<CAPTION>

SIGNATURE	TITLE
<C> /s/ DANIEL F. AKERSON Daniel F. Akerson	<S> Chairman of the Board, Chief Executive Officer (Principal Executive Officer)
/s/ TIMOTHY M. DONAHUE Timothy M. Donahue	President and Chief Operating Officer
/s/ STEVEN M. SHINDLER Steven M. Shindler	Senior Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ STEPHEN M. BAILOR Stephen M. Bailor	Vice President and Corporate Controller (Principal Accounting Officer)
/s/ MORGAN E. O'BRIEN Morgan E. O'Brien	Vice Chairman of the Board and Director
/s/ KEITH BANE Keith Bane	Director
Robert Cooper	Director
/s/ CRAIG O. MCCAW Craig O. McCaw	Director
/s/ KEISUKE NAKASAKI Keisuke Nakasaki	Director

/s/	MASAAKI TORIMOTO	Director

	Masaaki Torimoto	
/s/	DENNIS M. WEIBLING	Director

	Dennis M. Weibling	
/s/	WILLIAM E. CONWAY	Director

	William E. Conway	

</TABLE>

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EXHIBIT INDEX

<TABLE>
<CAPTION>
EXHIBIT
NUMBER

EXHIBIT DESCRIPTION

<C>	<S>
2.1	Amended and Restated Agreement of Merger and Plan Reorganization by and Nextel Finance Company, DCCI Merger Inc. and Pittencrieff Communications dated as of December 3, 1996.
3.1	Restated Certificate of Incorporation of Nextel (filed on July 31, 1995 Exhibits No. 4.1.1 and 4.1.2 to Nextel's Post-Effective Amendment No. 1 S-8 to Registration Statement No. 33-91716 on Form S-4 (the "Nextel S-8 Registration Statement") and incorporated herein by reference).
3.2	Amended and Restated By-Laws of Nextel (filed on July 31, 1995 as Exhibit to the Nextel S-8 Registration Statement and incorporated herein by refe
4.1	Restated Certificate of Incorporation of Nextel (see Exhibit No. 3.1 abo
4.2	Amended and Restated By-Laws of Nextel (see Exhibit No. 3.2 above).
4.3	Indenture between Old Nextel and The Bank of New York, as Trustee, dated 15, 1993 (the "August Indenture") (filed on December 23, 1993 as Exhibit to Old Nextel's Registration Statement No. 33-73388 on Form S-4 (the "Po S-4") and incorporated herein by reference).
4.4	Form of Note issued pursuant to the August Indenture (included in Exhibi 4.3).
4.5	Indenture between Old Nextel and the Bank of New York, as Trustee, dated February 15, 1994 (the "February Indenture") (filed on March 1, 1994 as No. 4.1 to Old Nextel's Current Report on Form 8-K dated February 16, 19 incorporated herein by reference).
4.6	Form of Note issued pursuant to the February Indenture (included in Exhi 4.5).
4.7	Supplemental Indenture dated as of June 30, 1995 to the August Indenture Old Nextel and The Bank of New York (filed on November 14, 1995 as Exhib Nextel's Quarterly Report on Form 10-Q for the quarter ended September 3 and incorporated herein by reference).
4.8	Supplemental Indenture dated as of June 30, 1995 to the February Indentu Old Nextel and The Bank of New York (filed on November 14, 1995 as Exhib Nextel's Quarterly Report on Form 10-Q for the quarter ended September 3 and incorporated herein by reference).
4.9	Second Supplemental Indenture dated as of July 28, 1995 between ESMR, In known as Nextel), as Successor by Merger to Old Nextel and The Bank of N (relating to the August Indenture) (filed on November 14, 1995 as Exhibi Nextel's Quarterly Report on Form 10-Q for the quarter ended September 3 and incorporated herein by reference).
4.10	Second Supplemental Indenture dated as of July 28, 1995 between ESMR, In known as Nextel), as Successor by Merger to Old Nextel and The Bank of N (relating to the February Indenture) (filed on November 14, 1995 as Exhi Nextel's Quarterly Report on Form 10-Q for the quarter ended September 3 and incorporated herein by reference).
4.11	Indenture for Senior Redeemable Discount Notes due 2004, dated as of Jan 1994, between OneComm (formerly called CenCall Communications Corp.) and of New York (the "OneComm Indenture") (filed on June 7, 1995 as Exhibit to Old Nextel's Registration Statement No. 33-91182 on Form S-4 (the "On Registration Statement") and incorporated herein by reference).
4.12	Form of Note issued pursuant to the OneComm Indenture (included in Exhib

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4.13	Supplemental Indenture dated as of June 30, 1995 to the OneComm Indentur OneComm (formerly called CenCall Communications Corp.) and The Bank of N (filed on November 14, 1995 as Exhibit 10.12 to Nextel's Quarterly Repor 10-Q for the quarter ended September 30, 1995 and incorporated herein by reference).
4.14	Second Supplemental Indenture dated as of July 28, 1995 between Nextel (known as ESMR, Inc.), as successor to OneComm, and The Bank of New York